City of Kingsport
Tennessee
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015

City of Kingsport, Tennessee
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2015

Prepared By

The Finance Department

James H. Demming, City Recorder

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

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December 30, 2015

To the Honorable Mayor, Members of the Board of Mayor and Aldermen, and Citizens of the City of Kingsport, Tennessee:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Kingsport for the fiscal year ended June 30, 2015.

This report consists of management's representations concerning the finances of the City of Kingsport. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Kingsport has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Kingsport's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Kingsport's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Brown, Edwards & Company, L.L.P., a firm of licensed certified public accountants, have issued an unmodified ("clean") opinion on the City of Kingsport's financial statements for the fiscal year ended June 30, 2015. The independent auditors' report is located at the front of the financial section of this report.

The independent audit of the financial statements of the City of Kingsport was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the compliance report section of this CAFR.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Kingsport's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Kingsport was incorporated in 1917 and operates under a council-manager form of government. It is located in the northeast part of the state. The City currently occupies a land area of approximately 53 square miles and serves a population of 53,028. The City is authorized by state statutes to levy a property tax on both real and personal properties located within its boundaries. It is also able to extend its corporate limits by annexation; however, recent changes by the state legislature are expected to significantly slow annexation initiatives. Kingsport has a long track record of planning,

budgeting and providing services to newly-annexed properties within the committed time frame. In the past 10 years, the City of Kingsport has invested $50,000,000 to provide services to annexed areas. Current commitments will be completely fulfilled within 5 years, freeing-up capital to meet other needs within the existing city limits.

The City of Kingsport has operated under the council-manager form of government since 1917. Policy-making and legislative authority are vested in the Board of Mayor and Aldermen (BMA) consisting of the mayor and six other members. The BMA is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees, and hiring the City Manager. The City's Manager is responsible for carrying out the policies and ordinances of the BMA, for overseeing the day-to-day operations of the City and for appointing the heads of various departments. The BMA is elected on a non-partisan basis. Board members serve four-year staggered terms, with an election every two years. The Mayor is elected to serve a two-year term. The City Manager serves at the pleasure of the Board.

The City of Kingsport provides a full range of services, including police, fire and rescue, elementary and secondary education, street construction and maintenance, planning and zoning, parks and recreation, cultural events, public transportation and general administrative services. In addition, water and sewer service, storm water management, solid waste collection, aquatic center, convention center and golf course are provided under an Enterprise Fund concept with user charges established by the BMA to ensure adequate coverage of operating expenses and payments on outstanding debt. Vehicle maintenance and replacement and self-insurance activities are provided through Internal Service Funds. The City of Kingsport provides water and sewer service and solid waste collection service outside the city limits.

The City is financially accountable for two legally separate organizations; the Industrial Development Board of Kingsport and the Emergency Communications District of Kingsport. Both of these organizations are reported separately within the City's financial statements. Additional information on these legally separate entities can be found in the notes to the financial statements (*see note 1.B*).

The annual budget serves as the foundation for the City of Kingsport's financial planning and control. All departments of the City of Kingsport are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the BMA for review by May 15th. The BMA is required to hold two public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Kingsport's fiscal year. The appropriation budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department and between departments within any fund. Transfers of appropriations between funds, however, require the approval of the BMA. Budget-to-actual comparisons are provided in this report. The general fund comparison is presented on *pages 33 through 35* as part of the basic financial statements for the City's funds.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Kingsport operates.

Local Economy Kingsport is the largest City in the Kingsport - Bristol, TN – Bristol, VA Metropolitan Statistical Area which has a population of 308,079.

Kingsport is a regional retail center for Northeast Tennessee, Southwest Virginia, and Southeast Kentucky. In 2014, retail sales totaled $1.587 billion, up from $1.407 billion in 2007. Retail incentives initiated in 2005 and 2007 are now paid in full.

The Metropolitan Statistical Area (MSA) including Kingsport/Bristol TN/VA rounds out the top five U.S. Metropolitan Export areas in the country in terms of export growth according to a report released in June 2015. The MSA exported goods worth $5.6 billion, a $1.5 billion increase or 37.4% increase over 2012's total of $4.1 billion. According to the International Trade Administration of the U.S. Department of Commerce, the Kingsport Bristol MSA is now the 50th largest exporting area in the country, with more than 218 companies exporting from the MSA in 2013.

Unemployment continued to decline with the July 2015 Kingsport unemployment rate down to 5.9%. Compared to the prerecession benchmark, Kingsport employment is up 1,500 jobs.

Eastman's Project Inspire continued with the construction of a 300,000 square feet corporate business center building. The business center building permit was the largest single building permit in City history, posted at $74.3 million.

In addition to the new corporate business center, Eastman also pulled three additional building permits totaling $1.89 million for new industrial capacity. Eastman Chemical Company will be adding approximately 300 direct new employees over the next few years, as many as 1,000 contractors and several hundred temporary construction jobs under the $1.6 billion expansion effort set to run through 2020.

In early September 2014, Eastman announced that it had entered into a definitive agreement with Taminco Corporation under which Eastman will acquire Taminco, a global specialty chemical company. The total value of the transaction is about $2.8 billion. The acquisition of Taminco strengthens Eastman's presence in attractive niche markets such as food, feed, and agriculture. This acquisition follows the recent purchases of Solutia and BP's specialty aviation fluids business.

In March 2015, Canadian based Pure Foods, Inc. announced its plan to move their U.S. headquarters to Kingsport, TN. This includes a $22 million investment in a new manufacturing facility and the creation of 273 new jobs. Pure Foods, Inc., - a maker of gluten-free snack foods - plans to establish its U.S. headquarters in an existing 83,000 square foot building in the Gateway Commerce Park off Interstate 26.

Kingsport issued 1,190 residential permits and 177 commercial building permits for a combined value of $82.34 million in fiscal year 2015. Residential development grew in value of construction by about 19.0% in fiscal year 2015. There were 86 new single family housing starts valued at $17.54 million. Total new construction residential value for 2015 was up by approximately $3.1 million. Average construction cost was also up to around $240,421 per unit.

Kingsport's economic stability, sound budgeting and solid financial practices were recognized in 2015 with Standard & Poor's reaffirming its AA bond rating for the City, while Moody's Investors Services reaffirming an equivalent Aa2 rating.

Long-term Financial Planning As a part of the City's annual budget process, the BMA re-evaluates the adopted multi-year Capital Improvement Plan (CIP) for utility, general government and school related activities to address needed improvements to existing City facilities, roads and infrastructure. The CIP currently includes plans for several significant projects scheduled over the next few years. These include improvements to the City's Library, Parks and Recreational facilities ($9M), improvements to local roads and bridges ($16M), improvements to General Government and Educational facilities ($8M), improvements to the Water System ($18M), and improvements and expansion of the Wastewater System ($31M). While the CIP generally looks out over a 5 year period, the plan for the water and sewer utility systems encompass a 10 year period. These projects will be funded mostly by the issuance of new debt. Even with this significant amount of new debt, the total outstanding debt is expected to be within the parameters of the adopted debt limits as specified in the BMA's debt management policy.

The City of Kingsport has adopted a comprehensive set of financial policies to guide its operations. One of the primary policies that has given the City the flexibility to address cash flow and emergency needs and to take advantage of significant grant opportunities that have matching requirements, is the adoption of a General Fund Unassigned minimum balance policy of 15% of General Fund expenditures, with a further restriction that the City will not fund any recurring operating expenditures with the use of one-time revenues. Funding for the water and sewer CIP consists of gradual annual rate increases and savings realized from declining annual debt service expenditures. This strategy is utilized to provide an annual funding source for non-major capital expenditures and to reserve issuance of new debt obligations for large major capital projects.

Major Initiatives

The recent ONEKingsport Mayor's Summit resulted in 7 major categories for future initiatives: jobs/entrepreneurship, higher education innovation, downtown revitalization, arts/entertainment, destination city investments, housing, and health/wellness. Work has just begun, but exciting outcomes are anticipated.

Downtown Kingsport continues to be an area of focus with $73.5 million of new taxable investment since 1999.

The latest enrollment figures at the downtown Academic Village now stands at 2,800 students, with seven public and private colleges and universities offering course work at 155,000 square feet of dedicated higher education space.

The "Move to Kingsport" program has also continued to generate returns. Each newcomer to Kingsport is estimated to generate $25,000 in annual economic activity. Since 2006, Kingsport has attracted 4,114 new families from 50 states. Netting 580 new families after discounting for those who moved away, these new families created an estimated annual sales impact of $33.35 million.

Another major initiative, the Kingsport Aquatic Center had approximately 190,000 visitors during FY 2015. The Aquatic Center is designed to meet the community's immediate needs as well as serve as a new tourism generator for the region. The Aquatic Center is the only facility within a 120 mile radius featuring three indoor pools, including a 50 meter lap pool, and an outdoor waterpark. The project is collocated with a YMCA fitness facility.

The lack of new, market rate multi-family housing for young professionals continues to be of paramount importance. In September 2015, the Board of Mayor and Aldermen approved two redevelopment plans and tax increment financing incentives (TIF) for new apartment complexes, the Riverbend Villas and the Overlook at Indian Trail. The Riverbend Villas project will include 265 units with an estimated construction cost of $20.4 million. The project is located adjoining a future municipal park with more than 26 acres of riverfront access.

The Overlook at Indian Trail project will include 168 units in a mix of one, two, and three bedroom units. Amenities will also include garages, clubhouse and pool facilities. The estimated construction cost is $17.6 million. Two additional complexes are also in the planning stages.

Awards and Acknowledgements

Awards The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsport for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. This was the 15th consecutive year that the City of Kingsport has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2014. The annual budget document dated July 1, 2015 has been submitted to the GFOA for review and it is anticipated that it will also receive this award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgment The preparation of this CAFR could not have been accomplished without the efforts and dedication of the staff of the Department of Finance. We would like to express our appreciation to all staff members and other personnel from various departments, agencies, and authorities that assisted in its preparation, especially Comptroller Lisa Winkle for all of the hard work and numerous hours she put in to ensure the timely completion of this report. We would also like to thank the Board of Mayor and Aldermen for their guidance and support.

Respectfully submitted,

Tilden J. Fleming
City Manager

James H. Demming
City Recorder/CFO

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kingsport

Tennessee

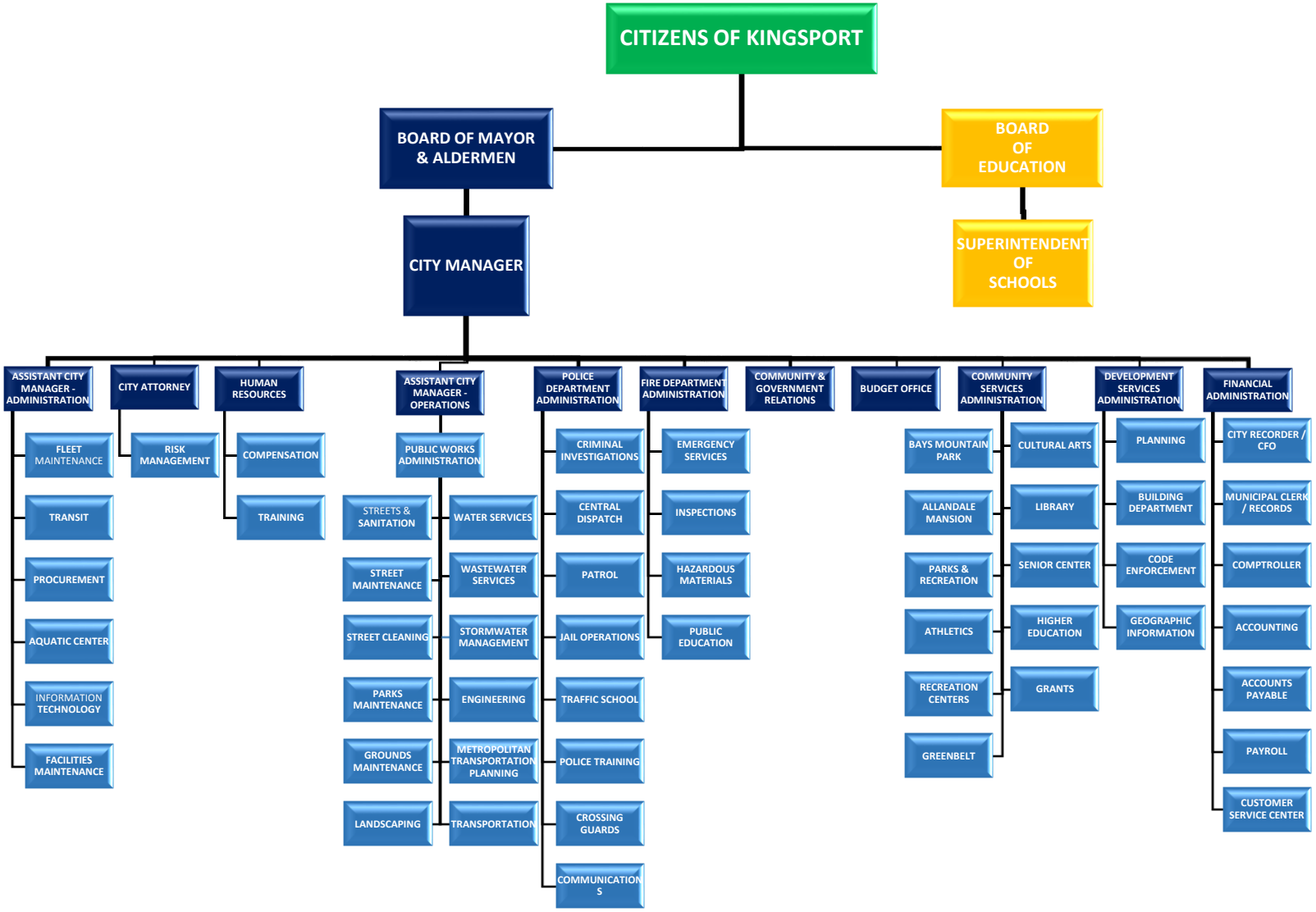
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

KINGSPORT
TENNESSEE

Organizational Chart



CITY OF KINGSPORT, TENNESSEE

HISTORY AND ORGANIZATION

The City of Kingsport incorporated in 1917 and has operated under the Council-Manager form of government since that time. The Board of Mayor and Aldermen was expanded from five to seven members through a Charter amendment effective May 15, 1973. On the third Tuesday in May of each odd numbered year three members are elected by the qualified voters of the City for a four-year term and the mayor is elected for a two-year term beginning at the first regular meeting of the Board in July following the election. The Board appoints a City Manager who is responsible for the administration of the City according to the Charter and Ordinances in effect. The City Manager appoints various department heads, officials, and employees to operate the City except for the Education Department. The Board of Education, consisting of five members with two or three elected by the qualified voters of the City each odd number year, is responsible for the hiring of a Director of Schools and other personnel, formulating policies and operating the school system within the framework of State statutes and the City Charter and Code.

Pay scales for employees and officials of all departments are approved by the Board of Mayor and Aldermen, and all appropriations of funds are made by the Board.

CITY OF KINGSPORT, TENNESSEE

PRINCIPAL OFFICIALS

AS OF

June 30, 2015

BOARD OF MAYOR AND ALDERMEN

Dennis R. Phillips	Mayor
Mike McIntire	Vice-Mayor
John Clark	Alderman
Colette George	Alderman
Andy Hall	Alderman
Tom C. Parham	Alderman
Tom Segelhorst	Alderman

CHARTER OFFICERS

T. Jeffrey Fleming	City Manager
James H. Demming	City Recorder/Chief Financial Officer
J. Michael Billingsley	City Attorney
David A. Quillin	Police Chief
William K. Rogers	City Judge
Dr. Lyle C. Ailshie	Superintendent of Schools

DEPARTMENT HEADS

Christopher W. McCartt	Assistant City Manager Administration
Ryan O. McReynolds	Assistant City Manager Operations
Craig T. Dye	Fire Chief
Judy A. Smith	Budget Officer

CITY OF KINGSPORT, TENNESSEE

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2015

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Kingsport, Tennessee
Kingsport, Tennessee 37660

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingsport, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Emergency Communications District (the ECD), which represents 18 percent, 44 percent, and 3 percent, respectively, of the assets, net positions, and revenues of the aggregate discretely presented component units.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Emergency Communications District (the ECD), which represents 18 percent, 44 percent, and 3 percent, respectively, of the assets, net positions, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the ECD, is based solely on the report of the other auditors. We conducted our audit 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 requirements prescribed by the Comptroller of the Treasury, State of Tennessee. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Auditor's Responsibility (Continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingsport, Tennessee, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 5J to the financial statements, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, as amended by GASB Statement No 71*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other required supplementary information, as listed in the Table of Contents, and the budgetary comparison information for the Debt Service Fund on pages 12 through 24, pages 160 through 164, and page 165 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kingsport, Tennessee's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, statistical section, and supplemental information, including the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The combining and individual non-major fund financial statements and schedules, and supplemental information, including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual non-major fund financial statements and schedules, and supplemental information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, on our consideration of the City of Kingsport, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kingsport, Tennessee's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
December 30, 2015

A. MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kingsport (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 4 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $367,794 (net position).
- The City's total net position decreased by $48,666. Of this decrease $38,398 can be attributed to implementation of GASB 68 regarding accrual of pension liabilities and deferrals. Another $4,983 can be attributed to accruing OPEB liabilities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $39,270, an increase of $3,953. The increase primarily relates to new bond proceeds reported in capital projects. Approximately 32% of this total fund balance, $12,736, is unassigned and therefore available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $12,736 or approximately 17% of total general fund expenditures including transfers out.
- The City's total gross debt increased by $6,660 (3%) during the current fiscal year. The increase is the result of new bonds issued in October 2014. The City issued $15,605 General Obligation Bonds, Series 2014A and $9,300 General Obligation Bond Public Improvement Bonds, Series 2014B.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements 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.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the assets plus deferred outflows of resources less liabilities and deferred inflows of resources 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.

The statement of activities presents information showing how the City'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 or earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, 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, highway transportation planning, economic and physical development, culture and recreation, and education. The business-type activities of the City include water, sewer, solid waste, storm water management, aquatic center, conference center and golf course. The government-wide financial statements can be found on pages 25 and 26 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 of 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 city-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 City's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-three (23) individual governmental funds. Nineteen (19) of these governmental funds are classified as nonmajor and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the general purpose school fund, the capital project fund, the debt service fund and nonmajor governmental funds, all of which are combined into a single, aggregated presentation. Individual fund data for nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 27-37 of this report.

The City adopts an annual appropriation budget for its general and other major special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

Proprietary funds

The City maintains thirteen (13) different types of proprietary funds, including enterprise and internal service funds. Enterprise funds are 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, sewer, solid waste management, storm water management, aquatic center, convention center and golf course activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for vehicle maintenance and replacement and self-insurance activities. During 2015 the Kingsport City Schools became self-insured for employees and retirees which resulted in two new internal service funds. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the water, sewer, aquatic center, and convention center activities, which are considered to be major funds of the City. In addition the proprietary fund financial statements include a column for other enterprise funds. This column presents the information for the City's solid waste management, storm water management, and golf course activities. Individual fund data for these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 38-42 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 43-159 of this report.

Other information

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 170-201 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceed liabilities by $367,794 at the close of the most recent fiscal year.

By far the largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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 Kingsport's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	$ 115,484	$ 113,979	$ 39,554	$ 34,892	$ 155,038	$ 148,871
Capital Assets	331,078	330,927	274,913	281,191	605,991	612,118
Total Assets	446,562	444,906	314,467	316,083	761,029	760,989
Total Deferred Outflows of Resources	11,004	1,535	1,333	538	12,337	2,073
Long-term Liabilities Outstanding	183,945	150,566	120,110	115,889	304,055	266,455
Other Liabilities	18,583	21,609	3,855	4,546	22,438	26,155
Total Liabilities	202,528	172,175	123,965	120,435	326,493	292,610
Total Deferred Inflows of Resources	76,935	53,992	2,144	0	79,079	53,992
Net Position:						
Net Investment in Capital Assets	220,670	229,485	183,084	183,789	403,754	413,274
Restricted	216	248	406	470	622	718
Unrestricted	(42,783)	(9,459)	6,201	11,927	(36,582)	2,468
Total Net Position	$ 178,103	$ 220,274	$ 189,691	$ 196,186	$ 367,794	$ 416,460

A portion of the City's net position, $622 (less than 1%) represents resources that are subject to external restrictions on how they may be used.

During the current fiscal year, the government's net position decreased by $48,666. Net position for governmental activities decreased by $42,171 while net position for business-type activities decreased by $6,495.

The $42,171 current year decrease in net position for governmental activities was primarily a result of implementation of GASB 68 which recorded net pension liabilities and deferrals of $33,673. The recording the annual OPEB liability of $4,775 in accordance with GASB 45, as well as recording $13,809 in depreciation expense on general fixed assets in accordance with GASB 34 also contributed to the current year decrease in governmental net assets.

The primary reason for the decrease in net position in the business-type activities is due to the implementation of GASB 68 which recorded net pension liabilities and deferrals of $4,725 in the City’s enterprise funds.

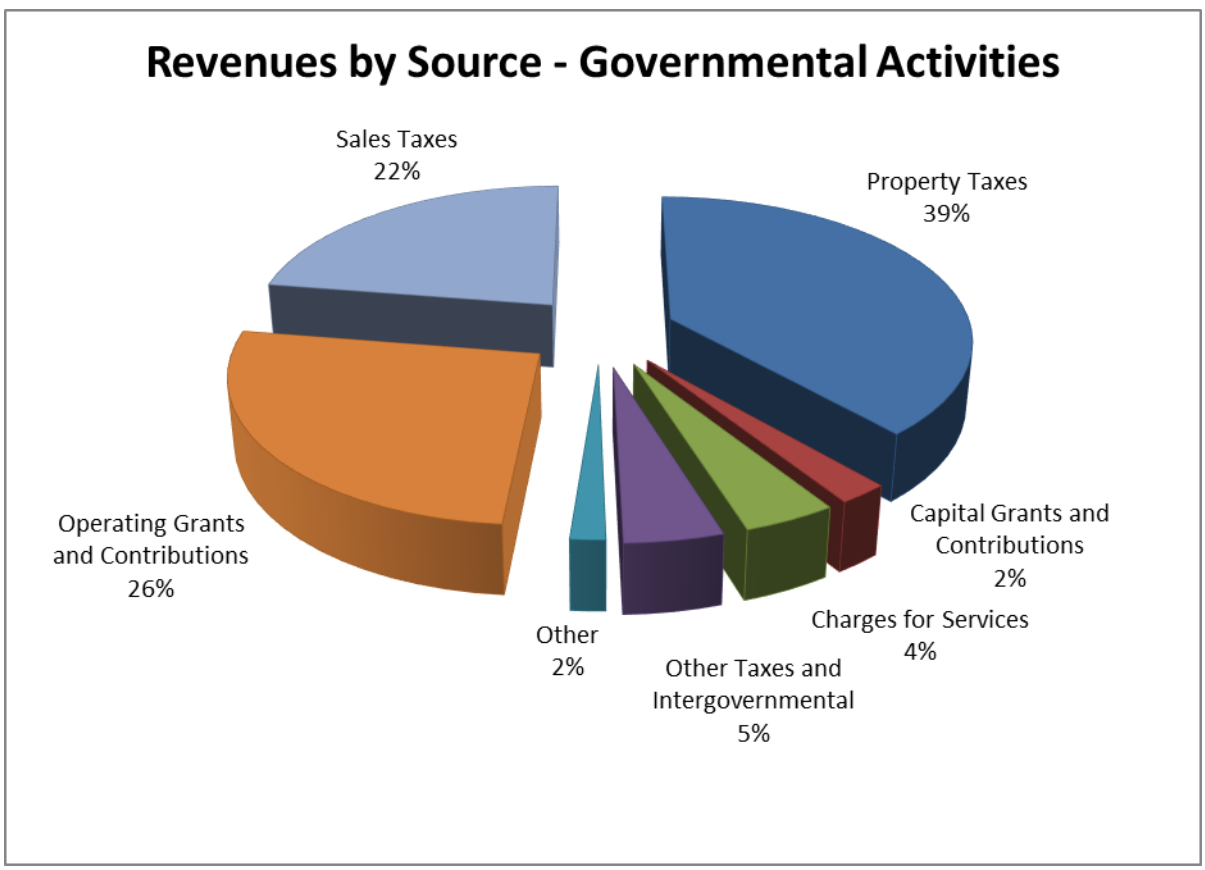
The following is a summary of activities for the City during the fiscal year ended June 30, 2015:

City of Kingsport's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	$ 6,207	$ 5,923	$ 31,819	$ 31,164	$ 38,026	$ 37,087
Operating Grants and Contributions	38,082	38,620	181	185	38,263	38,805
Capital Grants and Contributions	3,352	2,044	869	1,034	4,221	3,078
General Revenues						
Property Taxes	55,935	52,678	0	0	55,935	52,678
Sales Taxes	32,690	30,753	0	0	32,690	30,753
Other Taxes and Intergovernmental	6,596	6,145	0	0	6,596	6,145
Unrestricted Investment Earnings	158	178	77	75	235	253
Grants and Contributions Not Restricted to Specific Programs	1,126	1,152	0	0	1,126	1,152
Other	1,048	903	0	0	1,048	903
Total Revenues	145,194	138,396	32,946	32,458	178,140	170,854
Expenses:						
General Government	10,576	9,343	0	0	10,576	9,343
Public Safety	21,216	21,804	0	0	21,216	21,804
Public Works	14,606	13,921	0	0	14,606	13,921
Highway Transportation Planning	5,319	4,876	0	0	5,319	4,876
Economic and Physical Development	4,358	4,648	0	0	4,358	4,648
Culture and Recreation	7,348	7,309	0	0	7,348	7,309
Education	74,368	77,125	0	0	74,368	77,125
Interest on Long-term Debt	4,190	4,121	0	0	4,190	4,121
Water	0	0	10,690	10,849	10,690	10,849
Sewer	0	0	11,281	8,912	11,281	8,912
Solid Waste Management	0	0	4,250	4,379	4,250	4,379
Storm Water Management	0	0	1,347	1,230	1,347	1,230
Aquatic Center	0	0	3,058	3,221	3,058	3,221
MeadowView Conference Resort and Convention Center	0	0	2,945	2,954	2,945	2,954
Cattails at MeadowView Golf Course	0	0	1,288	1,336	1,288	1,336
Total Expenses	141,981	143,147	34,859	32,881	176,840	176,028
Increase (Decrease) in Net Position before Transfers	3,213	(4,751)	(1,913)	(423)	1,300	(5,174)
Transfers	(4,539)	(4,331)	4,539	4,331	0	0
Change in Net Position	(1,326)	(9,082)	2,626	3,908	1,300	(5,174)
Net Position, beginning of period	220,274	230,744	196,186	193,690	416,460	424,434
Implementation of GASB 68	(39,211)	0	(5,182)	0	(44,393)	0
Corrections Related to Closing Projects	(1,634)	0	(3,939)	0	(5,573)	0
Implementation of GASB 65	0	(1,388)	0	(1,412)	0	(2,800)
Net Position, end of period	$ 178,103	$ 220,274	$ 189,691	$ 196,186	$ 367,794	$ 416,460

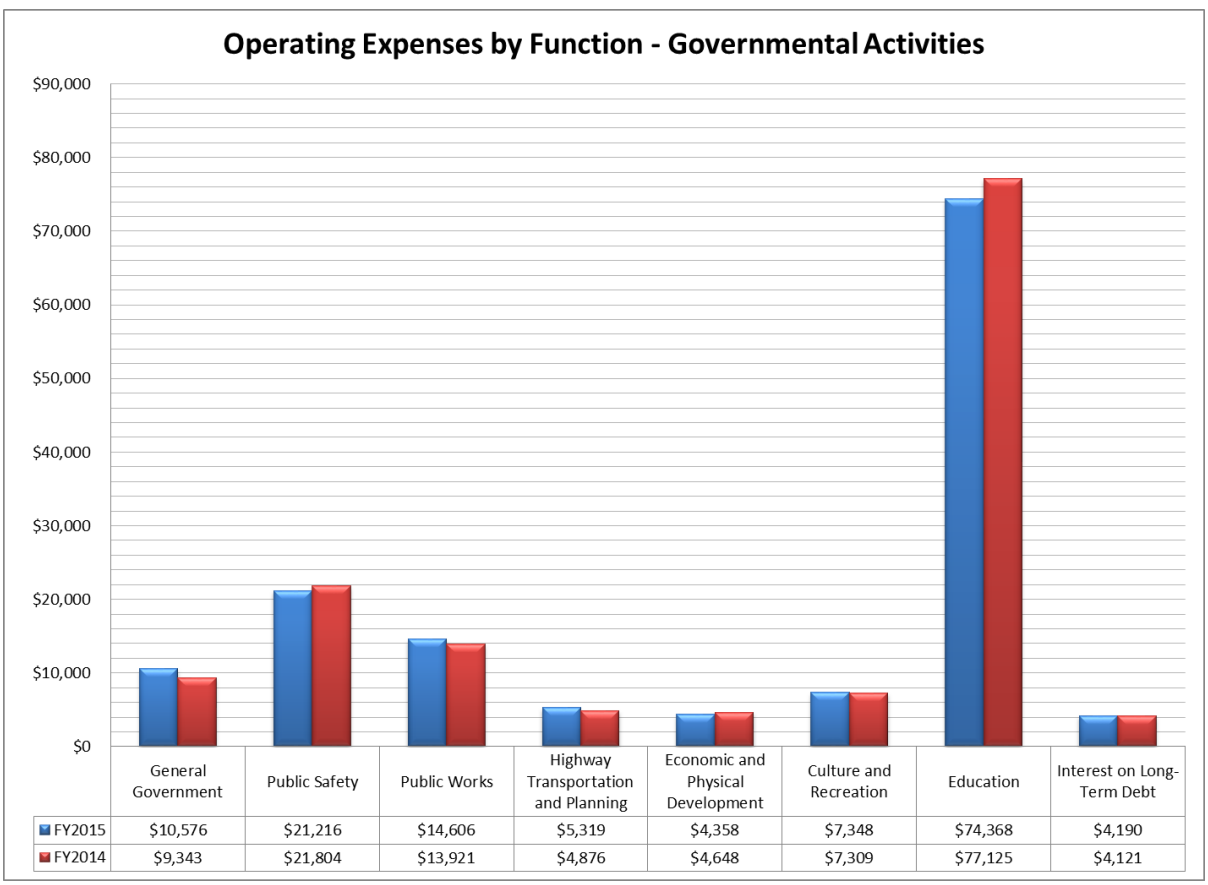
Governmental Activities - Revenue

Although governmental activities reduced the City's net position by $42,171, the City's governmental revenues totaling $145,194 were more than the prior year by $6,798. Property taxes were more than the prior year by $3,257 and sales taxes were more than the prior year by $1,937.



Governmental Activities – Operating Expenses

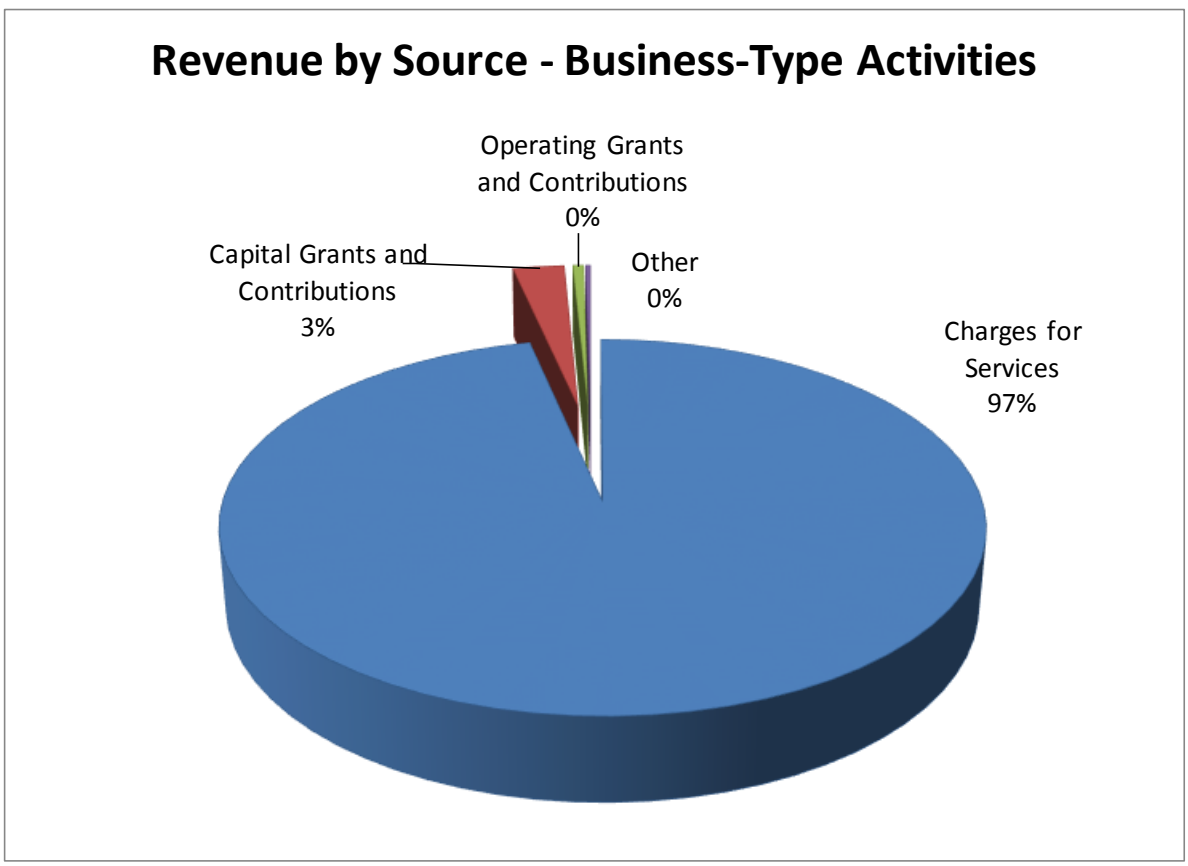
Operating expenses for governmental activities were less than the prior year by $1,166. Operating expenses for the general government function was more than the prior year by $1,233 while operating expenses for the education function was less than the prior year by $2,757.



	General Government	Public Safety	Public Works	Highway Transportation and Planning	Economic and Physical Development	Culture and Recreation	Education	Interest on Long-Term Debt
FY2015	$10,576	$21,216	$14,606	$5,319	$4,358	$7,348	$74,368	$4,190
FY2014	$9,343	$21,804	$13,921	$4,876	$4,648	$7,309	$77,125	$4,121

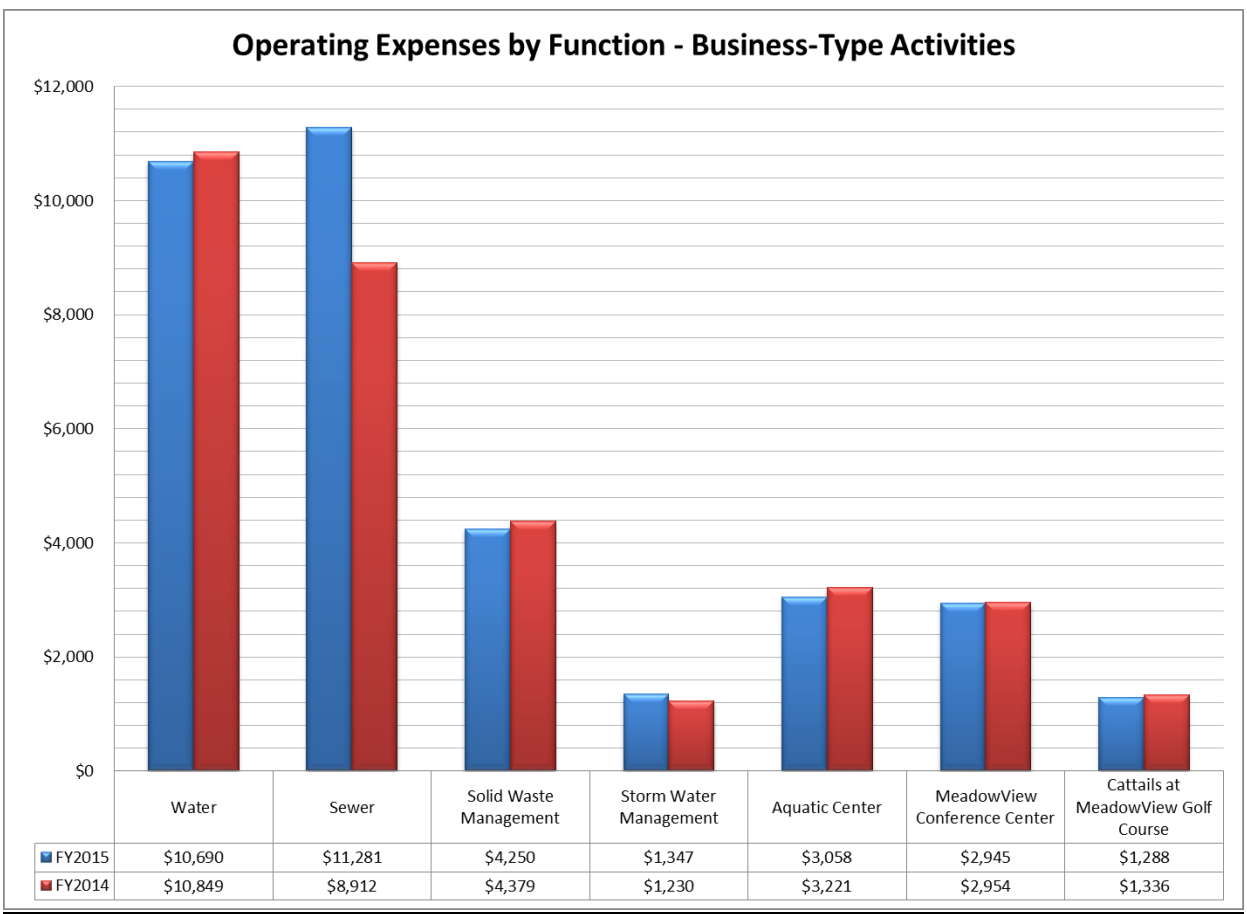
Business-Type Activities - Revenue

Although business-type activities reduced the City's net position by $4,775, the City's business-type revenues totaling $32,946 were more than the prior year by $488. A primary factor in the increased revenue was the 5% increase for inside water rates and a 2% increase for all sewer rates.



Business-Type Activities – Operating Expenses

Operating expenses for business-type activities were more than the prior year by $1,978. The primary factor of this increase is the increase of expenses in the sewer fund totaling $2,369. The sewer fund increased expenses can be attributed to capitalization of the renovated sewer treatment plant which increased depreciation expense while reducing capitalized interest and increasing interest expense. Sewer fund expenses are expected to stay at this level.



	Water	Sewer	Solid Waste Management	Storm Water Management	Aquatic Center	MeadowView Conference Center	Cattails at MeadowView Golf Course
FY2015	$10,690	$11,281	$4,250	$1,347	$3,058	$2,945	$1,288
FY2014	$10,849	$8,912	$4,379	$1,230	$3,221	$2,954	$1,336

Financial Analysis of the City'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 of Kingsport's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Kingsport's governmental funds reported combined ending fund balances of $39,270 an increase of $3,953 in comparison with the prior year. Approximately 32% of this total amount, $12,736 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance consists of $350 nonspendable primarily attributed to inventories and a perpetual care trust, $15,519 restricted primarily for capital projects, $15 committed for specific projects, and $10,650 assigned primarily to the City's various governmental funds most significantly for education, capital projects, and debt service.

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 $12,736 while total fund balance was $12,896. Of the total fund balance $21 is considered nonspendable while $139 is considered assigned. The majority of the assigned fund balance represents encumbrance carryovers from fiscal year 2015 to fiscal year 2016. As a matter of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out.

Unassigned fund balance represents approximately 17% of total general fund expenditures and transfers out, while total fund balance represents 17% of that same amount. During fiscal year 2015, the fund balance of the City's General Fund increased by $1,127.

The general purpose school fund has a total fund balance of $6,083, of which most is uncommitted. The net increase in fund balance during the current year in the general purpose school fund was $934. This increase was driven by an increase in sales tax of $585 and an increase of property tax of $252.

The capital project fund has a total fund balance of $15,381. Of this amount, $15,185 represents unspent bond proceeds restricted for capital projects. The remainder of $196 is assigned to the capital project fund. The net increase in this fund balance of $1,718 was primarily due to bond proceeds received during the current fiscal year.

The debt service fund has a total fund balance of $99. Debt service expenditures (principal and interest) totaled $12,049 for fiscal year 2015. This was $1,359 more than the debt service expenditures paid in fiscal year 2014.

Nonmajor (other) governmental funds have a fund balance of $4,810. The net increase in fund balance during the current year in nonmajor governmental funds was $125.

Proprietary funds

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

Unrestricted net position of the water and sewer funds at the end of the fiscal year amounted to $4,571 and $4,619 respectively. Other factors concerning the financial position of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget represent a $1,491 increase and are detailed as follows:

$	679	Appropriate additional state and county sales tax revenue to cover additional transfers
	416	Appropriate additional Hall Income tax to cover additional transfers
	210	Appropriate additional city property tax revenue to cover transfers and other expenditures
	110	Appropriate other revenue received to cover miscellaneous expenditures
	76	Provide funding for prior year encumbrances
$	1,491	

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, 2015, amounts to $605,991 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress.

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

- The most significant business-type construction project during fiscal year 2015 was the capitalization of the renovated sewer treatment plant. Business-type construction in progress at the close of the fiscal year was $8,830. During FY2015 the City approved a $16,500 water intake project to upgrade the water treatment plant. This project will be funded primarily by a state revolving loan.
- Construction continued and/or began on a variety of general governmental projects including various road improvement projects. The most significant of the governmental projects during FY2015 was the completion of a new softball/baseball complex named Brick Yard Park. Governmental construction in progress at the close of the fiscal year was $23,967.

Additional information on the City's capital assets can be found in Note 4.C on pages 63-68 of this report.

City of Kingsport's Capital Assets

(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 30,055	$ 25,522	$ 7,875	$ 7,837	$ 37,930	$ 33,359
Buildings and Systems	97,175	86,334	251,032	219,911	348,207	306,245
Improvements other than Buildings	9,819	9,997	4,913	5,238	14,732	15,235
Machinery and Equipment	17,398	17,456	2,253	1,080	19,651	18,536
Software	174	245	10	13	184	258
Infrastructure	152,490	153,134	0	0	152,490	153,134
Construction in Progress	23,967	38,239	8,830	47,112	32,797	85,351
Total Capital Assets	$ 331,078	$ 330,927	$ 274,913	$ 281,191	$ 605,991	$ 612,118

Long-term debt

At the end of the current fiscal year, the City had total gross debt outstanding of $229,333. All of this debt is backed by the full faith and credit of the government.

City of Kingsport's Outstanding Debt

(Gross Amounts)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Notes Payable	$ 0	$ 812	$ 0	$ 0	$ 0	$ 812
General Obligation Bonds	112,003	104,166	109,882	109,327	221,885	213,493
Loans from Other Governments	7,448	8,368	0	0	7,448	8,368
Total Long-term Debt	$ 119,451	$ 113,346	$ 109,882	$ 109,327	$ 229,333	$ 222,673

During the current fiscal year, the City's total gross debt increased by $6,660 (3%). The governmental activities long-term debt increased by $6,105 while business-type activities long-term debt increased by $555.

The current year increase in long-term debt can be attributed to bonds issued in October 2014. The City issued $15,605 General Obligation Bonds, Series 2014A and $9,300 General Obligation Bond Public Improvement Bonds, Series 2014B.

The City currently has a rating of AA from Standard & Poor's Rating Services and a rating of Aa2 from Moody's Investors Service. Both the Standard & Poor's rating and the Moody's rating were reaffirmed in August 2015 in conjunction with a recent bond sale.

The City is subject to debt limitations imposed by its Charter. The total bonded indebtedness (excluding general obligation debt supported by utility operations and assessments) shall not exceed 20% of the assessed taxable value of property within the City. The current outstanding general obligation debt is less than the City's debt limitation.

Additional information on the City's long-term debt can be found in Note 4.E on pages 72-124 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the municipal service area is currently 5.9%, which is a decrease of 0.6% from a year ago. Compared to the prerecession benchmark Kingsport employment is up 1500 jobs.
- Inflationary trends in the region are comparable to national indices.
- 1,367 building permits with an estimated value of $82,340 were issued during this fiscal year, compared to 600 building permits with an estimated value of $128,262 for the previous year.

Short term interest rates on investments for the City's operating funds decreased to approximately 0.09% in fiscal year 2015 as the federal funds target rate continued to be held to approximately .25% by the Federal Reserve Board. The City has been able to obtain 0.55% rates with one year commitments.

All of these factors were considered in preparing the City's budget for the 2016 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to $12,736. The City has assigned fund balance of $119 to cover encumbrances remaining from FY2015.

For the FY2016 budget year, water rates were increased by 2% for all inside customers while sewer rates were increased by 2% for both inside and outside customers.

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 such. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Kingsport, Finance Department Director, 225 West Center Street, Kingsport, TN 37660.

B. BASIC FINANCIAL STATEMENTS

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	Industrial Development Board	Emergency Communications District
ASSETS:					
Cash	$ 1,720,491	$ 18,684	$ 1,739,175	$ 865,234	$ 968,526
Cash with Fiscal Agent	0	36,762	36,762	0	0
Equity in Pooled Cash and Investments	24,701,220	11,562,232	36,263,452	0	0
Long Term Certificates of Deposit	250,691	0	250,691	0	0
Investments	326,026	0	326,026	0	0
Accounts Receivable, Net	38,908,578	3,929,050	42,837,628	55,661	0
Accrued Interest Receivable	6,334	17,213	23,547	0	0
Due from Other Governments	27,939,701	171,799	28,111,500	0	0
Due from Primary Government	0	0	0	304,518	0
Due from Component Units	10,592	25,511	36,103	0	0
Internal Balances	0	0	0	0	0
Inventories	609,995	594,039	1,204,034	0	0
Prepaids	254,733	213,451	468,184	17,134	57,863
Land Held for Sale or Development	0	0	0	7,959,074	0
Restricted Assets:					
Cash	17,047,439	22,423,051	39,470,490	0	0
Long Term Certificates of Deposit	1,000,000	0	1,000,000	0	0
Investments	2,510,589	219,558	2,730,147	326,740	0
Receivables	0	0	0	499,216	0
Capital Assets:					
Land	30,055,494	7,874,599	37,930,093	1,572,319	242,010
Buildings and Systems	180,604,298	378,291,862	558,896,160	4,331,319	2,021,925
Improvements Other Than Buildings	23,640,593	10,610,708	34,251,301	317,928	0
Machinery and Equipment	50,580,630	5,987,597	56,568,227	0	1,043,545
Software	688,716	79,811	768,527	0	0
Infrastructure	289,685,085	0	289,685,085	0	0
Construction in Progress	23,966,570	8,830,441	32,797,011	2,428,509	0
Less: Accumulated Depreciation	(268,143,538)	(136,762,033)	(404,905,571)	(437,316)	(458,341)
Other Assets, Net	198,000	342,175	540,175	0	0
Total Assets	446,562,237	314,466,510	761,028,747	18,240,336	3,875,528
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Outflows Related to Refunding	2,733,659	464,323	3,197,982	0	0
Deferred Outflows Related to Pensions	8,270,169	869,026	9,139,195	0	0
Total Deferred Outflows of Resources	11,003,828	1,333,349	12,337,177	0	0
LIABILITIES:					
Accounts Payable and Other Current Liabilities	13,725,178	1,772,660	15,497,838	441,466	104,797
Due to Primary Government	0	0	0	36,103	0
Due to Other Governments	28,253	232,321	260,574	0	0
Due to Component Units	64,518	0	64,518	0	0
Compensated Absences Payable	3,292,251	600,895	3,893,146	0	0
Matured Bonds and Interest Payable	0	36,762	36,762	0	0
Accrued Interest Payable	1,321,971	1,105,663	2,427,634	94,217	0
Unearned Revenue	151,070	25,919	176,989	52,200	0
Liabilities Payable from Restricted Assets	0	80,910	80,910	0	0
Noncurrent Liabilities:					
Due Within One Year	7,881,953	8,483,431	16,365,384	0	0
Due in More Than One Year	117,986,931	105,520,134	223,507,065	12,775,316	0
Pension Liability	18,958,176	3,450,501	22,408,677	0	0
OPEB Liability	39,117,651	2,655,716	41,773,367	0	0
Post Closure Liability	0	0	0	0	0
Total Liabilities	202,527,952	123,964,912	326,492,864	13,399,302	104,797
DEFERRED INFLOWS OF RESOURCES:					
Deferred Inflows Related to Property Taxes	53,392,013	0	53,392,013	0	0
Deferred Inflows Related to Other Taxes	557,830	0	557,830	0	0
Deferred Inflows Related to Pensions	22,985,040	2,143,574	25,128,614	0	0
Total Deferred Inflows of Resources	76,934,883	2,143,574	79,078,457	0	0
NET POSITION:					
Net Investment in Capital Assets	220,670,564	183,083,561	403,754,125	268,499	2,751,156
Restricted for Debt Service	0	166,983	166,983	0	0
Restricted for Capital Improvements	62,948	239,270	302,218	0	0
Restricted for Perpetual Care (Nonexpendable)	152,691	0	152,691	0	0
Unrestricted	(42,782,973)	6,201,559	(36,581,414)	4,572,535	1,019,575
Total Net Position	$ 178,103,230	$ 189,691,373	$ 367,794,603	$ 4,841,034	$ 3,770,731

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
Functions / Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business - Type Activities**	**Total**	**Industrial Development Board**	**Emergency Communications District**
Primary Government:									
Governmental Activities:									
General Government	$ 10,576,342	$ 1,036,182	$ 364,270	$ 2,620,231	$ (6,555,659)	$ 0	$ (6,555,659)		
Public Safety	21,215,734	1,106,788	346,355	0	(19,762,591)	0	(19,762,591)		
Public Works	14,606,362	0	0	0	(14,606,362)	0	(14,606,362)		
Highways and Transportation	5,319,159	147,631	2,818,937	731,285	(1,621,306)	0	(1,621,306)		
Economic and Physical Development	4,358,455	599,980	491,494	0	(3,266,981)	0	(3,266,981)		
Culture and Recreation	7,347,859	1,029,146	178,405	0	(6,140,308)	0	(6,140,308)		
Education	74,368,054	2,287,373	33,882,429	0	(38,198,252)	0	(38,198,252)		
Interest on Long Term Debt	4,189,508	0	0	0	(4,189,508)	0	(4,189,508)		
Total Governmental Activities	141,981,473	6,207,100	38,081,890	3,351,516	(94,340,967)	0	(94,340,967)		
Business - Type Activities:									
Water	10,689,783	13,262,329	58,141	592,356	0	3,223,043	3,223,043		
Sewer	11,281,230	13,305,667	87,221	276,276	0	2,387,934	2,387,934		
Solid Waste Management	4,249,886	1,006,285	4,364	0	0	(3,239,237)	(3,239,237)		
Storm Water Management	1,347,121	1,813,527	8,722	0	0	475,128	475,128		
Aquatic Center	3,058,481	1,388,065	7,970	0	0	(1,662,446)	(1,662,446)		
MeadowView Conference Resort and Convention Center	2,944,790	223,898	14,612	0	0	(2,706,280)	(2,706,280)		
Cattails at MeadowView Golf Course	1,288,216	819,742	0	0	0	(468,474)	(468,474)		
Total Business - Type Activities	34,859,507	31,819,513	181,030	868,632	0	(1,990,332)	(1,990,332)		
Total Primary Government	$ 176,840,980	$ 38,026,613	$ 38,262,920	$ 4,220,148	(94,340,967)	(1,990,332)	(96,331,299)		
Component Units:									
Industrial Development Board	$ 22,350,155	$ 337,056	$ 489,626	$ 20,532,000				$ (991,473)	$ 0
Emergency Communications District	476,175	594,348	45,151	0				0	163,324
Total Component Units	$ 22,826,330	$ 931,404	$ 534,777	$ 20,532,000				(991,473)	163,324
General Revenues:									
Property Taxes					55,935,014	0	55,935,014	0	0
Sales Taxes					32,690,121	0	32,690,121	0	0
Alcoholic Beverage Taxes					1,847,187	0	1,847,187	0	0
Occupational Licenses and Business Taxes					2,068,944	0	2,068,944	0	0
Hotel / Motel Taxes					1,564,355	0	1,564,355	0	0
Income Taxes					1,115,663	0	1,115,663	0	0
Grants and Contributions Not Restricted to Specific Programs					1,126,538	0	1,126,538	0	56,076
Unrestricted Investment Earnings					158,346	77,171	235,517	3,284	606
Miscellaneous					1,047,776	0	1,047,776	0	0
Transfers					(4,539,037)	4,539,037	0	0	0
Total General Revenues and Transfers					93,014,907	4,616,208	97,631,115	3,284	56,682
Change in Net Position					(1,326,060)	2,625,876	1,299,816	(988,189)	220,006
Net Position, July 1, 2014					220,273,668	196,186,369	416,460,037	5,829,223	3,550,725
Implementation of GASB 68 Pension Liability					(39,210,704)	(5,181,511)	(44,392,215)	0	0
Corrections Related to Closing CIP Projects					(1,633,674)	(3,939,361)	(5,573,035)	0	0
Net Position, July 1, 2014 (as restated)					179,429,290	187,065,497	366,494,787	5,829,223	3,550,725
Net Position - Ending					$ 178,103,230	$ 189,691,373	$ 367,794,603	$ 4,841,034	$ 3,770,731

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash	$ 32,360	$ 0	$ 0	$ 0	$ 1,688,131	$ 1,720,491
Equity in Pooled Cash and Investments	7,496,283	7,559,376	57,602	0	1,683,676	16,796,937
Long-Term Certificates of Deposit	0	0	0	0	250,691	250,691
Investments	0	0	0	0	326,026	326,026
Taxes Receivable, net	37,848,622	0	0	0	0	37,848,622
Accounts Receivable, net	712,267	42,360	0	2,352	41,648	798,627
Accrued Interest Receivable	0	0	5,475	0	76	5,551
Due from Other Governments	6,038,844	19,128,000	0	221,000	2,551,857	27,939,701
Due from Other Funds	1,554,090	828,512	0	0	0	2,382,602
Due from Component Units	10,592	0	0	0	0	10,592
Inventories	2,554	4,843	0	0	159,086	166,483
Prepaids	18,387	11,978	0	0	0	30,365
Cash - Restricted	0	0	36,281	17,011,158	0	17,047,439
Investments - Restricted	0	0	0	0	62,948	62,948
Total Assets	$ 53,713,999	$ 27,575,069	$ 99,358	$ 17,234,510	$ 6,764,139	$ 105,387,075
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
Accounts Payable	$ 564,977	$ 547,010	$ 0	$ 915,366	$ 273,701	$ 2,301,054
Compensated Absences Payable	1,060	107,533	0	0	0	108,593
Due to Other Governments	8,444	19,808	0	0	1	28,253
Due to Other Funds	0	0	0	651,627	1,548,909	2,200,536
Due to Component Units	60,893	0	0	3,625	0	64,518
Contracts Payable	0	0	0	255,220	0	255,220
Other Liabilities	1,816,398	4,080,803	0	0	14,889	5,912,090
Advances from Other Funds	154,785	0	0	0	0	154,785
Unearned Revenue	20	7,055	0	27,500	116,495	151,070
Total Liabilities	2,606,577	4,762,209	0	1,853,338	1,953,995	11,176,119

(continued)

CITY OF KINGSPORT, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources:						
Deferred Inflows Related to Property Taxes	37,653,180	16,730,000	0	0	0	54,383,180
Deferred Inflows Related to Other Taxes	557,830	0	0	0	0	557,830
Total Deferred Inflows of Resources	38,211,010	16,730,000	0	0	0	54,941,010
Fund Balances:						
Nonspendable:						
Inventory	2,554	4,843	0	0	159,086	166,483
Prepaids	18,387	11,978	0	0	0	30,365
Allandale Trust Principal	0	0	0	0	152,691	152,691
Restricted for:						
Unspent Federal Forfeitures	0	0	0	0	62,948	62,948
Unspent Bond Proceeds	0	0	0	15,185,319	0	15,185,319
Unspent Hotel Tax	0	0	0	0	271,021	271,021
Committed to:						
DB Track Maintenance Project	0	15,000	0	0	0	15,000
Assigned to:						
Fund Balance Allocations	118,524	0	0	0	0	118,524
Future Industrial Park	20,927	0	0	0	0	20,927
Education	0	6,051,039	0	0	2,248,616	8,299,655
Debt Service	0	0	99,358	0	0	99,358
Capital Projects	0	0	0	195,853	0	195,853
Community Development	0	0	0	0	16,471	16,471
Other Projects	0	0	0	0	590,552	590,552
Public Safety	0	0	0	0	260,055	260,055
Transportation	0	0	0	0	680,218	680,218
Culture and Recreation	0	0	0	0	327,209	327,209
Allandale	0	0	0	0	41,277	41,277
Unassigned	12,736,020	0	0	0	0	12,736,020
Total Fund Balances	12,896,412	6,082,860	99,358	15,381,172	4,810,144	39,269,946
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 53,713,999	$ 27,575,069	$ 99,358	$ 17,234,510	$ 6,764,139	$ 105,387,075

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:	
Total Fund Balance of Governmental Funds	$ 39,269,946
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	321,024,735
Property tax assessments are reported as revenue in the government - wide statements in the period in which an enforceable legal claim arises against property owners. In governmental funds, these assessments are not available to finance current period expenditures and are reported as unearned revenue until paid by property owners.	991,167
Deferred outflows related to refunding is reported is on statement of net position.	2,733,659
Deferred outflows related to pensions is reported on the statement of net position.	8,270,169
Deferred inflows related to pensions is reported on the statement of net position.	(22,985,040)
Internal service funds are used by management to charge the costs of fleet maintenance, liability insurance, city employee health insurance, city retiree's insurance, school employee health insurance and school retiree's health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	17,144,421
Long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(188,345,827)
Net Position of Governmental Activities	$ 178,103,230

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	$ 43,806,004	$ 25,851,073	$ 0	$ 0	$ 4,065,206	$ 73,722,283
Licenses and Permits	518,480	0	0	0	0	518,480
Intergovernmental	23,943,819	26,302,595	198,670	236,269	11,070,727	61,752,080
Charges for Services	1,963,227	1,254,732	0	0	1,235,805	4,453,764
Fines and Forfeitures	749,630	0	0	0	122,532	872,162
Investment Earnings	11,602	0	125,406	80	3,160	140,248
Contributions and Donations	125,000	0	0	265,710	322,749	713,459
Miscellaneous	120,296	306,636	0	0	0	426,932
Total Revenues	71,238,058	53,715,036	324,076	502,059	16,820,179	142,599,408
EXPENDITURES:						
Current:						
General Government	8,613,724	0	0	0	275,008	8,888,732
Public Safety	20,171,508	0	0	0	178,248	20,349,756
Public Works	6,854,129	0	0	0	0	6,854,129
Economic and Physical Development	3,518,154	0	0	0	491,494	4,009,648
Transportation	0	0	0	0	5,319,159	5,319,159
Culture and Recreation	5,176,467	0	0	0	236,714	5,413,181
Education	0	61,994,610	0	0	7,938,475	69,933,085
Miscellaneous	1,010,101	0	0	0	0	1,010,101
Debt Service:						
Principal	0	0	7,696,331	0	0	7,696,331
Interest	0	0	4,352,406	0	0	4,352,406
Bond Issuance Costs	0	0	0	498,456	0	498,456
Other Costs	0	0	8,184	0	0	8,184
Capital Outlay	46,481	415,492	0	14,591,895	810,640	15,864,508
Total Expenditures	45,390,564	62,410,102	12,056,921	15,090,351	15,249,738	150,197,676
Excess (Deficiency) of Revenues Over (Under) Expenditures	25,847,494	(8,695,066)	(11,732,845)	(14,588,292)	1,570,441	(7,598,268)

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):						
Transfers In	3,414,619	13,658,119	11,780,892	493,753	2,520,817	31,868,200
Transfers Out	(28,134,458)	(4,028,714)	0	(623,174)	(3,965,891)	(36,752,237)
Issuance of Debt	0	0	0	32,291,848	0	32,291,848
Premiums on Debt Issued	0	0	0	4,044,772	0	4,044,772
Payments to Refunded Bond Escrow	0	0	0	(19,901,049)	0	(19,901,049)
Total Other Financing Sources (Uses)	(24,719,839)	9,629,405	11,780,892	16,306,150	(1,445,074)	11,551,534
Net Change in Fund Balances	1,127,655	934,339	48,047	1,717,858	125,367	3,953,266
Fund Balances, July 1, 2014	11,768,757	5,148,521	51,311	13,663,314	4,684,777	35,316,680
Fund Balances, June 30, 2015	$ 12,896,412	$ 6,082,860	$ 99,358	$ 15,381,172	$ 4,810,144	$ 39,269,946

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:	
Net Change in Fund Balance of Governmental Funds	$ 3,953,266
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays in the current period were more than depreciation of capital assets.	2,055,316
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is a decrease to net position.	(179,001)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(286,882)
Internal service funds are used by management to charge the costs of fleet maintenance, liability insurance, employee health insurance, and retiree health insurance to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.	934,508
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds:	
Increase in Compensated Absences	(152,240)
Increase in OPEB Liability	(4,775,342)
Decrease in Accrued Interest	33,450
Decrease in Pension Liabilities and Deferrals	5,537,657
The issuance of long term debt (e.g. bonds) provide current financial resources to governmental funds, while the repayment of the principal of long term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.	(8,446,792)
Change in Net Position of Governmental Activities	$ (1,326,060)

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
General Property	$ 37,740,800	$ 38,519,675	$ 38,693,219	$ 173,544
Gross Receipts	5,044,300	4,992,066	5,112,785	120,719
Licenses and Permits	528,900	517,684	518,480	796
Intergovernmental:				
Federal	15,000	15,000	7,695	(7,305)
State	5,632,200	6,377,126	6,433,236	56,110
County	16,723,200	17,101,363	17,278,323	176,960
Local	278,700	228,700	224,565	(4,135)
Charges for Services	2,057,600	1,823,237	1,963,227	139,990
Fines and Forfeitures	777,800	744,532	749,630	5,098
Investment Earnings	18,000	11,192	11,602	410
Contributions and Donations	125,000	125,000	125,000	0
Miscellaneous	95,400	109,150	120,296	11,146
Total Revenues	69,036,900	70,564,725	71,238,058	673,333
EXPENDITURES:				
General Government:				
Board of Mayor and Aldermen	129,250	162,150	161,638	512
Judicial	30,950	28,890	28,852	38
City Attorney	414,900	409,711	407,364	2,347
City Manager	411,600	382,128	380,261	1,867
Assistant to City Manager	108,600	115,530	113,774	1,756
Budget Office	190,560	182,806	181,402	1,404
Special Programs	2,391,900	2,550,496	2,515,067	35,429
Public Information Office	184,200	167,045	165,331	1,714
Personnel	1,107,500	1,057,406	1,056,264	1,142
Purchasing	258,650	257,509	257,424	85
Finance Administration	1,687,200	1,631,464	1,629,120	2,344
Records Administration	87,800	82,647	82,341	306
Information Services	1,098,450	1,106,322	1,102,768	3,554
Geographic Information	348,300	356,002	355,089	913
Grant Office	180,200	178,145	177,029	1,116
Total General Government	8,630,060	8,668,251	8,613,724	54,527

(continued)

CITY OF KINGSPORT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Public Safety:				
Police Administration	1,555,100	1,752,655	1,750,993	1,662
Jail Operations	360,900	390,771	384,979	5,792
Training	294,600	301,536	300,958	578
Traffic School	7,800	9,777	9,771	6
Investigations	1,600,200	1,648,061	1,646,523	1,538
Patrol Division	6,113,100	5,642,192	5,639,353	2,839
Central Dispatch	1,188,200	1,146,501	1,143,570	2,931
Communications	285,000	273,862	272,299	1,563
Fire Control and Prevention	8,710,100	9,024,556	9,023,062	1,494
Total Public Safety	20,115,000	20,189,911	20,171,508	18,403
Public Works:				
Administration	169,800	177,566	176,941	625
Streets and Sanitation Administration	288,200	294,419	294,257	162
Street Cleaning	419,700	387,166	386,513	653
Street Maintenance	1,816,300	1,977,049	1,975,968	1,081
Building Maintenance	1,705,400	1,619,708	1,618,632	1,076
Grounds Maintenance	1,193,000	1,196,223	1,195,765	458
Park Maintenance	654,100	615,177	614,055	1,122
Inter Local Agreements	1,000	500	0	500
Landscaping	637,900	607,243	591,998	15,245
Total Public Works	6,885,400	6,875,051	6,854,129	20,922
Economic and Physical Development:				
Administration	285,320	432,028	430,669	1,359
Planning	504,100	314,368	310,929	3,439
Transportation	1,215,300	1,283,033	1,281,309	1,724
Charter Bus Service	10,400	12,438	12,292	146
Engineering	1,110,800	1,055,160	1,035,619	19,541
Code Enforcement	465,050	447,856	447,336	520
Total Economic and Physical Development	3,590,970	3,544,883	3,518,154	26,729

(continued)

CITY OF KINGSPORT, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Culture and Recreation:				
Administration	379,100	332,403	326,650	5,753
Adult Education	4,800	1,500	140	1,360
Parks and Recreation Centers	464,300	374,339	368,378	5,961
Lynn View	34,400	39,801	35,323	4,478
Farmers Market	18,300	15,000	14,223	777
Carousel	53,800	16,466	15,429	1,037
Swimming Pools	19,300	17,803	14,719	3,084
Athletics	870,400	880,907	879,652	1,255
Cultural Arts	218,000	216,989	212,850	4,139
Allandale	239,300	236,822	233,350	3,472
Senior Citizens Center	653,600	674,722	666,527	8,195
Bays Mountain Park	1,207,000	1,222,953	1,208,909	14,044
Library	1,278,200	1,207,415	1,200,317	7,098
Total Culture and Recreation	5,440,500	5,237,120	5,176,467	60,653
Miscellaneous	345,137	1,147,991	1,010,101	137,890
Capital Outlay	91,700	51,272	46,481	4,791
Total Expenditures	45,098,767	45,714,479	45,390,564	323,915
Excess of Revenues Over Expenditures	23,938,133	24,850,246	25,847,494	997,248
Other Financing Sources (Uses):				
Transfers In	3,443,000	3,343,000	3,414,619	71,619
Transfers Out	(27,381,133)	(28,256,432)	(28,134,458)	121,974
Net Other Financing Sources (Uses)	(23,938,133)	(24,913,432)	(24,719,839)	193,593
Net Change in Fund Balances	0	(63,186)	1,127,655	1,190,841
Fund Balances, July 1, 2014	0	63,186	11,768,757	11,705,571
Fund Balances, June 30, 2015	$ 0	$ 0	$ 12,896,412	$ 12,896,412

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
County Taxes:				
Property Taxes	$ 17,158,400	$ 17,158,400	$ 17,525,405	$ 367,005
Gross Receipts Taxes	8,040,000	8,040,000	8,284,564	244,564
Other Taxes	62,000	62,000	41,104	(20,896)
Intergovernmental:				
Federal	288,430	325,185	281,323	(43,862)
State	25,834,600	26,013,597	26,021,272	7,675
Charges for Services	1,324,000	1,342,000	1,254,732	(87,268)
Miscellaneous	198,000	257,110	306,636	49,526
Total Revenues	52,905,430	53,198,292	53,715,036	516,744
EXPENDITURES:				
Instruction:				
Regular	32,821,412	34,072,044	33,449,864	622,180
Special Education	5,002,900	5,116,577	4,902,895	213,682
Vocational	1,478,800	1,503,418	1,412,952	90,466
Adult Education	226,625	228,050	195,597	32,453
Total Instruction	39,529,737	40,920,089	39,961,308	958,781
Student Support Services:				
Attendance	60,400	61,592	58,461	3,131
Health Services	678,278	704,767	691,226	13,541
Other	2,240,500	2,247,838	2,193,862	53,976
Total Student Support Services	2,979,178	3,014,197	2,943,549	70,648
Instructional Staff Support Services:				
Regular	4,017,583	4,056,353	3,961,034	95,319
Special Education	441,450	451,450	447,588	3,862
Vocational	150,500	170,500	162,031	8,469
Adult Education	34,476	34,476	23,269	11,207
Total Instructional Staff Support Services	4,644,009	4,712,779	4,593,922	118,857
General Administrative Support Services:				
Board of Education	1,185,200	1,185,200	1,164,036	21,164
Office of Superintendent	794,100	727,824	699,834	27,990
Total General Administrative Support Services	1,979,300	1,913,024	1,863,870	49,154

(continued)

CITY OF KINGSPORT, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
School Administrative Support Services	2,983,058	3,160,499	3,151,797	8,702
Business Administrative Support Services	378,850	390,310	386,353	3,957
Operations and Maintenance Support Services:				
Operations	4,216,926	4,215,586	4,134,876	80,710
Plant Maintenance	2,011,350	2,548,270	2,474,196	74,074
Total Operations and Maintenance Support Services	6,228,276	6,763,856	6,609,072	154,784
Student Transportation Support Services	1,738,350	1,694,380	1,599,532	94,848
Noninstructional Services:				
After School Programs	356,650	389,478	361,192	28,286
Community Service	542,900	554,201	524,015	30,186
Total Noninstructional Services	899,550	943,679	885,207	58,472
Capital Outlay	1,442,292	826,788	415,492	411,296
Total Expenditures	62,802,600	64,339,601	62,410,102	1,929,499
Deficiency of Revenues Under Expenditures	(9,897,170)	(11,141,309)	(8,695,066)	2,446,243
OTHER FINANCING SOURCES (USES):				
Transfers In	13,868,100	13,718,100	13,658,119	(59,981)
Transfers Out	(4,319,900)	(4,169,900)	(4,028,714)	141,186
Total Other Financing Sources (Uses)	9,548,200	9,548,200	9,629,405	81,205
Net Change in Fund Balances	(348,970)	(1,593,109)	934,339	2,527,448
Fund Balances, July 1, 2014	348,970	1,593,109	5,148,521	3,555,412
Fund Balances, June 30, 2015	$ 0	$ 0	$ 6,082,860	$ 6,082,860

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Business - Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
ASSETS:							
Current Assets:							
Cash with Fiscal Agent	$ 36,762	$ 0	$ 0	$ 0	$ 0	$ 36,762	$ 0
Cash	0	0	18,386	0	298	18,684	0
Equity in Pooled Cash and Investments	5,112,203	5,664,241	0	0	785,788	11,562,232	7,904,283
Accounts Receivable, Net	1,795,312	1,722,469	77,882	28,200	305,187	3,929,050	261,329
Accrued Interest Receivable	5,218	11,786	0	0	209	17,213	783
Due from Other Governments	0	171,799	0	0	0	171,799	0
Due from Other Funds	1,600,577	0	0	0	0	1,600,577	0
Due from Component Units	10,715	14,796	0	0	0	25,511	0
Inventories	467,683	0	9,048	0	117,308	594,039	443,512
Prepaids	114,091	87,673	0	0	11,687	213,451	224,368
Total Current Assets	9,142,561	7,672,764	105,316	28,200	1,220,477	18,169,318	8,834,275
Noncurrent Assets:							
Restricted Assets:							
Cash	36,420	44,490	0	85,000	83,000	248,910	0
Cash from Unspent Debt Proceeds	6,418,969	14,636,891	0	0	1,118,281	22,174,141	0
Long Term Certificates of Deposit	0	0	0	0	0	0	1,000,000
Investments	105,066	60,276	0	52,134	2,082	219,558	2,447,641
Total Restricted Assets	6,560,455	14,741,657	0	137,134	1,203,363	22,642,609	3,447,641
Capital Assets:							
Land	749,532	1,088,187	845,711	1,515,497	3,675,672	7,874,599	14,695
Buildings and Systems	112,798,357	204,327,801	19,272,330	39,469,991	2,423,383	378,291,862	14,897
Improvements Other Than Buildings	0	0	0	2,865,257	7,745,451	10,610,708	0
Software	66,400	0	0	0	13,411	79,811	0
Machinery and Equipment	1,084,536	916,072	139,070	1,203,268	2,644,651	5,987,597	29,191,603
Construction in Progress	4,667,467	3,516,680	0	0	646,294	8,830,441	0
Less: Accumulated Depreciation	(43,575,719)	(72,844,771)	(1,305,174)	(12,375,212)	(6,661,157)	(136,762,033)	(19,168,082)
Total Capital Assets	75,790,573	137,003,969	18,951,937	32,678,801	10,487,705	274,912,985	10,053,113
Other Assets:							
Advances to Other Funds	0	0	0	0	0	0	154,785
Prepaid Landfill Closure Costs	0	0	0	0	342,175	342,175	0
Deposits	0	0	0	0	0	0	198,000
Total Other Assets	0	0	0	0	342,175	342,175	352,785
Total Noncurrent Assets	82,351,028	151,745,626	18,951,937	32,815,935	12,033,243	297,897,769	13,853,539
Total Assets	91,493,589	159,418,390	19,057,253	32,844,135	13,253,720	316,067,087	22,687,814
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows Related to Refunding	117,845	335,292	0	0	11,186	464,323	0
Deferred Outflows Related to Pensions	390,797	250,379	11,631	0	216,219	869,026	0
Total Deferred Outflows of Resources	508,642	585,671	11,631	0	227,405	1,333,349	0

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Business - Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
LIABILITIES:							
Current Liabilities:							
Accounts Payable	320,850	498,177	97,525	59,565	420,038	1,396,155	342,730
Due to Other Governments	125,045	99,864	7,412	0	0	232,321	0
Due to Other Funds	0	0	706,046	75,437	819,094	1,600,577	182,066
Due to Component Units	0	0	0	0	0	0	0
Compensated Absences Payable	264,255	182,581	15,205	0	138,854	600,895	104,513
Retainages Payable	36,420	44,490	0	0	0	80,910	0
Matured Bonds Payable	35,262	0	0	0	0	35,262	0
Matured Interest Payable	1,500	0	0	0	0	1,500	0
Accrued Interest Payable	196,424	456,568	209,691	187,242	55,738	1,105,663	0
General Obligation Bonds - Current	2,001,657	4,478,349	853,782	713,852	435,791	8,483,431	0
State Revolving Loan Current	0	0	0	0	0	0	0
Unearned Revenue	0	0	25,919	0	0	25,919	0
Other Payables	348,214	28,291	0	0	0	376,505	4,914,084
Total Current Liabilities	3,329,627	5,788,320	1,915,580	1,036,096	1,869,515	13,939,138	5,543,393
Noncurrent Liabilities:							
General Obligation Bonds Payable (Net of Discounts and Premiums)	22,580,880	48,903,383	16,952,649	12,381,091	4,702,131	105,520,134	0
OPEB Liability	1,272,562	762,679	24,568	0	595,907	2,655,716	0
Post Closure Liablility	0	0	0	0	0	0	0
Pension Liability	1,551,672	994,140	46,183	0	858,506	3,450,501	0
Total Noncurrent Liabilities	25,405,114	50,660,202	17,023,400	12,381,091	6,156,544	111,626,351	0
Total Liabilities	28,734,741	56,448,522	18,938,980	13,417,187	8,026,059	125,565,489	5,543,393
DEFERRED INFLOWS OF RESOURCES:							
Deferred Inflows Related to Pensions	963,954	617,595	28,691	0	533,334	2,143,574	0
Total Deferred Inflows of Resources	963,954	617,595	28,691	0	533,334	2,143,574	0
NET POSITION:							
Net Investment in Capital Assets	57,627,005	98,259,128	1,145,506	19,583,858	6,468,064	183,083,561	10,053,113
Restricted for Debt Service	105,066	60,276	0	0	1,641	166,983	0
Restricted for Capital Improvements	0	0	0	152,426	86,844	239,270	0
Unrestricted	4,571,465	4,618,540	(1,044,293)	(309,336)	(1,634,817)	6,201,559	7,091,308
Total Net Position	$ 62,303,536	$ 102,937,944	$ 101,213	$ 19,426,948	$ 4,921,732	$ 189,691,373	$ 17,144,421

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2015

	Business - Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
OPERATING REVENUES:							
Charges and Fees	$ 12,706,099	$ 13,135,043	$ 1,321,116	$ 223,898	$ 3,629,965	$ 31,016,121	$ 22,825,474
Penalties and Fines	507,435	161,772	0	0	0	669,207	0
Miscellaneous	46,295	8,852	66,949	0	9,589	131,685	658,334
Total Operating Revenue	13,259,829	13,305,667	1,388,065	223,898	3,639,554	31,817,013	23,483,808
OPERATING EXPENSES:							
Operating Costs	7,223,646	4,864,194	1,771,789	1,027,539	6,207,238	21,094,406	21,043,019
Depreciation	2,887,861	4,762,359	665,850	1,350,019	530,868	10,196,957	1,875,198
Total Operating Expenses	10,111,507	9,626,553	2,437,639	2,377,558	6,738,106	31,291,363	22,918,217
Operating Income (Loss)	3,148,322	3,679,114	(1,049,574)	(2,153,660)	(3,098,552)	525,650	565,591
NONOPERATING REVENUES:							
Investment Earnings	21,068	53,835	0	211	2,057	77,171	18,098
Federal Interest Subsidy	58,141	87,221	7,970	14,612	13,086	181,030	0
Interest Expense	(525,161)	(1,526,045)	(620,842)	(567,232)	(133,396)	(3,372,676)	0
Gain (Loss) on Disposal of Capital Assets	2,500	0	0	0	0	2,500	5,819
Bond Issue Cost	(53,115)	(128,632)	0	0	(13,721)	(195,468)	0
Total Nonoperating Revenues	(496,567)	(1,513,621)	(612,872)	(552,409)	(131,974)	(3,307,443)	23,917
Income (Loss) Before Capital Contributions and Transfers	2,651,755	2,165,493	(1,662,446)	(2,706,069)	(3,230,526)	(2,781,793)	589,508
Capital Contributions	592,356	276,276	0	0	0	868,632	0
Transfers In	122,159	0	1,776,297	2,138,046	3,664,796	7,701,298	586,076
Transfers Out	(1,554,263)	(1,474,557)	(40,905)	0	(92,536)	(3,162,261)	(241,076)
Change in Net Position	1,812,007	967,212	72,946	(568,023)	341,734	2,625,876	934,508
Net Position, July 1, 2014	62,821,628	107,261,807	97,619	19,994,971	6,010,344	196,186,369	16,209,913
Implementation of GASB 68 Pension Liability	(2,330,099)	(1,492,869)	(69,352)	0	(1,289,191)	(5,181,511)	0
Corrections Related to Closing CIP Projects	0	(3,798,206)	0	0	(141,155)	(3,939,361)	0
Net Position, July 1, 2014 (as restated)	60,491,529	101,970,732	28,267	19,994,971	4,579,998	187,065,497	16,209,913
Net Position, June 30, 2015	$ 62,303,536	$ 102,937,944	$ 101,213	$ 19,426,948	$ 4,921,732	$ 189,691,373	$ 17,144,421

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2015

	Business - Type Activities - Enterprise Funds						
	Water Fund	**Sewer Fund**	**Aquatic Center**	**MeadowView Conference Resort and Convention Center Fund**	**Other Enterprise Funds**	**Total Enterprise Funds**	**Governmental Activities - Internal Service Funds**
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Customers and Users	$ 13,371,496	$ 13,303,938	$ 1,337,513	$ 195,698	$ 3,626,608	$ 31,835,253	$ 0
Receipts from Interfund Services Provided	98,604	213,145	63,630	0	113,626	489,005	23,225,725
Payments to Suppliers	(3,717,341)	(2,388,122)	(1,198,245)	(1,260,036)	(3,316,971)	(11,880,715)	(19,031,267)
Payments to Employees	(4,118,371)	(2,797,288)	(624,329)	0	(2,668,836)	(10,208,824)	(1,606,761)
Net Cash Provided (Used) by Operating Activities	5,634,388	8,331,673	(421,431)	(1,064,338)	(2,245,573)	10,234,719	2,587,697
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers from Other Funds	122,159	0	1,776,297	2,138,046	3,664,796	7,701,298	345,000
Transfers to Other Funds	(1,554,263)	(1,474,557)	(40,905)	0	(92,536)	(3,162,261)	0
Due To or From Other Funds	(1,600,577)	1,418,197	202,706	75,437	(95,763)	0	182,066
Advances From Other Funds	0	0	0	0	0	0	232,243
Net Cash Provided (Used) by Noncapital Financing Activities	(3,032,681)	(56,360)	1,938,098	2,213,483	3,476,497	4,539,037	759,309
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Proceeds from Capital Debt	2,730,000	6,611,408	0	0	1,100,000	10,441,408	0
Intergovernmental Revenue for Capital Projects	414,020	0	0	0	0	414,020	0
Acquisition and Construction of Capital Assets	(2,889,933)	(3,555,592)	(63,670)	(127,813)	(698,808)	(7,335,816)	(1,783,867)
Principal Paid on Capital Debt	(2,484,520)	(5,343,245)	(823,158)	(692,890)	(410,021)	(9,753,834)	0
Interest Paid on Capital Debt	(495,780)	(1,579,210)	(671,477)	(568,064)	(119,585)	(3,434,116)	0
Proceeds from Sales of Capital Assets	2,500	0	0	0	0	2,500	5,819
Net Cash Used by Capital and Related Financing Activities	(2,723,713)	(3,866,639)	(1,558,305)	(1,388,767)	(128,414)	(9,665,838)	(1,778,048)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from Sales and Maturities of Investments	0	0	0	112,715	2,186	114,901	0
Purchase of Investments	(13,323)	(31,518)	0	0	(1,542)	(46,383)	(108,396)
Interest Received	22,853	58,364	0	211	2,323	83,751	17,365
Net Cash Provided (Used) by Investing Activities	9,530	26,846	0	112,926	2,967	152,269	(91,031)
Net Increase (Decrease) In Cash and Cash Equivalents	(112,476)	4,435,520	(41,638)	(126,696)	1,105,477	5,260,187	1,477,927
Cash and Cash Equivalents, July 1, 2014	11,716,830	15,910,102	60,024	211,696	881,890	28,780,542	6,426,356
Cash and Cash Equivalents, June 30, 2015	$ 11,604,354	$ 20,345,622	$ 18,386	$ 85,000	$ 1,987,367	$ 34,040,729	$ 7,904,283

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2015

	Business - Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Aquatic Center	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating Income (Loss)	$ 3,148,322	$ 3,679,114	$ (1,049,574)	$ (2,153,660)	$ (3,098,552)	$ 525,650	$ 565,591
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	2,887,861	4,762,359	665,850	1,350,019	530,868	10,196,957	1,875,198
(Increase) Decrease in Assets:							
Accounts Receivable	192,245	209,023	9,374	(28,200)	100,680	483,122	(258,083)
Inventory	(36,469)	0	7,314	0	97	(29,058)	(22,801)
Prepaids	(21,655)	(33,415)	0	0	56,300	1,230	(23,301)
Increase (Decrease) in Liabilities:							
Accounts Payable	(398,687)	(118,191)	(64,768)	(232,251)	217,507	(596,390)	(579,140)
Due to Compontent Units	0	0	0	(246)	0	(246)	0
Benefits Payable	0	0	0	0	0	0	950,572
Pension Liabilities and Deferrals	(205,270)	(131,513)	(6,109)	0	(113,570)	(456,462)	0
Compensated Absences Payable	(11,159)	8,034	5,107	0	4,858	6,840	4,214
OPEB Liability	86,355	57,428	8,244	0	56,239	208,266	0
Other Payables	15,610	(15,208)	0	0	0	402	75,447
Unearned Revenue	0	0	3,131	0	0	3,131	0
Retainages Payable	(22,765)	(85,958)	0	0	0	(108,723)	0
Net Cash Provided (Used) by Operating Activities	$ 5,634,388	$ 8,331,673	$ (421,431)	$ (1,064,338)	$ (2,245,573)	$ 10,234,719	$ 2,587,697
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:							
Cash with Fiscal Agent	$ 36,762	$ 0	$ 0	$ 0	$ 0	$ 36,762	$ 0
Cash	0	0	18,386	0	298	18,684	0
Equity in Pooled Cash and Investments	5,112,203	5,664,241	0	0	785,788	11,562,232	7,904,283
Restricted Cash from Unspent Bonds	6,418,969	14,636,891	0	0	1,118,281	22,174,141	0
Restricted Cash	36,420	44,490	0	85,000	83,000	248,910	0
Cash and Cash Equivalents, June 30, 2015	$ 11,604,354	$ 20,345,622	$ 18,386	$ 85,000	$ 1,987,367	$ 34,040,729	$ 7,904,283
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:							
Capital Assets Contributed by Developers	$ 246,339	$ 276,276	$ 0	$ 0	$ 0	$ 522,615	$ 0
Federal Interest Subsidy Paid Directly to Bank	$ 58,141	$ 87,221	$ 7,970	$ 14,612	$ 13,086	$ 181,030	$ 0

See accompanying notes to the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kingsport, Tennessee (the City) was incorporated in 1917 and operates under a Council-Manager form of government. The City is an industrial community in the foothills of the Appalachian Mountains. Along with two other comparably-sized cities within a 20-mile radius, the City is part of a 12 county area in northeast Tennessee and southwest Virginia known as the Tri-Cities Tennessee/Virginia region.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Adoption of Accounting Principles

During the fiscal year ended June 30, 2015, the City implemented GASB Statements No. 67, *Financial Reporting for Pension Plans – An Amendment to GASB Statement No. 25*, and No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*. The requirements of these new standards and their effect on the financial statements are more fully explained in Note 5 C. During the fiscal year ended June 30, 2015, the City also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. This requires the City to record pension contributions after the measurement date to be recorded as a deferred outflow of resources. The effect on the City's financial statements is an increase in deferred outflow of resources totaling $9,139,195 for the amounts paid after the measurement date in each of the three pension plans.

B. Reporting entity

Primary Government

The City is a Tennessee municipal corporation governed by a Board of Mayor and Aldermen (BMA). A mayor is elected every two years and six aldermen are elected every four years. A vice mayor is appointed by the BMA from within its membership. The accompanying financial statements present the City (primary government) and its component units, entities for which the City is considered to be financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on the organization or (2) there is a potential for the entity to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Units

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Discretely presented component units are reported in separate columns in the government-wide financial statements (see note below for description) to emphasize that those entities are legally separate from the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting entity (continued)

Discretely Presented Component Units (continued)

Proprietary Fund Type

The Industrial Development Board of the City of Kingsport, Tennessee (IDBK) – The IDBK was incorporated on February 11, 1986, under the provisions of the State of Tennessee constitution and general statutes. The purpose of the IDBK is to finance, acquire, own, lease, and/or dispose of properties to maintain and increase employment opportunities in the City. The IDBK consists of nine members, all of whom are appointed by the City's BMA. A significant amount of the IDBK's revenue is derived from the City. Additionally, City employees provide significant oversight of IDBK projects. Due to the close relationship between the City and the IDBK, it seems likely the City could impose their will on the IDBK, and therefore IDBK is considered a component unit of the City of Kingsport. Separately issued financial statements of the IDBK are not available.

Emergency Communications District of the City of Kingsport, Tennessee (ECD) – The ECD was created by referendum on January 11, 1994, the results of which were certified on January 20, 1994. The purpose of the ECD is to oversee the operations of the 911 emergency telephone services. Their Board consists of nine members, all of whom are appointed by the City's BMA. The operations of the ECD are managed directly by employees of the City. Due to the close relationship between the City and the ECD, it seems likely the City could impose their will on the ECD, and therefore ECD is considered a component unit of the City of Kingsport. Separately issued financial statements may be requested from the ECD administrative offices.

Emergency Communications District of the City of Kingsport
P O Box 1326
141 Unicoi Street
Kingsport, Tennessee 37662

Joint Ventures and Jointly Governed Organizations

The IDBK is a participant with the Hawkins County Industrial Development Board (HCIDB) in a joint venture to purchase and develop land for industrial purposes known as the Phipps Bend Venture. The IDBK holds a 20% interest in the venture while the HCIDB holds an 80% interest.

Jointly governed organizations of the City include the Tri-Cities Airport Authority.

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are various charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for local revenues, 120 days for state-shared revenues, and 365 days for grant revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In general, taxes, licenses, federal and state grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for and reported in another fund. The primary financial resources reported in the general fund are, local property taxes, local option sales taxes, and state shared revenues.

The *general purpose school fund* is used to account for and report transactions of the City School System. The major sources of funding are state-shared revenues, local property taxes, and local option sales taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement focus, basis of accounting, and financial statement presentation (continued)

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets related to the general operation of the City (excluding types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments).

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term general obligation debt other than that payable from enterprise funds.

The City reports the following non-major governmental funds:

The *school nutrition services fund* is a special revenue fund used to account for and report federal and state financial resources, as well as user fees for the specific activities associated with the operation of the City School System cafeterias.

The *special school projects fund* is a special revenue fund used to account for and report financial resources derived from federal and state grants related to school projects.

The *public law 93-380 fund* is a special revenue fund used to account for and report restricted federal financial resources, specific to academic programs associated with federal grant entitlements.

The *Palmer Center fund* is a special revenue fund used to account for and report a contribution from the heirs of the late Mary L. Robinson estate, for the support of educational and other services provided to physically challenged children, by the Palmer Center.

The *special revenue general projects fund* is a special revenue fund used to account for and report federal and state grants matched with local revenues to fund general government programs or non-capital improvement projects.

The *community development fund* is a special revenue fund used to account for and report activities funded by community block grant entitlements from the United States Department of Housing and Urban Development.

The *federal transit administration fund* is a special revenue fund used to account for and report activities funded by federal and state grants for support of local government transportation programs.

The *state street aid fund* is a special revenue fund used to account for and report activities funded by state gasoline taxes.

The *drug fund* is a special revenue fund used to account for and report financial resources primarily derived from fines and forfeitures and used to support the City's police department drug investigations and enforcement programs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement focus, basis of accounting, and financial statement presentation (continued)

The *criminal forfeiture fund* is a special revenue fund used to account for and report activities related to seized property and money with the exception of those related to drug activities. In addition, this fund accounts for funds received from the United States Department of Justice under the Equitable Sharing of Federally Forfeited Property program. Federal revenue is restricted in use for the purchase of equipment.

The *regional sales tax revenue fund* is a special revenue fund used to account for and report the proceeds from a $.0025 (1/4 ¢) local option sales tax previously approved by local referendum. These funds are used for the retirement of debt issued to fund construction of the MeadowView Conference Resort and Convention Center and to support the operations of the complex including the Cattails Golf Course and Aquatic Center.

The *public library commission fund* is a special revenue fund used to account for and report contributions from patrons, civic organizations, private corporations, and other supporters of the Kingsport Public Library.

The *Bays Mountain Park fund* is a special revenue fund used to account for and report contributions from individuals, civic organizations and private corporations for the support and continued development of the Bays Mountain Park.

The *Steadman cemetery fund* is a special revenue fund used to account for and report a contribution from the heirs of Bonnie M. Steadman to provide for the maintenance of the Steadman family cemetery.

The *senior citizens advisory board fund* is a special revenue fund used to account for and report financial resources derived from various programs and events conducted by participating senior citizens and contributions from individuals, civic organizations and private corporations.

The *metropolitan planning office fund* is a special revenue fund used to account for and report grant funds received from the federal highway administration, federal transit administration, and State of Tennessee for support of local MPO programs.

The *justice assistance grant fund* is a special revenue fund used to account for and report direct federal grant funds received from the Edward Byrne Memorial Justice Assistance Grant Program. These funds are restricted for certain law enforcement programs.

The *visitors enhancement fund* is a special revenue fund used to account for and report 25% of the hotel and motel taxes collected in Kingsport from hotel and motel room rentals. This revenue is restricted in use for tourism purposes.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's production, storage and transportation of potable water.

The *sewer fund* accounts for the activities of the City's collection, transportation, treatment and disposal of wastewater.

The *aquatic center fund* accounts for the activities related to the City's operation of an aquatic facility offering indoor and outdoor recreational swimming for the region.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement focus, basis of accounting, and financial statement presentation (continued)

The *MeadowView Conference Resort and Convention Center fund* accounts for the activities of the City's outsourced operation (through Marriott) of the convention center.

The City reports the following non-major proprietary funds:

The *solid waste management fund* accounts for the activities of the City's collection of residential garbage, refuse collection, recycling, and demolition landfill activities.

The *storm water management fund* accounts for the activities of the City's management of storm water run-off, efforts to improve the water quality of rivers and streams and to reduce incidences of flooding.

The *Cattails at MeadowView Golf Course fund* accounts for the activities of the City's outsourced operation (through Marriott Golf) of the 18-hole championship golf course.

Additionally, the City reports the following fund types:

Internal service funds account for risk management, self-insured health insurance, retiree's health insurance, school self-insured health insurance, school retiree's health insurance and fleet maintenance services provided to other departments or agencies of the government on a cost reimbursement basis.

The *Allandale Trust fund* is a permanent fund used to account for and report restricted, non-expendable assets left to the City by the late Harvey Brooks, consisting of his home (Allandale Mansion) and other tangible and intangible assets.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Internal service funds of a government, which traditionally provide services primarily to other funds of the government, are presented in summary form, as part of the proprietary fund financial statements. The City's governmental activities are the principal users of the internal services activities, therefore, financial statements of internal service funds are consolidated into the governmental column at the government-wide level. The costs of the services provided by internal service funds are allocated to the appropriate functional activity (police, fire, public works, etc.).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, deferred outflows, liabilities, deferred inflows, and net position or fund equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes impose various restrictions on the City's, IDBK's, and ECD's deposits and investments, including repurchase agreements. These restrictions are summarized as follows:

DEPOSITS - All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits.

INVESTMENTS - State statutes authorize the City to invest in treasury bonds, notes or bills of the United States of America; non-convertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States of America or any of its agencies; Certificates of Deposit and other evidences of deposit at State and Federal chartered banks and Savings and Loan Associations; obligations of the United States of America or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the State of Tennessee Local Government Investment Pool (LGIP); obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. In general, cash overdrafts are reflected in the financial statements as due to other funds. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments. Investments for the City, as well as for its component units, are reported at fair value based on quoted market prices.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable and trade receivables allowance accounts are based on prior years' collection experience.

All property values are assessed on January 1 of each year. Property taxes receivable are recorded at this lien date. All real and personal property taxes are due and payable on the levy date of November 1 of each year, at which time the receivable is recognized as revenue. All unpaid property taxes become delinquent on December 1 (30 days from date of levy). A penalty of 2% is imposed on unpaid property taxes as of December 1. A penalty of 2% is imposed for the next month and an additional penalty of 1% is imposed for each month thereafter until paid, or the property is sold as authorized by law.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, deferred outflows, liabilities, deferred inflows, and net position or fund equity (continued)

3. Inventories and prepaid items

All inventories are valued at cost, utilizing the weighted average method of valuation. Inventories of governmental and proprietary funds are recorded as expenditures or expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain cash and investment balances of the City are classified as restricted assets at the government-wide and fund level because they are maintained in separate accounts and their use is limited by certain agreements and contracts with third parties. Restricted cash includes escrow for construction contractors established to fund retainage of outstanding construction projects upon their completion and working capital for outsourced operations of City facilities. Restricted investments include borrowed funds obligated for construction projects that have not been completed at the end of the fiscal year.

5. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years for property, plant and equipment and assets with an initial, individual cost of more than $100,000 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction phase of capital assets related to business-type activities is included as part of the capitalized value of the assets constructed. Debt service interest for business-type activities totaled $3,723,563. The amount expensed was $3,372,676 and the amount capitalized was $350,887. The detailed amounts in the respective funds are as follows:

	Water Fund	Sewer Fund	Solid Waste Management Fund	Storm Water Management Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Cattails at MeadowView Golf Course Fund	Total Business - Type Activities
Interest Expensed	$ 525,161	$ 1,526,045	$ 79,498	$ 36,162	$ 620,842	$ 567,232	$ 17,736	$ 3,372,676
Capitalized Interest	149,984	168,687	777	31,439	0	0	0	350,887
Debt Service Interest	$ 675,145	$ 1,694,732	$ 80,275	$ 67,601	$ 620,842	$ 567,232	$ 17,736	$ 3,723,563

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, deferred outflows, liabilities, deferred inflows, and net position or fund equity (continued)

5. Capital assets (continued)

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Roads and bridges	50
Utility lines	45
Buildings and building improvements	30
Landfill improvements	25
Golf course improvements	15
Machinery, equipment and heavy vehicles	10
Automobiles	5

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation days and sick leave benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. However, it is the City's policy to apply the accumulated sick leave toward years for retirement. All vacation pay is accrued when incurred in the government-wide, internal service and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

It is also the City's policy to permit employees from certain departments of the City to accumulate earned but unused compensation time (comp time) for excess hours worked in lieu of overtime payments. The unpaid balance of reimbursable unused comp time is accrued when incurred in the government-wide, internal service and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Because of the City's policy limits on the amount of accumulated compensated absences an employee can carry forward and the fact that this benefit is available to be taken as soon as it is earned, the entire outstanding balance is considered a current liability and recorded as compensated absences payable on the statement of net position rather than as long term debt. Compensated absences accrued in proprietary or internal service funds are liquidated from the individual fund where they are accrued. Compensated absences accrued on the statement of net position as governmental activities will primarily be liquidated from the general fund.

Changes in compensated absences for the fiscal year ending June 30, 2015 are as follows:

Compensated Absences, July 1, 2014	$ 3,866,008
Compensated Absences Earned - FY2015	3,678,608
Compensated Absences Used - FY2015	(3,651,470)
Compensated Absences, June 30, 2015	$ 3,893,146

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, deferred outflows, liabilities, deferred inflows, and net position or fund equity (continued)

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as losses on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed during the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Net position

The City's net position is classified as follows:

Net Investment in Capital Assets: Consists of capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. When debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position: Restricted net position reflects the resources that are subject to restricted use and have been externally imposed by creditors, grantors or contributors, or by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: Unrestricted net position includes resources that are available for transactions relating to the general operations of the City and may be used at the discretion of the City to meet current expenses for any purpose.

9. Fund equity

Effective July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* Governmental fund equity is classified as fund balance. As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Non-spendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash (for example: inventories, prepaid amounts, and long-term notes receivable).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, deferred outflows, liabilities, deferred inflows, and net position or fund equity (continued)

9. Fund equity (continued)

Restricted Fund Balance – includes amounts that are, (a) externally restricted by creditors, grantors, contributors, or laws or regulations of other governments, or (b) restricted by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision making authority. The Board of Mayor and Aldermen is the highest level of decision making authority for the City that can, by adoption of an ordinance, commit fund balance. Commitments of fund balance can be changed or lifted only by the City taking the same formal action through adoption of an ordinance.

Assigned Fund Balance – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as non-spendable, restricted, or committed. The Board of Mayor and Aldermen has not authorized a specific party at this time to assign fund balance. Intent to assign fund balance is expressed by formal action of the Board of Mayor and Aldermen through adoption of an ordinance.

Unassigned Fund Balance – is a residual classification for the general fund and includes all spendable amounts not contained in the other classifications. It is also used for any negative fund balances in other funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

10. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The City has two items that qualify for reporting in this category; deferred outflows related to refunding and deferred outflows related to pensions. Both are reported in the government-wide statement of net position and the statement of net position for proprietary funds. These items result from the differences in the carrying value of refunded debt and its reacquisition price and from the requirements recognized under GASB 68 for pensions. The deferred outflows related to refunding amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions reflects payments made by the City not currently recognized by the pension plans.

In addition to liabilities, the statement of financial position and balance sheet report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of deferred inflows. One item occurs only under a modified accrual basis of accounting. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes in both the General Fund and General Purpose School

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, deferred outflows, liabilities, deferred inflows, and net position or fund equity (continued)

10. Deferred outflows and inflows of resources (continued)

Fund, as well as the Hall Income Tax in the General Fund and other receivables not collected within 60 days of year-end and property taxes collected in advance of their due date. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item relates to unearned property taxes recorded in advance of the year in which they are intended to fund operations. This item is a deferred inflow in both the governmental fund balance sheet and the entity wide statement of net position. The third item relates to the recognition of employee pensions as required under GASB 68. This item is a deferred inflow in both the governmental fund balance sheet and the entity wide statement of net position.

	Entity- Wide Statements Governmental	Governmental Funds Statements
Property Taxes Receivable - General Fund (unavailable)	$ 0	$ 991,167
Property Taxes Receivable - General Fund (unearned / unavailable)	36,662,013	36,662,013
Hall Income Taxes Receivable - General Fund (unearned / unavailable)	557,830	557,830
Property Taxes Receivable - School Fund (unearned / unavailable)	16,730,000	16,730,000
	$ 53,949,843	$ 54,941,010

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City of Kingsport's participation in the Public Employee Retirement Plan, and Kingsport City School's participation in the Teacher Legacy Pension Plan and Teacher Retirement Plan all included in the Tennessee Consolidated Retirement System (TCRS) and additions to / deductions from the plans' fiduciary net position, have been determined on the same basis as they are reported by the TCRS. 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, Teacher Legacy Pension Plan and Teacher Retirement Plan. Investments are reported at fair value.

12. Use of estimates

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this $321,024,735 difference are as follows:

Governmental funds capital assets	$ 570,000,191
Less: accumulated depreciation	(248,975,456)
Net adjustment to increase *fund balances – total governmental funds* to arrive at *net position – governmental activities*	$ 321,024,735

Another element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $(188,345,827) difference are as follows:

Bonds payable, net of premiums and discounts	$ (118,181,223)
Notes payable	(7,447,661)
Inter-local cooperative agreements	(240,000)
Compensated absences	(3,079,145)
OPEB liability	(39,117,651)
Accrued interest payable	(1,321,971)
Pension liability	(18,958,176)
Net adjustment to reduce *fund balances – total governmental funds* to arrive at *net position – governmental activities*	$ (188,345,827)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures". However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays in the current period, exceeded depreciation of general capital assets. The details of this $2,055,316 difference are as follows:

Capital outlays	$ 15,864,508
Depreciation expense	(13,809,192)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$ 2,055,316

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is a decrease to net position." The details of this $(179,001) difference are as follows:

Capital asset donations reported in statement of activities	$	2,118,252
Capital asset roads annexed reported in statement of activities		0
Forfeited vehicles reported in statement of activities		5,400
Capital project expenditures not meeting capitalization requirements		(2,272,511)
Asset disposals		(30,142)
Net adjustment to reduce *net changes in fund balances – total governmental funds* to arrive at *changes in net* position *of governmental activities*	$	(179,001)

Another element of that reconciliation states that "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this $(286,882) difference are as follows:

Unearned property taxes as of June 30, 2015	$	991,167
Prior years' unearned property taxes		(1,278,049)
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net* position *of governmental activities*	$	(286,882)

Another element of that reconciliation states that "the net revenue of certain activities of internal service funds is reported with governmental activities." The details of this $934,508 difference are as follows:

Investment earnings	$	18,098
Gain on disposal of capital assets		5,819
Operating gain		565,591
Net transfers in		345,000
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net* position *of governmental activities*	$	934,508

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this $(8,446,792) difference are as follows:

Principal payments	$ 7,696,331
Inter-local cooperative agreement payments	120,000
Principal payments on HUD Loan	43,000
Issuance of general obligation bonds and notes payable	(32,291,848)
Premium on issuance of general obligation bonds	(4,044,772)
Amortization of premiums, discounts and refunding costs	129,448
Payments to refunded bond escrow	19,901,049
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net position* of *governmental activities*	$ (8,446,792)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

C. Fund Balance Classification

As provided for in GASB Statement No. 54, governmental fund balances by classification, as of June 30, 2015 are as follows:

	Major Governmental Funds					
Fund Balances:	General Fund	General Purpose Schools Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Non-spendable:						
Inventory	$ 2,554	$ 4,843	$ 0	$ 0	$ 159,086	$ 166,483
Prepaids	18,387	11,978	0	0	0	30,365
Allandale Trust Principal	0	0	0	0	152,691	152,691
Total Non-spendable	20,941	16,821	0	0	311,777	349,539
Restricted for:						
Unspent Federal Forfeitures	0	0	0	0	62,948	62,948
Unspent Bond Proceeds	0	0	0	15,185,319	0	15,185,319
Unspent Hotel Tax	0	0	0	0	271,021	271,021
Total Restricted	0	0	0	15,185,319	333,969	15,519,288
Committed to:						
DB Track Maintenance Project	0	15,000	0	0	0	15,000
Veterans Memorial	0	0	0	0	0	0
Total Committed	0	15,000	0	0	0	15,000
Assigned to:						
Fund Balance Allocations	118,524	0	0	0	0	118,524
Future Industrial Park	20,927	0	0	0	0	20,927
Debt Service	0	0	99,358	0	0	99,358
Capital Projects	0	0	0	195,853	0	195,853
Other Projects	0	0	0	0	590,552	590,552
Community Development	0	0	0	0	16,471	16,471
Allandale Fund	0	0	0	0	41,277	41,277
Education:						
General Purpose School Fund	0	6,051,039	0	0	0	6,051,039
School Nutrition Fund	0	0	0	0	2,181,718	2,181,718
School Projects Fund	0	0	0	0	996	996
Palmer Center Fund	0	0	0	0	65,902	65,902
Public Safety:						
Criminal Forfeiture Fund	0	0	0	0	83,450	83,450
Drug Fund	0	0	0	0	176,605	176,605
Justice Assistance Grant Fund	0	0	0	0	0	0
Transportation:						
Federal Transit Fund	0	0	0	0	483,775	483,775
MPO Fund	0	0	0	0	193,761	193,761
State Street Aid Fund	0	0	0	0	2,682	2,682
Culture and Recreation:						
Regional Sales Tax Fund	0	0	0	0	63,321	63,321
Visitors Enhancement Fund	0	0	0	0	0	0
Steadman Cemetary Fund	0	0	0	0	14,133	14,133
Library Commission Fund	0	0	0	0	4,263	4,263
Bays Mountain Park Fund	0	0	0	0	170,953	170,953
Senior Citizens Fund	0	0	0	0	74,539	74,539
Total Assigned	139,451	6,051,039	99,358	195,853	4,164,398	10,650,099
Unassigned:	12,736,020	0	0	0	0	12,736,020
Total Fund Balances	$ 12,896,412	$ 6,082,860	$ 99,358	$ 15,381,172	$ 4,810,144	$ 39,269,946

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds except the capital projects fund and certain special revenue funds associated with grant awards, which are adopted on a project-by-project basis and normally span a multi-year period.

The City Manager is required by charter to present to the BMA a preliminary budget for the upcoming fiscal year by May 15th. The preliminary budget is compiled from revenue and expense projections as well as requests submitted by each department. The BMA must pass the preliminary budget on two readings before it is adopted and becomes the approved spending plan for the City.

The City Manager has the authority to transfer the unused portion of any item or appropriation within the same department, between departments in any given fund, and across departments and/or funds for fleet, risk management and health insurance. The City Manager also has the authority to transfer funds from the vehicle repair and maintenance account of one department to the vehicle repair and maintenance account of another department. Any revisions that alter the total expenditures of any fund must be approved by the BMA. Expenditures may not exceed appropriations at the fund level. Supplemental appropriations may be authorized by the BMA through the adoption of appropriate ordinances during the fiscal year.

Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund, general purpose school fund, certain special revenue funds (criminal forfeiture, drug, state street aid, regional sales tax revenue, visitors enhancement, Steadman cemetery, public library commission, Bays Mountain Park, senior citizens advisory board, school nutrition services, and Palmer Center), debt service fund, proprietary funds and the permanent fund. Budgets for the remaining special revenue funds and capital projects funds are made on a project basis, spanning more than one fiscal year. Budgetary control is exercised at the departmental level or by project.

Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as Assigned Fund Balance and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2015, there were no instances of expenditures exceeding appropriations in any funds.

C. Deficit fund equity

For the fiscal year ended June 30 2015, the Solid Waste Management Fund reports a deficit total net position in the amount of $(411,608). This deficit net position is primarily the result of the City recognizing a pension liability of $640,688 with the implementation of GASB Statement Number 68. The net result was a $962,101 decrease in beginning net position. Additionally, corrections were made in relation to the closing of CIP projects which resulted in a decrease in beginning net position of $141,155. The OPEB liability increased by $39,090 for the year.

The City will make appropriate revenue enhancements within the Solid Waste Management Fund in addition to transfers from the General Fund to fund this deficit net position, in future fiscal years.

There were no instances of deficit fund equity in any additional funds of the City for June 30, 2015.

4. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Cash deposits on the statement of net position include demand deposits, certificates of deposit, savings accounts, cash on deposit with the State of Tennessee and cash deposited in escrow accounts.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of bank failure, deposits may not be returned to the City. The policy for custodial credit risk on deposits is to follow state statutes. As of June 30, 2015, all deposits were insured through FDIC or collateralized as required by Tennessee Code Annotated (TCA) 9-1-118. Total demand deposits and certificates of deposit for the City are held in financial institutions which are members of the Tennessee Bank Collateral Pool (the pool) administered by the State of Tennessee Treasurer. The pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the pool if the value of collateral is inadequate to cover a loss.

At June 30, 2015, the City's carrying amount of deposits was $77,421,734 and the bank balance was $80,002,054.

The carrying amount of deposits at June 30, 2015 for the IDBK, a discretely presented component unit, was $865,234 and the bank balance was $865,234. The IDBK's deposits in financial institutions were entirely insured through FDIC or collateralized through the Tennessee Bank Collateral Pool at June 30, 2015.

Total demand deposits and certificates of deposit for the ECD, also a discretely presented component unit, were held in financial institutions, which were members of the Tennessee Bank Collateral Pool. The ECD's deposits in financial institutions were entirely insured through FDIC or collateralized through the Tennessee Bank Collateral Pool at June 30, 2015.

The carrying amount of deposits at June 30, 2015 for the ECD was $968,526 and the deposits in financial institutions was $969,890.

Investments

The City's investment policy is to ensure the preservation of capital in the overall investment portfolio. The City will emphasize the safety of capital first, maintain sufficient liquidity to meet obligations second, and gain the highest possible yield third.

The City's investments generally include long term certificates of deposit placed at local banks or money market deposits with the State of Tennessee Local Government Investment Pool (LGIP).

Specifically, the LGIP was established under Tennessee Code Annotated Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invest in time deposits, such as certificates of deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. By law, the LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares. The TN LGIP has not been rated by a nationally recognized statistical rating organization.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and investments (continued)

At June 30, 2015, the City's carrying amount for investments are as follows:

Investment Type	Fair Value	Weighted Average Maturity (in Years)
Certificate of Deposit	$ 1,250,691	1.01
Tennessee Local Government Investment Pool	3,056,173	0.30
Total	$ 4,306,864	

The City does not have a policy for determining which investments will be recorded at amortized cost. No investments are recorded at amortized cost at June 30, 2015.

Concentration of Credit Risk

The City's investment policy does not allow for an investment in any issuer that is in excess of five percent of the City's total investments.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

Receivables as of June 30, 2015 for the City's individual major funds, non-major funds, and internal service funds in the aggregate, and for the component units in total, including the applicable allowances for uncollectible accounts, are as follows:

	General	General Purpose School	Capital Projects	Water	Sewer	Aquatic Center	Meadow View Conference Resort and Convention Center	Non-Major Governmental	Non-Major Business-Type	Internal Service	Total Primary Government	Component Units
Receivables:												
Taxes	$ 38,457,698	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 38,457,698	$ 0
Accounts	1,003,549	107,077	2,352	1,872,702	2,034,110	77,882	28,200	41,648	417,608	261,849	5,846,977	55,661
Intergovernmental	6,038,844	19,128,000	221,000	0	171,799	0	0	2,551,857	0	0	28,111,500	0
Gross receivables	45,500,091	19,235,077	223,352	1,872,702	2,205,909	77,882	28,200	2,593,505	417,608	261,849	72,416,175	55,661
Less: Allowances for uncollectibles	(900,358)	(64,717)	0	(77,390)	(311,641)	0	0	0	(112,421)	(520)	(1,467,047)	0
Net total receivables	$ 44,599,733	$ 19,170,360	$ 223,352	$ 1,795,312	$ 1,894,268	$ 77,882	$ 28,200	$ 2,593,505	$ 305,187	$ 261,329	$ 70,949,128	$ 55,661

Revenues of the general, general purpose school, water, sewer, solid waste management, storm water management, and fleet maintenance funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to property taxes	$ 30,997
Uncollectibles related to general activities	140,734
Uncollectibles related to school activities	(2,779)
Uncollectibles related to water sales	3,804
Uncollectibles related to sewer charges	10,087
Uncollectibles related to solid waste charges	26,248
Uncollectibles related to storm water management fees	18,600
Uncollectibles related to internal service funds activities	(507)
Total uncollectibles of the current fiscal year	$ 227,184

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets

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

Primary government

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 27,035,115	$ 3,020,379	$ 0	$ 0	$ 30,055,494
Construction in Progress	24,862,529	13,194,561	(13,845,095)	(245,425)	23,966,570
Total capital assets, not being depreciated	51,897,644	16,214,940	(13,845,095)	(245,425)	54,022,064
Capital assets, being depreciated:					
Buildings	175,150,568	5,453,730	0	0	180,604,298
Improvements other than buildings	22,780,846	889,405	(29,658)	0	23,640,593
Equipment	47,488,772	3,731,535	(639,677)	0	50,580,630
Software	667,166	21,550	0	0	688,716
Infrastructure	284,403,208	5,281,877	0	0	289,685,085
Total capital assets, being depreciated	530,490,560	15,378,097	(669,335)	0	545,199,322
Less accumulated depreciation for:					
Buildings	(78,696,877)	(4,731,941)	0	0	(83,428,818)
Improvements other than buildings	(12,705,191)	(1,145,463)	28,908	0	(13,821,746)
Equipment	(30,001,985)	(3,788,403)	607,285	0	(33,183,103)
Software	(422,071)	(92,735)	0	0	(514,806)
Infrastructure	(131,269,216)	(5,925,849)	0	0	(137,195,065)
Total accumulated depreciation	(253,095,340)	(15,684,391)	636,193	0	(268,143,538)
Total capital assets, being depreciated, net	277,395,220	(306,294)	(33,142)	0	277,055,784
Governmental activities capital assets, net	$ 329,292,864	$ 15,908,646	$ (13,878,237)	$ (245,425)	$ 331,077,848

A prior period adjustment for corrections related to the closing of CIP projects was recorded in fiscal year 2015 that resulted in a decrease in the beginning balances associated with governmental activities capital assets. The beginning balance for total capital assets not being depreciated was reduced by $11,862,905, while the beginning balance for depreciated capital assets was increased by a like amount. The beginning balance for total accumulated depreciation was increased by $1,633,674 and the beginning balance for net capital assets was decreased by a like amount.

Depreciation expense was charged to governmental activities functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 1,461,054
Economic and physical development	501,556
Public safety	1,238,668
Public works	6,725,839
Culture and recreation	1,942,526
Education	3,814,748
Total depreciation expense - governmental activities	$ 15,684,391

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets (continued)

Primary government (continued)

	Beginning Balance	Additions	Deletions	Adjustments	Amount
Business-type activities:					
Capital assets, not being depreciated:					
Water					
Land	$ 730,958	$ 33,199	$ (14,625)	$ 0	$ 749,532
Construction in Progress	6,256,725	2,623,934	(4,213,192)	0	4,667,467
Sewer					
Land	1,069,613	33,199	(14,625)	0	1,088,187
Construction in Progress	6,704,272	3,349,296	(6,536,888)	0	3,516,680
Solid waste management					
Land	1,716,309	0	0	0	1,716,309
Construction in Progress	42,660	250,915	(290,367)	0	3,208
Storm Water					
Land	977,763	0	0	0	977,763
Construction in Progress	779,116	425,465	(561,495)	0	643,086
Aquatic Center					
Land	845,711	0	0	0	845,711
Construction in Progress	0	0	0	0	0
Meadowview Conference Resort and Convention Center					
Land	1,515,497	0	0	0	1,515,497
Construction in Progress	0	0	0	0	0
Cattails at Meadowview Golf Course					
Land	981,600	0	0	0	981,600
Construction in Progress	0	0	0	0	0
Total capital assets, not being depreciated	21,620,224	6,716,008	(11,631,192)	0	16,705,040
Capital assets, being depreciated:					
Water					
Buildings and system	108,259,999	4,706,478	(168,120)	0	112,798,357
Equipment and machinery	1,001,576	88,903	(5,943)	0	1,084,536
Software	66,400	0	0	0	66,400
Sewer					
Buildings and system	197,386,599	7,051,577	(110,375)	0	204,327,801
Equipment and machinery	884,280	37,735	(5,943)	0	916,072
Solid waste management					
Buildings and system	289,373	777	0	0	290,150
Improvements other than Buildings	1,177,264	0	0	0	1,177,264
Equipment and machinery	1,750,185	290,367	0	0	2,040,552
Software	6,750	0	0	0	6,750
Storm Water					
Buildings and system	148,954	545,134	0	0	694,088
Improvements other than Buildings	534,297	0	0	0	534,297
Equipment and machinery	125,000	7,963	0	0	132,963
Software	6,661	0	0	0	6,661
Aquatic Center					
Buildings and system	19,272,330	0	0	0	19,272,330
Equipment and machinery	75,400	63,670	0	0	139,070
MeadowView Conference Resort and Convention Center					
Buildings	39,469,991	0	0	0	39,469,991
Improvements other than Buildings	2,798,759	66,498	0	0	2,865,257
Equipment	1,141,952	61,316	0	0	1,203,268
Cattails at MeadowView Golf Course					
Buildings	1,439,145	0	0	0	1,439,145
Improvements other than Buildings	6,033,890	0	0	0	6,033,890
Equipment	465,051	30,299	(24,214)	0	471,136
Total capital assets, being depreciated	382,333,856	12,950,717	(314,595)	0	394,969,978

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets (continued)

Primary government (continued)

	Amount	Additions	Deletions	Adjustments	Amount
Less accumulated depreciation for:					
Water					
Buildings and system	(39,980,214)	(2,819,166)	79,820	0	(42,719,560)
Equipment and machinery	(726,882)	(68,695)	5,818	0	(789,759)
Software	(66,400)	0	0	0	(66,400)
Sewer					
Buildings and system	(67,482,617)	(4,704,073)	22,074	0	(72,164,616)
Equipment and machinery	(627,687)	(58,286)	5,818	0	(680,155)
Solid waste management					
Buildings and system	(106,812)	(11,046)	0	0	(117,858)
Improvements other than Buildings	(1,177,264)	0	0	0	(1,177,264)
Equipment and machinery	(498,200)	(219,147)	0	0	(717,347)
Software	(113)	(1,350)	0	0	(1,463)
Storm Water					
Buildings and system	(870)	(4,713)	0	0	(5,583)
Improvements other than Buildings	(71,240)	(35,620)	0	0	(106,860)
Equipment and machinery	(1,485)	(18,618)	0	0	(20,103)
Software	(222)	(1,332)	0	0	(1,554)
Aquatic Center					
Buildings and system	(632,750)	(645,582)	0	0	(1,278,332)
Equipment and machinery	(6,574)	(20,268)	0	0	(26,842)
MeadowView Conference Resort and Convention Center					
Buildings	(9,452,467)	(1,132,725)	0	0	(10,585,192)
Improvements other than Buildings	(537,454)	(172,708)	0	0	(710,162)
Equipment	(1,035,272)	(44,586)	0	0	(1,079,858)
Cattails at MeadowView Golf Course					
Buildings	(347,874)	(41,095)	0	0	(388,969)
Improvements other than Buildings	(3,520,529)	(182,740)	0	0	(3,703,269)
Equipment	(429,643)	(15,207)	23,963	0	(420,887)
Total accumulated depreciation	(126,702,569)	(10,196,957)	137,493	0	(136,762,033)
Total capital assets, being depreciated, net	255,631,287	2,753,760	(177,102)	0	258,207,945
Business-type activities capital assets, net	$ 277,251,511	$ 9,469,768	$ (11,808,294)	$ 0	$ 274,912,985

A prior period adjustment for corrections related to the closing of CIP projects was recorded in fiscal year 2015 that resulted in a decrease in the beginning balances associated with business-type activities capital assets. The beginning balance for total capital assets not being depreciated was reduced by $33,328,780, while the beginning balance for depreciated capital assets was increased by $31,706,438. The beginning balance for total accumulated depreciation was increased by $2,317,019 and interest previously capitalized was expensed in the amount of $1,622,342. The beginning balance for net capital assets was decreased by $3,939,361.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets (continued)

Primary government (continued)

Depreciation expense was charged to business-type activities functions/programs of the primary government as follows:

Business-type activities:	
Water	$ 2,887,861
Sewer	4,762,359
Solid waste management	231,543
Storm Water	60,283
Aquatic Center	665,850
MeadowView Conference Resort and Convention Center	1,350,019
Cattails at MeadowView Golf Course	239,042
Total depreciation expense - business-type activities	$ 10,196,957

Construction commitments

The City has active construction projects as of June 30, 2015. The governmental projects of the City are reflected in the capital projects fund and the City has provided funding for the future commitments in the amount of $15,185,319 through bonded debt. In the proprietary funds, funding for construction projects has been provided and is in segregated deposit and investment accounts totaling $22,174,141. Except for projects which are shared with counties or the State of Tennessee, the City could terminate any project at their discretion.

Net Investment in Capital Assets

The net investment in capital assets is composed of the following items at June 30, 2015:

		Business-Type					
	Governmental	Water	Sewer	Aquatic Center	MeadowView Conference Center	Other Enterprise Funds	Total Business-Type
Capital Assets	$ 599,221,386	$ 119,366,292	$ 209,848,740	$ 20,257,111	$ 45,054,013	$ 17,148,862	$ 411,675,018
Less Accumulated Depreciation	(268,143,538)	(43,575,719)	(72,844,771)	(1,305,174)	(12,375,212)	(6,661,157)	(136,762,033)
Net Capital Assets	331,077,848	75,790,573	137,003,969	18,951,937	32,678,801	10,487,705	274,912,985
Total Debt	125,868,884	24,582,537	53,381,732	17,806,431	13,094,943	5,137,922	114,003,565
Less Debt not related to Capital Assets	(240,000)	0	0	0	0	0	0
Less Capital related unspent debt proceeds	(15,221,600)	(6,418,969)	(14,636,891)	0	0	(1,118,281)	(22,174,141)
Total Capital Debt	110,407,284	18,163,568	38,744,841	17,806,431	13,094,943	4,019,641	91,829,424
Net Investment in Capital Assets	$ 220,670,564	$ 57,627,005	$ 98,259,128	$ 1,145,506	$ 19,583,858	$ 6,468,064	$ 183,083,561

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets (continued)

Discretely presented component units

Activity for the IDBK for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,572,319	$ 0	$ 0	$ 1,572,319
Construction in Progress	0	2,428,509	0	2,428,509
Total capital assets, not being depreciated	1,572,319	2,428,509	0	4,000,828
Capital assets, being depreciated:				
Buildings	4,331,319	0	0	4,331,319
Improvements other than buildings	262,506	0	0	262,506
Signs	55,422	0	0	55,422
Total capital assets, being depreciated	4,649,247	0	0	4,649,247
Less accumulated depreciation for:				
Buildings	(222,360)	(108,283)	0	(330,643)
Improvements other than buildings	(35,104)	(16,147)	0	(51,251)
Signs	(55,422)	0	0	(55,422)
Total accumulated depreciation	(312,886)	(124,430)	0	(437,316)
Total capital assets, being depreciated, net	4,336,361	(124,430)	0	4,211,931
IDBK capital assets, net	$ 5,908,680	$ 2,304,079	$ 0	$ 8,212,759

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets (continued)

Discretely presented component units (continued)

Activity for the ECD for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 242,010	$ 0	$ 0	$ 242,010
Construction in Progress	459,710	0	(459,710)	0
Total capital assets, not being depreciated	701,720	0	(459,710)	242,010
Capital assets, being depreciated:				
Building	0	2,021,925	0	2,021,925
Furniture and Fixtures	21,819	206,705	(16,546)	211,978
Office Equipment	69,925	7,161	(7,363)	69,723
Communications Equipment	1,089,793	0	(440,724)	649,069
Other Fixed Assets	28,780	83,995	0	112,775
Total capital assets, being depreciated	1,210,317	2,319,786	(464,633)	3,065,470
Less accumulated depreciation for:				
Building	0	0	0	0
Furniture and Fixtures	(17,512)	(528)	16,546	(1,494)
Office Equipment	(64,316)	(1,467)	7,363	(58,420)
Communications Equipment	(711,233)	(99,138)	440,724	(369,647)
Other Fixed Assets	(28,780)	0	0	(28,780)
Total accumulated depreciation	(821,841)	(101,133)	464,633	(458,341)
Total capital assets, being depreciated, net	388,476	2,218,653	0	2,607,129
ECD capital assets, net	$ 1,090,196	$ 2,218,653	$ (459,710)	$ 2,849,139

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Inter-fund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2015, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund (major)	State Street Aid Fund (nonmajor)	$ 98,035
	Community Development Fund (nonmajor)	37,478
	Regional Sales Tax Fund (nonmajor)	598,334
	General Projects Fund (major)	651,627
	Fleet Maintenance Fund (major)	168,616
General Purpose School Fund (major)	Public Law 93-380 Fund (nonmajor)	632,293
	Special School Projects Fund (nonmajor)	182,769
	School Retirees' Insurance Fund (nonmajor)	13,450
Water Fund (major)	Solid Waste Fund (nonmajor)	698,169
	Storm Water Management Fund (nonmajor)	42,108
	Aquatic Center Fund (major)	706,046
	MeadowView Conference Resort & Convention Center Fund (major)	75,437
	Cattails at MeadowView Gold Course Fund (nonmajor)	78,817
Total		$ 3,983,179

The outstanding balances between funds result mainly from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Advances to/from other funds

Receivable Fund	Payable Fund	Amount
Fleet Maintenance Fund (major)	General Fund (major)	$ 154,785
Total		$ 154,785

Advances to/from other funds represent an interfund loan with an established repayment schedule that span over one year and is subject to an interest rate 2.5%. The amount due at June 30, 2015 includes principal, as well as accrued interest.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Inter-fund receivables, payables, and transfers (continued)

Advances to/from other funds (continued)

Debt service requirements to maturity for an interfund loan issued in the amount of $725,000 on February 28, 2011 by the Fleet Maintenance Fund to the General Fund, at an interest rate of 2.5%, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 152,248	$ 3,806	$ 156,054
	$ 152,248	$ 3,806	$ 156,054

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary government-General Fund	Component unit - IDBK	$ 10,592
Primary government-Water Fund	Component unit - IDBK	10,715
Primary government-Sewer Fund	Component unit - IDBK	14,796
Component unit - IDBK	Primary government-General Fund	(60,893)
Component unit - IDBK	Primary government-MeadowView Fund	-
Component unit - IDBK	Primary government-General Project Fund	(3,625)
Total		$ (28,415)

The City of Kingsport's primary government is also liable to their component unit Industrial Development Board for certain agreements that are reported as long term notes payable. The total amounts due under these agreements at June 30, 2015 are $240,000. The amounts due in one year related to these agreements are $120,000.

Interfund transfers

Transfers are used to move revenue from the fund with collection authorization or resolution to the debt service fund as debt service principal and interest payments become due and move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Inter-fund receivables, payables, and transfers (continued)

Inter-fund transfers (continued)

	Transfers in:															
Transfers out:	General	General Purpose School	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental	Water	Solid Waste Management	Aquatic Center	Meadow View Conference Resort and Convention Center	Cattails at Meadow View	Total Proprietary	Retirees Health Insurance	School Retirees Health Insurance	Total Internal Service	Total
General	$ 0	$ 13,630,218	$ 7,439,148	$ 501,462	$ 2,460,330	$ 24,031,158	$ 0	$ 3,308,300	$ 450,000	$ 0	$ 0	$ 3,758,300	$ 345,000	$ 0	$ 345,000	$ 28,134,458
General Purpose School	249,657	0	3,718,570	0	60,487	4,028,714	0	0	0	0	0	0	0	0	0	4,028,714
Capital Projects	0	0	623,174	0	0	623,174	0	0	0	0	0	0	0	0	0	623,174
Nonmajor Governmental	124,860	27,901	0	(7,709)	0	145,052	0	0	1,326,297	2,138,046	356,496	3,820,839	0	0	0	3,965,891
Total Governmental	374,517	13,658,119	11,780,892	493,753	2,520,817	28,828,098	0	3,308,300	1,776,297	2,138,046	356,496	7,579,139	345,000	0	345,000	36,752,237
Water	1,554,263	0	0	0	0	1,554,263	0	0	0	0	0	0	0	0	0	1,554,263
Sewer	1,367,479	0	0	0	0	1,367,479	107,078	0	0	0	0	107,078	0	0	0	1,474,557
Storm Water	77,455	0	0	0	0	77,455	15,081	0	0	0	0	15,081	0	0	0	92,536
Aquatic Center	40,905	0	0	0	0	40,905	0	0	0	0	0	0	0	0	0	40,905
Total Proprietary	3,040,102	0	0	0	0	3,040,102	122,159	0	0	0	0	122,159	0	0	0	3,162,261
School Health Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	241,076	241,076	241,076
Total Internal Service	0	0	0	0	0	0	0	0	0	0	0	0	0	241,076	241,076	241,076
Total	$ 3,414,619	$ 13,658,119	$ 11,780,892	$ 493,753	$ 2,520,817	$ 31,868,200	$ 122,159	$ 3,308,300	$ 1,776,297	$ 2,138,046	$ 356,496	$ 7,701,298	$ 345,000	$ 241,076	$ 586,076	$ 40,155,574

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities

The City routinely issues and retires long-term debt instruments each year for both general governmental activities and business-type activities. Long-term debt for general governmental activities is reported in the Government Wide Statement of Net Position and paid from the Debt Service Fund. Long-term debt for business-type activities is recorded in and paid from the applicable enterprise fund.

On October 31, 2014, the City issued General Obligation Public Improvement Bonds, Series 2014A with a par value of $15,605,000 and an average interest rate of 3.75%. The proceeds were used to fund certain public works projects consisting of the acquisition of public art; the acquisition, construction, improvement and renovation of public school facilities; street, parking, and sidewalk construction, improvement and expansion; acquisition, construction, and improvement of public recreational facilities, including development and construction of a softball and baseball complex and a tennis complex; the acquisition, construction, renovation, improvement and equipping of public buildings within the Municipality, including HVAC improvements; construction of landfill cell; acquisition of public works equipment, including fire ladder trucks, public safety vehicles, gas boy and fuel dispensers, and street lighting improvements; the acquisition of all property real and personal, appurtenant thereto or connected with such work; and to pay legal, fiscal, administrative, and engineering costs; to reimburse the Municipality for the costs of any of the above projects; to pay capitalized interest; and to pay costs incident to the issuance and sale of the bonds.

The net proceeds of $17,026,696 consisted of the par amount of the General Obligation Bonds, plus a net premium of $1,634,076, less an underwriter's discount and other issuance costs of $212,340. With the implementation of GASB 65, bond issuance costs are expensed in the year incurred.

Also on October 31, 2014 the City issued General Obligation Public Improvement Bonds, Series 2014B with a par value of $9,300,000 and an average interest rate of 2.63%. The proceeds were used to fund certain public works projects consisting of the acquisition of public art; construction, expansion and improvement of the Municipality's water and sewer system; the acquisition of all property real and personal, appurtenant thereto or connected with such work; to pay legal, fiscal, administrative, and engineering costs; to reimburse the Municipality for the costs of any of the above projects; to pay capitalized interest; and to pay costs incident to the issuance and sale of the bonds.

The net proceeds of $9,341,408 consisted of the par amount of the General Obligation Public Improvement Bonds, plus a net premium of $223,156 less an underwriter's discount and other issuance costs totaling $181,748. With the implementation of GASB 65, bond issuance costs are expensed in the year incurred.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Advance Refunding

On February 6, 2015, the City issued General Obligation Refunding Bonds, Series 2015 at par value of $17,695,000. The Bonds were issued to refinance existing debt which included one note issue and, in part, three outstanding bond issues. The objective of the transaction was to generate significant annual aggregate and net present value savings. The annual aggregate savings was $1,859,581 and the net present value savings was $1,636,305 (8.799 percent of the refunded principal). The bonds and notes refunded in whole or part were 2007 General Obligation Capital Outlay Notes; 2007 General Obligation School and Public Improvement Bonds; 2008A General Obligation School and Public Improvement Refunding Bonds; and 2008B General Obligation Bonds. Since funds were budgeted for Fiscal Year 2015 by the City to pay debt service when due on the Notes (principal and interest) and interest on the refunded portions of the Series 2007 Bonds, the Series 2008A Bonds and the Series 2008B Bonds, those funds were contributed at closing by the City to reduce the size of the composite transaction and to improve the overall efficiency of the transaction.

The net proceeds of $19,901,049 consisted of the $17,695,000 par amount of the General Obligation Public Improvement Bonds, Series 2015, plus a net premium of $2,516,265, less an underwriter's discount and other issuance costs of $310,216. The net proceeds were deposited with an escrow agent and used to retire principal and interest related to: the retirement of the 2007 General Obligation Capital Outlay Notes with a principal amount of $662,000; the partial defeasance of the 2007 General Obligation School and Public Improvement Bonds in the principal amount of $10,345,000; the partial defeasance of the 2008A General Obligation School and Public Improvement Refunding Bonds in the principal amount of $2,985,000; and the partial defeasance of the 2008B General Obligation Bonds in the principal amount of $4,455,000. After the partial defeasance of the bonds, the City continues to record a liability for outstanding principal amounts as follows: $4,060,000 for the Series 2007 Bonds; $2,690,000 for the Series 2008A Bonds; and $4,020,000 for the Series 2008B Bonds.

Governmental Activities:

Inter-local Cooperative Agreements

The City entered into an inter-local agreement effective June 30, 2011 to contribute $720,000 to IDBK for financing incentives related to the former Quebecor property. This contribution will be paid in six installments of $120,000 per year beginning August 2011. As of June 30, 2015, $240,000 is outstanding.

Notes Payable

The City issued a loan with the State of Tennessee for Qualified Zone Academy Projects in November 2004 for $3,524,680 with a maturity date of November 2020. Annual principal payments are $220,293 and the interest rate is variable. As of June 30, 2015, $1,321,755 is outstanding.

The City issued a loan with the State of Tennessee for the Qualified Zone Academy Bonds in December 2005 for $1,549,000 with a maturity date of December 2020. Annual principal payments are $103,267 and the interest rate is variable. As of June 30, 2015, $619,600 is outstanding.

In December 2009, the City issued a loan with the State of Tennessee for Qualified School Construction Bonds in the amount of $1,240,000, with a variable interest rate and a maturity date of September 2026. As of June 30, 2015, $859,578 is outstanding.

In July 2010, the City issued a loan with the U.S. Department of Housing and Urban Development in the amount of $856,000 with a maturity date of August 2030. Annual principal payments are $43,000 and the interest rate ranges from 4.00% to 5.00%. As of June 30, 2015, $684,000 is outstanding.

In December 2010, the City issued a loan with the State of Tennessee Energy Efficient Schools Initiative in the amount of $5,000,000 with an annual interest rate of .75%. Repayment began December 4, 2012. As of June 30, 2015, $3,962,728 is outstanding.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Notes Payable (continued)

Governmental Activities (continued):

Payments to maturity on notes payable are as follows:

Fiscal Year Ending June 30	2004 QZAB	2005 QZAB	2009 QSCB	2010 HUD 108 Loan	2010 School Energy Efficiency Loan
2016	$ 220,293	$ 103,267	$ 77,374	$ 43,000	$ 411,449
2017	220,293	103,266	77,374	43,000	414,536
2018	220,292	103,267	77,374	43,000	417,658
2019	220,293	103,266	77,374	43,000	420,804
2020	220,292	103,267	77,374	43,000	423,973
2021	220,292	103,267	77,374	43,000	427,156
2022	0	0	77,374	43,000	430,374
2023	0	0	77,374	43,000	433,616
2024	0	0	77,374	43,000	436,801
2025	0	0	77,374	43,000	146,361
2026	0	0	77,374	43,000	0
2027	0	0	8,464	43,000	0
2028	0	0	0	43,000	0
2029	0	0	0	43,000	0
2030	0	0	0	43,000	0
2031	0	0	0	39,000	0
2032	0	0	0	0	0
	$ 1,321,755	$ 619,600	$ 859,578	$ 684,000	$ 3,962,728

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital improvements. General obligation bonds have been issued for both governmental and business-type activities. The general obligation bonds issued for business-type activities have been reflected in the appropriate enterprise fund.

As previously mentioned, during the fiscal year ended June 30, 2015, the City issued General Obligation Public Improvement Bonds, Series 2014A at par value of $15,605,000. The portion of these bonds related to general governmental activities totals $14,596,848 and carry an average coupon rate of 3.75%.

As previously mentioned, during the fiscal year ended June 30, 2015, the City issued General Obligation Public Improvement Bonds, Series 2014B at par value of $9,300,000. The total of these bonds is related to business-type activities and carry an average coupon rate of 2.63%.

As previously mentioned, during the fiscal year ended June 30, 2015, the City issued General Obligation Public Improvement Bonds, Series 2015 at par value of $17,695,000. The total of these bonds is related to general governmental activities and carry an average coupon rate of 3.50%.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding and to be repaid by governmental activities are as follows:

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Debt Service Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2015
2005 General Obligation	02/01, 08/01	12/06/05	$ 2,826,250	3.750%-5.000%	$ 420,000
2006 General Obligation	02/01, 08/01	12/20/06	13,320,000	3.625%-4.100%	655,000
2007 General Obligation	08/01, 02/01	06/08/07	19,360,000	4.000%-5.000%	4,060,000
2008A General Obligation	03/01, 09/01	06/12/08	7,480,000	3.500%-4.375%	2,690,000
2008B General Obligation	03/01, 09/01	06/12/08	11,165,000	3.500%-4.375%	4,020,000
2009A General Obligation	03/01, 09/01	01/22/09	12,160,000	2.000%-5.000%	9,119,009
2009B General Obligation	03/01, 09/01	01/22/09	7,100,000	2.000%-5.000%	5,655,000
2009D BABS General Obligation	03/01, 09/01	12/08/09	14,982,043	2.000%-5.000%	11,892,969
2011 General Obligation Improvement	03/01, 09/01	12/16/11	11,298,193	2.000%-4.000%	10,270,203
2012B General Obligation Refunding	04/01, 10/01	06/22/12	4,357,887	3.00%	3,033,474
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	5,111,165	2.000%-5.000%	4,495,999
2013 General Obligation Refunding	02/01, 05/01	02/08/13	12,177,052	2.000%-5.000%	10,475,628
2013B General Obligation	03/01, 09/01	10/21/13	13,406,846	2.000%-5.000%	12,924,375
2014A General Obligation	03/01, 09/01	10/31/14	14,596,848	2.000%-5.000%	14,596,848
2015 General Obligation Refunding	03/01, 09/01	02/06/15	17,695,000	2.000%-4.000%	17,695,000
Total General Obligation Bonds (before net premiums and discounts of $6,177,718)					$ 112,003,505

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Bonds, Series 2005, issued December 6, 2005, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 201,250	$ 16,625	$ 217,875
2017	218,750	6,563	225,313
	$ 420,000	$ 23,188	$ 443,188

General Obligation Bonds, Series 2006, issued December 20, 2006, debt service requirements to maturity are

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 655,000	$ 23,744	$ 678,744
	$ 655,000	$ 23,744	$ 678,744

General Obligation Bonds, Series 2007, issued June 8, 2007 debt service requirements to maturity are as

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 945,000	$ 181,850	$ 1,126,850
2017	1,000,000	134,600	1,134,600
2018	1,040,000	84,600	1,124,600
2019	1,075,000	43,000	1,118,000
	$ 4,060,000	$ 444,050	$ 4,504,050

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Bonds, Series 2008A, issued June 12, 2008 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 340,000	$ 105,825	$ 445,825
2017	355,000	92,225	447,225
2018	370,000	79,800	449,800
2019	380,000	65,000	445,000
2020	400,000	49,800	449,800
2021	415,000	33,800	448,800
2022	430,000	17,200	447,200
	$ 2,690,000	$ 443,650	$ 3,133,650

General Obligation Bonds, Series 2008B, issued June 12, 2008 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 510,000	$ 158,150	$ 668,150
2017	530,000	137,750	667,750
2018	550,000	119,200	669,200
2019	570,000	97,200	667,200
2020	595,000	74,400	669,400
2021	620,000	50,600	670,600
2022	645,000	25,800	670,800
	$ 4,020,000	$ 663,100	$ 4,683,100

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Bonds, Series 2009A, issued January 22, 2009 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 508,442	$ 383,276	$ 891,718
2017	522,566	368,215	890,781
2018	536,689	352,737	889,426
2019	555,520	336,840	892,360
2020	574,352	314,900	889,252
2021	597,891	292,217	890,108
2022	621,429	268,604	890,033
2023	644,969	244,061	889,030
2024	677,923	215,405	893,328
2025	706,170	185,284	891,454
2026	739,125	153,909	893,034
2027	772,079	120,156	892,235
2028	809,742	82,041	891,783
2029	852,112	42,066	894,178
	$ 9,119,009	$ 3,359,711	$ 12,478,720

General Obligation Bonds, Series 2009B, issued January 22, 2009 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 315,000	$ 240,531	$ 555,531
2017	325,000	231,081	556,081
2018	335,000	221,331	556,331
2019	345,000	210,444	555,444
2020	355,000	196,644	551,644
2021	370,000	182,444	552,444
2022	385,000	167,644	552,644
2023	400,000	152,244	552,244
2024	420,000	135,244	555,244
2025	440,000	116,344	556,344
2026	455,000	96,543	551,543
2027	480,000	75,500	555,500
2028	500,000	51,500	551,500
2029	530,000	26,500	556,500
	$ 5,655,000	$ 2,103,994	$ 7,758,994

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Bonds, Series 2009D BABS, issued December 08, 2009 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 664,499	$ 590,013	$ 1,254,512
2017	682,812	565,094	1,247,906
2018	701,125	538,635	1,239,760
2019	698,509	507,084	1,205,593
2020	719,438	475,651	1,195,089
2021	742,984	442,377	1,185,361
2022	761,297	407,086	1,168,383
2023	784,842	369,972	1,154,814
2024	816,236	330,730	1,146,966
2025	816,236	289,918	1,106,154
2026	839,781	248,086	1,087,867
2027	868,558	203,997	1,072,555
2028	897,336	157,312	1,054,648
2029	931,346	106,837	1,038,183
2030	967,970	54,449	1,022,419
	$ 11,892,969	$ 5,287,241	$ 17,180,210

The GOB, Series 2009D Build America Bonds (BABS) carry an interest rate of 2.000% to 5.625%. The Federal government pays 25% of the interest due. During fiscal year 2015 the City's Debt Service Fund paid $413,328 and the Federal government paid $198,670 in interest, respectively.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Improvement Bonds, Series 2011, issued December 16, 2011 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 479,232	$ 321,480	$ 800,712
2017	489,216	311,895	801,111
2018	505,856	302,111	807,967
2019	512,512	291,994	804,506
2020	522,496	281,743	804,239
2021	535,808	266,068	801,876
2022	559,104	244,636	803,740
2023	575,744	227,863	803,607
2024	595,712	210,591	806,303
2025	612,352	192,719	805,071
2026	625,664	173,737	799,401
2027	652,288	153,402	805,690
2028	672,255	131,388	803,643
2029	692,223	107,859	800,082
2030	718,847	83,631	802,478
2031	745,472	57,034	802,506
2032	775,422	29,078	804,500
	$ 10,270,203	$ 3,387,229	$ 13,657,432

General Obligation Refunding Bonds, Series 2012B, issued June 22, 2012 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 867,643	$ 91,004	$ 958,647
2017	876,386	64,975	941,361
2018	911,353	38,683	950,036
2019	378,092	11,343	389,435
	$ 3,033,474	$ 206,005	$ 3,239,479

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Public Improvement Bonds, Series 2012C, issued June 22, 2012 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 299,504	$ 134,319	$ 433,823
2017	307,235	128,329	435,564
2018	315,001	119,112	434,113
2019	327,934	106,512	434,446
2020	338,229	96,674	434,903
2021	348,561	89,064	437,625
2022	358,892	78,607	437,499
2023	192,364	67,840	260,204
2024	197,494	62,069	259,563
2025	205,188	56,145	261,333
2026	210,318	49,989	260,307
2027	215,448	43,680	259,128
2028	223,142	37,216	260,358
2029	228,272	30,522	258,794
2030	235,966	23,674	259,640
2031	241,096	16,005	257,101
2032	251,355	8,169	259,524
	$ 4,495,999	$ 1,147,926	$ 5,643,925

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Refunding Bonds, Series 2013, issued February 08, 2013 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 247,300	$ 333,719	$ 581,019
2017	697,386	323,827	1,021,213
2018	979,308	295,932	1,275,240
2019	1,018,876	256,759	1,275,635
2020	1,048,552	226,193	1,274,745
2021	1,073,282	194,736	1,268,018
2022	830,928	162,538	993,466
2023	865,550	129,301	994,851
2024	890,280	103,334	993,614
2025	915,010	76,626	991,636
2026	939,740	53,751	993,491
2027	969,416	29,082	998,498
	$ 10,475,628	$ 2,185,798	$ 12,661,426

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Improvement Bonds, Series 2013B, issued October 21, 2013 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 499,528	$ 527,535	$ 1,027,063
2017	514,148	507,553	1,021,701
2018	543,389	481,846	1,025,235
2019	550,699	470,978	1,021,677
2020	567,756	454,457	1,022,213
2021	596,997	426,069	1,023,066
2022	616,491	408,160	1,024,651
2023	640,858	383,500	1,024,358
2024	672,535	351,457	1,023,992
2025	638,421	317,830	956,251
2026	665,225	291,495	956,720
2027	692,029	263,223	955,252
2028	723,707	233,812	957,519
2029	752,947	204,864	957,811
2030	784,625	172,864	957,489
2031	816,302	139,517	955,819
2032	850,416	106,865	957,281
2033	882,094	72,848	954,942
2034	916,208	37,565	953,773
	$ 12,924,375	$ 5,852,438	$ 18,776,813

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Improvement Bonds, Series 2014A, issued October 31, 2014 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 229,173	$ 230,301	$ 459,474
2017	261,911	383,656	645,567
2018	542,529	528,452	1,070,981
2019	561,237	511,989	1,073,226
2020	579,945	491,878	1,071,823
2021	608,007	462,179	1,070,186
2022	640,746	430,960	1,071,706
2023	664,131	408,300	1,072,431
2024	687,516	384,471	1,071,987
2025	720,255	349,277	1,069,532
2026	757,670	312,329	1,069,999
2027	795,086	277,485	1,072,571
2028	827,825	245,027	1,072,852
2029	860,564	211,259	1,071,823
2030	893,303	176,182	1,069,485
2031	930,719	139,701	1,070,420
2032	963,458	106,635	1,070,093
2033	991,519	77,310	1,068,829
2034	1,024,258	47,074	1,071,332
2035	1,056,996	15,855	1,072,851
	$ 14,596,848	$ 5,790,320	$ 20,387,168

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Improvement Refunding Bonds, Series 2015, issued February 06, 2015 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 145,000	$ 707,544	$ 852,544
2017	150,000	658,700	808,700
2018	0	654,200	654,200
2019	160,000	654,200	814,200
2020	1,220,000	649,400	1,869,400
2021	1,100,000	600,600	1,700,600
2022	1,145,000	556,600	1,701,600
2023	2,300,000	510,800	2,810,800
2024	2,390,000	418,800	2,808,800
2025	2,485,000	323,200	2,808,200
2026	2,580,000	223,800	2,803,800
2027	2,695,000	120,600	2,815,600
2028	1,325,000	39,750	1,364,750
	$ 17,695,000	$ 6,118,194	$ 23,813,194

Total annual debt service requirements for general obligation bonds related to Governmental Activities is as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 6,906,571	$ 4,045,916	$ 10,952,487
2017	6,930,410	3,914,463	10,844,873
2018	7,330,250	3,816,639	11,146,889
2019	7,133,379	3,563,343	10,696,722
2020	6,920,768	3,311,740	10,232,508
Next Five Years	35,957,203	12,421,314	48,378,517
Next Five Years	30,379,609	5,109,517	35,489,126
Next Five Years	10,445,315	853,656	11,298,971
	$ 112,003,505	$ 37,036,588	$ 149,040,093

The total on the statement of net assets has been adjusted by net premiums and discounts of $6,177,718.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities:

Long-term debt issued by the City for capital improvement projects related to business-type activities is recorded and to be paid from the applicable enterprise fund. Maturities on July 1 are considered as maturing on the preceding June 30th.

Loans Payable

On July 1, 2015, the City approved Resolution Number 2015-011, authorizing the financing and construction of a water facilities project known as the, Water Intake Project. The total amount of the project is estimated to be $16,500,000 and will be funded through a Drinking Water Revolving Fund Loan in the amount of $15,000,000, and a $1,500,000 Economic Development Administration Grant, with the State of Tennessee. The loan will be drawn upon as funds are needed to complete the project and will be structured on a monthly re-payment pan. At June 30, 2015, there were no amounts drawn and no outstanding principal or interest due on the loan.

Bonds Payable

As previously mentioned, during the fiscal year ended June 30, 2015, the City issued General Obligation Bonds, Series 2014A at par value of $15,605,000, with an average coupon rate of 3.75%. The Solid Waste Fund utilized $1,008,152 of these bonds for the construction of a new landfill cell.

As previously mentioned, during the fiscal year ended June 30, 2015, the City issued General Obligation Public Improvement Bonds, Series 2014B at par value of $9,300,000 and an average coupon rate of 2.63%. The Water Fund accounts for $2,717,899 of the improvement bonds issued with an average coupon rate of approximately 2.63%. The Sewer Fund accounts for $6,582,101 of the improvement bonds issued with an average coupon rate of approximately 2.63%.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities:

Bonds Payable (continued)

Bonds currently outstanding to be repaid from business-type activities and the enterprise funds from which they will be paid are as follows:

	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2015
Solid Waste Management Fund					
2005 General Obligation	02/01, 08/01	12/06/05	$ 403,750	3.000%-5.000%	$ 60,000
2009D BABS General Obligation	03/01, 09/01	12/08/09	303,404	2.250%-5.625%	261,078
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	1,141,983	2.000%-3.750%	1,012,431
2013 General Obligation Refunding	05/01, 11/01	02/08/13	132,948	2.000%-3.750%	114,372
2013B General Obligation	03/01, 09/01	10/21/13	289,856	2.000%-5.000%	279,425
2014A General Obligation	03/01, 09/01	10/31/14	1,008,152	2.000%-5.000%	1,008,152
Total Solid Waste Management Fund (before net premiums and discounts of $157,116)					$ 2,735,458
MeadowView Conference Resort and Convention Center Fund					
2009C Local Option Sales Tax Revenue and Tax Bonds	03/01, 09/01	01/22/09	$ 15,180,000	2.000%-5.000%	$ 12,105,000
2009D BABS General Obligation	03/01, 09/01	12/08/09	1,016,085	2.250%-5.625%	874,337
Total MeadowView Conference Resort and Convention Center Fund (before net premiums and discounts of $115,606)					$ 12,979,337
Cattails at MeadowView Golf Course Fund					
1998 Golf Course-TMBF	Monthly	1998	$ 1,450,000	Variable	$ 267,000
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	517,721	2.000%-3.750%	495,292
Total Cattails at MeadowView Golf Course Fund (before net premiums and discounts of $5,819)					$ 762,292

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2015
Storm Water Fund					
2009A General Obligation	03/01, 09/01	02/03/09	$ 652,452	2.000%-5.000%	$ 565,991
2009D BABS General Obligation	03/01, 09/01	12/08/09	606,808	2.250%-5.625%	522,156
2011 General Obligation Public Improvement	03/01, 09/01	12/06/11	395,414	2.000%-4.000%	378,020
Total Storm Water Fund (before net premiums and discounts of $11,070)					$ 1,466,167
Aquatic Center Fund					
2009D BABS General Obligation	03/01, 09/01	12/08/09	$ 554,170	2.250%-5.625%	$ 476,861
2009E General Obligation	03/01, 09/01	12/08/09	14,225,000	2.500%-5.000%	12,420,000
2011 General Obligation Public Improvement	03/01, 09/01	12/06/11	160,000	2.000%-4.000%	152,962
2012A General Obligation Public Improvement	04/01, 10/01	06/11/12	3,110,000	2.000%-5.000%	2,985,000
2013A General Obligation Public Improvement	03/01, 09/01	10/21/13	1,310,000	3.000%-4.000%	1,265,000
Total Aquatic Center Fund (before net premiums and discounts of $506,608)					$ 17,299,823

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

Water Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2015
2005 Water and Sewer Revenue and Tax	02/01, 08/01	12/06/05	$ 870,000	3.000%-5.000%	$ 130,000
2006 Water and Sewer Revenue and Tax	02/01, 08/01	12/20/06	316,463	3.750%-5.000%	15,070
2008 Water and Sewer Revenue and Tax	03/01, 09/01	06/12/08	1,200,000	3.500%-4.250%	765,000
2008 Tennessee Municipal Bond Fund	Monthly	10/15/08	9,698,196	Variable	7,023,196
2009D BABS General Obligation	03/01, 09/01	12/08/09	4,045,387	2.250%-5.625%	3,481,039
2010 Water and Sewer Revenue and Tax Refunding	12/01, 06/01	04/19/10	1,515,000	2.000%-3.000%	455,000
2011 General Obligation Improvement	03/01, 09/01	12/16/11	2,430,991	2.000%-3.750%	2,324,051
2012B General Obligation Refunding	04/01, 10/01	06/22/12	1,194,406	3.000%	831,412
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	1,181,362	2.000%-3.750%	1,130,184
2013 General Obligation Refunding	05/01, 11/01	02/08/13	3,025,000	2.000%-3.750%	955,000
2013B General Obligation	03/01, 09/01	10/21/13	4,262,308	2.000%-5.000%	4,108,920
2014B General Obligation	03/01, 09/01	10/31/14	2,717,899	2.000%-5.000%	2,717,899
Total Water Fund (before net premiums and discounts of $645,766)					$ 23,936,771

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

Sewer Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2015
2005 Water and Sewer Revenue and Tax	02/01, 08/01	12/06/05	$ 4,100,000	2.750%-4.125%	$ 600,000
2006 Water and Sewer Revenue and Tax	02/01, 08/01	12/20/06	1,363,537	3.750%-5.000%	64,930
2009D BABS General Obligation	03/01, 09/01	12/08/09	6,068,081	2.250%-5.625%	5,221,560
2010 Water and Sewer Revenue and Tax Refunding	12/01, 06/01	04/19/10	2,940,000	2.000%-3.000%	885,000
2011 General Obligation Improvement	03/01, 09/01	12/16/11	2,410,816	2.000%-3.750%	2,304,765
2012B General Obligation Refunding	04/01, 10/01	06/22/12	4,417,707	3.000%	3,075,114
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	1,673,596	2.000%-3.750%	1,601,094
2013 General Obligation Refunding	05/01, 11/01	02/08/13	27,760,000	2.000%-5.000%	21,160,000
2013B General Obligation	03/01, 09/01	10/21/13	9,550,990	2.000%-5.000%	9,207,280
2014B General Obligation	03/01, 09/01	10/31/14	6,582,101	2.000%-5.000%	6,582,101
Total Sewer Fund (before net premiums and discounts of $2,679,888)					$ 50,701,844

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

Solid Waste Management Fund issued 2005 Series General Obligation Bonds December 6, 2005, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 28,750	$ 2,375	$ 31,125
2017	31,250	938	32,188
	$ 60,000	$ 3,313	$ 63,313

General Obligation Bonds, Series 2009D BABS, issued December 08, 2009 debt service requirements to maturity for the Solid Waste Management Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 14,587	$ 12,968	$ 27,555
2017	14,989	12,420	27,409
2018	15,392	11,839	27,231
2019	15,334	11,145	26,479
2020	15,794	10,454	26,248
2021	16,310	9,723	26,033
2022	16,712	8,947	25,659
2023	17,229	8,132	25,361
2024	17,918	7,269	25,187
2025	17,918	6,372	24,290
2026	18,435	5,453	23,888
2027	19,067	4,484	23,551
2028	19,699	3,458	23,157
2029	20,445	2,348	22,793
2030	21,249	1,196	22,445
	$ 261,078	$ 116,208	$ 377,286

GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 25% of the interest due. During fiscal year 2015, the Solid Waste Management Fund paid $9,079 while the Federal government paid $4,364 in interest, respectively.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Public Improvement Bonds, Series 2012C, issued June 22, 2012 debt service requirements to maturity for the Solid Waste Management Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 131,952	$ 29,329	$ 161,281
2017	134,351	26,690	161,041
2018	139,149	22,660	161,809
2019	146,347	17,094	163,441
2020	148,746	12,704	161,450
2021	153,544	9,357	162,901
2022	158,342	4,750	163,092
	$ 1,012,431	$ 122,584	$ 1,135,015

General Obligation Refunding Bonds, Series 2013, issued February 08, 2013 debt service requirements to maturity for the Solid Waste Management Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 2,700	$ 3,643	$ 6,343
2017	7,614	3,535	11,149
2018	10,692	3,231	13,923
2019	11,124	2,803	13,927
2020	11,448	2,470	13,918
2021	11,718	2,126	13,844
2022	9,072	1,775	10,847
2023	9,450	1,412	10,862
2024	9,720	1,128	10,848
2025	9,990	837	10,827
2026	10,260	587	10,847
2027	10,584	317	10,901
	$ 114,372	$ 23,864	$ 138,236

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Public Improvement Bonds, Series 2013B, issued October 21, 2013 debt service requirements to maturity for the Solid Waste Management Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 10,800	$ 11,405	$ 22,205
2017	11,116	10,973	22,089
2018	11,748	10,418	22,166
2019	11,906	10,183	22,089
2020	12,275	9,825	22,100
2021	12,907	9,212	22,119
2022	13,329	8,824	22,153
2023	13,855	8,291	22,146
2024	14,540	7,599	22,139
2025	13,803	6,872	20,675
2026	14,382	6,302	20,684
2027	14,962	5,691	20,653
2028	15,646	5,055	20,701
2029	16,279	4,429	20,708
2030	16,964	3,737	20,701
2031	17,648	3,016	20,664
2032	18,386	2,311	20,697
2033	19,071	1,575	20,646
2034	19,808	812	20,620
	$ 279,425	$ 126,530	$ 405,955

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Public Improvement Bonds, Series 2014A, issued October 31, 2014 debt service requirements to maturity for the Solid Waste Management Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 15,828	$ 37,949	$ 53,777
2017	18,089	37,519	55,608
2018	37,471	36,498	73,969
2019	38,763	35,361	74,124
2020	40,055	33,972	74,027
2021	41,993	31,921	73,914
2022	44,254	29,765	74,019
2023	45,869	28,200	74,069
2024	47,484	26,554	74,038
2025	49,745	24,123	73,868
2026	52,330	21,571	73,901
2027	54,914	19,165	74,079
2028	57,175	16,923	74,098
2029	59,436	14,591	74,027
2030	61,697	12,168	73,865
2031	64,281	9,649	73,930
2032	66,542	7,365	73,907
2033	68,481	5,340	73,821
2034	70,742	3,251	73,993
2035	73,003	1,095	74,098
	$ 1,008,152	$ 432,980	$ 1,441,132

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

Local Option Sales Tax Revenue and Tax Bonds issued January 22, 2009 for MeadowView Conference Resort and Convention Center Fund, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 665,000	$ 518,313	$ 1,183,313
2017	685,000	498,363	1,183,363
2018	710,000	476,100	1,186,100
2019	735,000	447,700	1,182,700
2020	765,000	418,300	1,183,300
2021	800,000	387,700	1,187,700
2022	830,000	355,700	1,185,700
2023	865,000	322,500	1,187,500
2024	900,000	284,656	1,184,656
2025	940,000	245,281	1,185,281
2026	980,000	202,981	1,182,981
2027	1,025,000	157,656	1,182,656
2028	1,075,000	110,250	1,185,250
2029	1,130,000	56,500	1,186,500
	$ 12,105,000	$ 4,482,000	$ 16,587,000

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Bonds, Series 2009D BABS, issued December 08, 2009 debt service requirements to maturity for the MeadowView Conference Resort and Convention Center Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 48,852	$ 43,414	$ 92,266
2017	50,199	41,580	91,779
2018	51,545	39,634	91,179
2019	51,352	37,312	88,664
2020	52,891	34,999	87,890
2021	54,622	32,551	87,173
2022	55,968	29,954	85,922
2023	57,699	27,223	84,922
2024	60,007	24,336	84,343
2025	60,007	21,333	81,340
2026	61,738	18,255	79,993
2027	63,854	15,010	78,864
2028	65,970	11,575	77,545
2029	68,470	7,861	76,331
2030	71,163	4,006	75,169
	$ 874,337	$ 389,043	$ 1,263,380

The GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 25% of the interest due. During fiscal year 2015, the MeadowView Conference Resort and Convention Center Fund paid $30,400 while the Federal government paid $14,612 in interest, respectively.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

Golf Course Bonds, series 1998 issued through the Tennessee Municipal Bond Fund (TMBF) totaling $1,450,000, debt service requirements to maturity for the Cattails at MeadowView Golf Course Fund are as follows:

Fiscal Year Ending June 30	Principal	Interest *	Total
2016	$ 130,000	$ 2,916	$ 132,916
2017	137,000	1,420	138,420
	$ 267,000	$ 4,336	$ 271,336

Principal payments are made on an annual basis, while interest is paid monthly.

* The interest rate on the TMBF Golf Course Bonds is a variable monthly rate, based on the average daily rate for the period, plus a 0.15% administrator's fee. The annual interest expense requirements to maturity are estimated using the monthly interest amount and other monthly loan expenses, as of June 30, 2015, to calculate an estimated annual effective interest rate of 1.229%.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Public Improvement Bonds, Series 2012C, issued June 22, 2012 debt service requirements to maturity for the Cattails at MeadowView Golf Course Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 22,802	$ 14,942	$ 37,744
2017	23,550	14,486	38,036
2018	23,923	13,779	37,702
2019	24,671	12,822	37,493
2020	25,793	12,082	37,875
2021	26,540	11,502	38,042
2022	27,288	10,706	37,994
2023	28,035	9,887	37,922
2024	28,783	9,046	37,829
2025	29,904	8,183	38,087
2026	30,652	7,285	37,937
2027	31,400	6,366	37,766
2028	32,521	5,424	37,945
2029	33,269	4,448	37,717
2030	34,390	3,450	37,840
2031	35,138	2,333	37,471
2032	36,633	1,191	37,824
	$ 495,292	$ 147,932	$ 643,224

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Bonds, Series 2009A, issued January 22, 2009 debt service requirements to maturity for the Storm Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 31,558	$ 29,006	$ 60,564
2017	32,434	27,866	60,300
2018	33,311	26,695	60,006
2019	34,480	25,491	59,971
2020	35,648	23,831	59,479
2021	37,109	22,114	59,223
2022	38,570	20,328	58,898
2023	40,032	18,470	58,502
2024	42,077	16,301	58,378
2025	43,830	14,022	57,852
2026	45,875	11,648	57,523
2027	47,921	9,093	57,014
2028	50,258	6,209	56,467
2029	52,888	3,184	56,072
	$ 565,991	$ 254,258	$ 820,249

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Bonds, Series 2009D BABS, issued December 08, 2009 debt service requirements to maturity for the Storm Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 29,175	$ 25,903	$ 55,078
2017	29,979	24,809	54,788
2018	30,783	23,647	54,430
2019	30,668	22,262	52,930
2020	31,587	20,882	52,469
2021	32,620	19,421	52,041
2022	33,425	17,872	51,297
2023	34,458	16,243	50,701
2024	35,836	14,520	50,356
2025	35,836	12,728	48,564
2026	36,870	10,891	47,761
2027	38,134	8,956	47,090
2028	39,397	6,906	46,303
2029	40,890	4,690	45,580
2030	42,498	2,390	44,888
	$ 522,156	$ 232,120	$ 754,276

GOB, Series 2009D Build America Bonds (BABS) issued by the City carry an interest rate from 2.000% to 5.625%. The Federal government pays 25% of the interest due. During fiscal year 2015, the Storm Water Fund paid $18,146 while the Federal government paid $8,722 in interest, respectively.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Improvement Bonds, Series 2011, issued December 16, 2011 debt service requirements to maturity for the Storm Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 17,639	$ 11,833	$ 29,472
2017	18,007	11,480	29,487
2018	18,619	11,120	29,739
2019	18,864	10,748	29,612
2020	19,232	10,370	29,602
2021	19,722	9,793	29,515
2022	20,579	9,005	29,584
2023	21,192	8,387	29,579
2024	21,927	7,751	29,678
2025	22,539	7,094	29,633
2026	23,029	6,395	29,424
2027	24,009	5,646	29,655
2028	24,744	4,836	29,580
2029	25,479	3,970	29,449
2030	26,459	3,078	29,537
2031	27,439	2,099	29,538
2032	28,541	1,070	29,611
	$ 378,020	$ 124,675	$ 502,695

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Bonds, Series 2009D BABS, issued December 08, 2009 debt service requirements to maturity for the Aquatic Center Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 26,644	$ 23,680	$ 50,324
2017	27,378	22,680	50,058
2018	28,112	21,618	49,730
2019	28,007	20,352	48,359
2020	28,847	19,090	47,937
2021	29,791	17,755	47,546
2022	30,525	16,339	46,864
2023	31,469	14,849	46,318
2024	32,728	13,274	46,002
2025	32,728	11,636	44,364
2026	33,672	9,957	43,629
2027	34,826	8,188	43,014
2028	35,979	6,314	42,293
2029	37,343	4,288	41,631
2030	38,812	2,185	40,997
	$ 476,861	$ 212,205	$ 689,066

GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 25% of the interest due. During fiscal year 2015, the Aquatic Center Fund paid $16,581 while the Federal government paid $7,970 in interest.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Improvement Bonds, Series 2009E, issued December 08, 2009 debt service requirements to maturity for the Aquatic Center Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 635,000	$ 484,950	$ 1,119,950
2017	655,000	465,900	1,120,900
2018	675,000	446,250	1,121,250
2019	695,000	424,313	1,119,313
2020	720,000	399,987	1,119,987
2021	760,000	363,988	1,123,988
2022	790,000	333,587	1,123,587
2023	815,000	305,938	1,120,938
2024	845,000	277,412	1,122,412
2025	875,000	243,613	1,118,613
2026	915,000	208,612	1,123,612
2027	950,000	172,013	1,122,013
2028	985,000	134,012	1,119,012
2029	1,030,000	92,150	1,122,150
2030	1,075,000	48,375	1,123,375
	$ 12,420,000	$ 4,401,100	$ 16,821,100

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Improvement Bonds, Series 2011, issued December 16, 2011 debt service requirements to maturity for the Aquatic Center Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 7,138	$ 4,788	$ 11,926
2017	7,286	4,645	11,931
2018	7,534	4,500	12,034
2019	7,633	4,349	11,982
2020	7,782	4,196	11,978
2021	7,980	3,963	11,943
2022	8,327	3,643	11,970
2023	8,575	3,394	11,969
2024	8,872	3,136	12,008
2025	9,120	2,870	11,990
2026	9,319	2,588	11,907
2027	9,715	2,285	12,000
2028	10,013	1,957	11,970
2029	10,310	1,606	11,916
2030	10,706	1,246	11,952
2031	11,103	849	11,952
2032	11,549	433	11,982
	$ 152,962	$ 50,448	$ 203,410

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Improvement Bonds, Series 2012A, issued June 11, 2012 debt service requirements to maturity for the Aquatic Center Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 135,000	$ 92,656	$ 227,656
2017	140,000	85,906	225,906
2018	145,000	78,906	223,906
2019	155,000	71,656	226,656
2020	160,000	68,556	228,556
2021	160,000	65,357	225,357
2022	165,000	61,756	226,756
2023	170,000	58,044	228,044
2024	175,000	53,794	228,794
2025	175,000	48,981	223,981
2026	185,000	43,731	228,731
2027	190,000	38,181	228,181
2028	195,000	32,482	227,482
2029	200,000	26,631	226,631
2030	205,000	20,382	225,382
2031	210,000	13,975	223,975
2032	220,000	7,150	227,150
	$ 2,985,000	$ 868,144	$ 3,853,144

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Improvement Bonds, Series 2013A, issued October 21, 2013 debt service requirements to maturity for the Aquatic Center Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 50,000	$ 46,163	$ 96,163
2017	50,000	44,662	94,662
2018	50,000	43,163	93,163
2019	55,000	41,662	96,662
2020	55,000	40,013	95,013
2021	55,000	37,812	92,812
2022	60,000	35,613	95,613
2023	60,000	33,212	93,212
2024	65,000	31,413	96,413
2025	65,000	29,463	94,463
2026	65,000	27,431	92,431
2027	70,000	25,400	95,400
2028	70,000	22,600	92,600
2029	75,000	19,800	94,800
2030	80,000	16,800	96,800
2031	80,000	13,600	93,600
2032	85,000	10,400	95,400
2033	85,000	7,000	92,000
2034	90,000	3,600	93,600
	$ 1,265,000	$ 529,807	$ 1,794,807

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

Water and Sewer Revenue and Tax Bonds, Series 2005, issued December 6, 2005, debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 60,000	$ 5,100	$ 65,100
2017	70,000	2,100	72,100
	$ 130,000	$ 7,200	$ 137,200

Water and Sewer Revenue and Tax Bonds, Series 2006, issued December 20, 2006, debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 15,070	$ 678	$ 15,748
	$ 15,070	$ 678	$ 15,748

Water and Sewer Revenue and Tax Bonds, Series 2008, issued June 12, 2008 debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 85,000	$ 30,894	$ 115,894
2017	85,000	27,706	112,706
2018	90,000	24,306	114,306
2019	95,000	20,706	115,706
2020	95,000	16,906	111,906
2021	100,000	13,106	113,106
2022	105,000	9,007	114,007
2023	110,000	4,675	114,675
	$ 765,000	$ 147,306	$ 912,306

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

Water Bonds, Series 2008 were issued through the Tennessee Municipal Bond Fund (TMBF) totaling $9,698,196. These bonds funded the acquisition and installation of an automated meter reading and leak detection system. The debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest *	Total
2016	$ 530,000	$ 56,795	$ 586,795
2017	555,000	52,509	607,509
2018	555,000	48,021	603,021
2019	605,000	43,532	648,532
2020	630,000	38,640	668,640
2021	655,000	33,545	688,545
2022	655,000	28,249	683,249
2023	710,000	22,952	732,952
2024	735,000	17,210	752,210
2025	735,000	11,266	746,266
2026	658,196	5,323	663,519
	$ 7,023,196	$ 358,042	$ 7,381,238

Principal payments are made on an annual basis, while interest is paid monthly.

* The interest rate on the TMBF Water Bonds is a variable monthly rate, based on the average daily rate for the period, plus a 0.15% administrator's fee. The annual interest expense requirements to maturity are estimated using the monthly interest amount and other monthly loan expenses, as of June 30, 2015, to calculate an estimated annual effective interest rate of 0.809%.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Bonds, Series 2009D BABS, issued December 08, 2009 debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 194,497	$ 172,641	$ 367,138
2017	199,857	165,350	365,207
2018	205,217	157,608	362,825
2019	204,452	148,376	352,828
2020	210,578	139,178	349,756
2021	217,469	129,442	346,911
2022	222,829	119,116	341,945
2023	229,721	108,256	337,977
2024	238,910	96,774	335,684
2025	238,910	84,832	323,742
2026	245,801	72,591	318,392
2027	254,225	59,691	313,916
2028	262,648	46,031	308,679
2029	272,602	31,261	303,863
2030	283,323	15,932	299,255
	$ 3,481,039	$ 1,547,079	$ 5,028,118

GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 25% of the interest due. During fiscal year 2015, the Water Fund paid $120,961 while the Federal government paid $58,141 in interest, respectively.

Water and Sewer Revenue & Tax Refunding Bonds, Series 2010, issued April 19, 2010 debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 225,000	$ 13,088	$ 238,088
2017	230,000	6,900	236,900
	$ 455,000	$ 19,988	$ 474,988

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Improvement Bonds, Series 2011, issued December 16, 2011 debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 108,446	$ 72,748	$ 181,194
2017	110,705	70,579	181,284
2018	114,470	68,365	182,835
2019	115,977	66,075	182,052
2020	118,236	63,756	181,992
2021	121,248	60,209	181,457
2022	126,520	55,359	181,879
2023	130,285	51,563	181,848
2024	134,804	47,655	182,459
2025	138,569	43,611	182,180
2026	141,582	39,315	180,897
2027	147,607	34,713	182,320
2028	152,125	29,732	181,857
2029	156,644	24,407	181,051
2030	162,669	18,925	181,594
2031	168,693	12,906	181,599
2032	175,471	6,580	182,051
	$ 2,324,051	$ 766,498	$ 3,090,549

General Obligation Refunding Bonds, Series 2012B, issued June 22, 2012 debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 237,803	$ 24,943	$ 262,746
2017	240,199	17,808	258,007
2018	249,783	10,602	260,385
2019	103,627	3,109	106,736
	$ 831,412	$ 56,462	$ 887,874

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Public Improvement Bonds, Series 2012C, issued June 22, 2012 debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 52,031	$ 34,095	$ 86,126
2017	53,737	33,055	86,792
2018	54,590	31,443	86,033
2019	56,296	29,259	85,555
2020	58,855	27,570	86,425
2021	60,561	26,246	86,807
2022	62,267	24,429	86,696
2023	63,973	22,561	86,534
2024	65,679	20,642	86,321
2025	68,238	18,671	86,909
2026	69,943	16,624	86,567
2027	71,649	14,526	86,175
2028	74,208	12,377	86,585
2029	75,914	10,150	86,064
2030	78,473	7,873	86,346
2031	80,179	5,322	85,501
2032	83,591	2,717	86,308
	$ 1,130,184	$ 337,560	$ 1,467,744

General Obligation Refunding Bonds, Series 2013, issued February 08, 2013 debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 335,000	$ 35,113	$ 370,113
2017	170,000	21,712	191,712
2018	140,000	14,913	154,913
2019	85,000	9,312	94,312
2020	80,000	6,763	86,763
2021	85,000	4,362	89,362
2022	10,000	1,813	11,813
2023	10,000	1,412	11,412
2024	10,000	1,113	11,113
2025	10,000	812	10,812
2026	10,000	563	10,563
2027	10,000	300	10,300
	$ 955,000	$ 98,188	$ 1,053,188

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Public Improvement Bonds, Series 2013B, issued October 21, 2013 debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 158,810	$ 167,714	$ 326,524
2017	163,458	161,362	324,820
2018	172,754	153,189	325,943
2019	175,078	149,734	324,812
2020	180,501	144,481	324,982
2021	189,798	135,456	325,254
2022	195,995	129,762	325,757
2023	203,742	121,922	325,664
2024	213,813	111,735	325,548
2025	202,967	101,045	304,012
2026	211,489	92,672	304,161
2027	220,010	83,684	303,694
2028	230,081	74,334	304,415
2029	239,377	65,130	304,507
2030	249,448	54,957	304,405
2031	259,519	44,355	303,874
2032	270,364	33,975	304,339
2033	280,435	23,160	303,595
2034	291,281	11,942	303,223
	$ 4,108,920	$ 1,860,609	$ 5,969,529

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Public Improvement Bonds, Series 2014B, issued October 31, 2014 debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 0	$ 72,945	$ 72,945
2017	113,976	71,805	185,781
2018	115,438	69,511	184,949
2019	118,360	67,173	185,533
2020	121,283	64,170	185,453
2021	124,205	61,109	185,314
2022	125,666	58,610	184,276
2023	130,050	56,053	186,103
2024	131,511	53,437	184,948
2025	135,895	50,084	185,979
2026	140,279	45,941	186,220
2027	144,662	41,667	186,329
2028	149,046	37,262	186,308
2029	153,430	32,724	186,154
2030	156,352	28,078	184,430
2031	160,736	23,321	184,057
2032	166,581	18,412	184,993
2033	170,965	13,348	184,313
2034	176,810	8,132	184,942
2035	182,654	2,740	185,394
	$ 2,717,899	$ 876,522	$ 3,594,421

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

Water and Sewer Revenue and Tax Bonds, Series 2005, issued December 6, 2005, debt service requirements to maturity for the Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 295,000	$ 23,900	$ 318,900
2017	305,000	9,150	314,150
	$ 600,000	$ 33,050	$ 633,050

Water and Sewer Revenue and Tax Bonds, Series 2006, issued December 20, 2006, debt service requirements to maturity for the Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 64,930	$ 2,922	$ 67,852
	$ 64,930	$ 2,922	$ 67,852

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Bonds, Series 2009D BABS, issued December 08, 2009 debt service requirements to maturity for the Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 291,746	$ 259,018	$ 550,764
2017	299,786	248,079	547,865
2018	307,826	236,463	544,289
2019	306,678	222,612	529,290
2020	315,866	208,813	524,679
2021	326,204	194,206	520,410
2022	334,244	178,712	512,956
2023	344,582	162,420	507,002
2024	358,365	145,192	503,557
2025	358,365	127,275	485,640
2026	368,702	108,911	477,613
2027	381,337	89,556	470,893
2028	393,972	69,061	463,033
2029	408,903	46,902	455,805
2030	424,984	23,903	448,887
	$ 5,221,560	$ 2,321,123	$ 7,542,683

GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 25% of the interest due. During fiscal year 2015, the Sewer Fund paid $181,461 while the Federal government paid $87,221 in interest, respectively.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

Water and Sewer Revenue & Tax Refunding Bonds, Series 2010, issued April 19, 2010 debt service requirements to maturity for the Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 440,000	$ 25,450	$ 465,450
2017	445,000	13,350	458,350
	$ 885,000	$ 38,800	$ 923,800

General Obligation Improvement Bonds, Series 2011, issued December 16, 2011 debt service requirements to maturity for the Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 107,546	$ 72,144	$ 179,690
2017	109,786	69,993	179,779
2018	113,520	67,798	181,318
2019	115,014	65,527	180,541
2020	117,255	63,227	180,482
2021	120,242	59,709	179,951
2022	125,470	54,899	180,369
2023	129,204	51,135	180,339
2024	133,685	47,259	180,944
2025	137,420	43,249	180,669
2026	140,407	38,989	179,396
2027	146,382	34,425	180,807
2028	150,863	29,485	180,348
2029	155,344	24,205	179,549
2030	161,319	18,768	180,087
2031	167,293	12,799	180,092
2032	174,015	6,526	180,541
	$ 2,304,765	$ 760,137	$ 3,064,902

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Refunding Bonds, Series 2012B, issued June 22, 2012 debt service requirements to maturity for the Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 879,554	$ 92,253	$ 971,807
2017	888,415	65,867	954,282
2018	923,864	39,214	963,078
2019	383,281	11,499	394,780
	$ 3,075,114	$ 208,833	$ 3,283,947

General Obligation Public Improvement Bonds, Series 2012C, issued June 22, 2012 debt service requirements to maturity for the Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 73,711	$ 48,302	$ 122,013
2017	76,127	46,827	122,954
2018	77,336	44,544	121,880
2019	79,753	41,450	121,203
2020	83,378	39,058	122,436
2021	85,794	37,182	122,976
2022	88,211	34,608	122,819
2023	90,628	31,961	122,589
2024	93,045	29,243	122,288
2025	96,670	26,451	123,121
2026	99,087	23,551	122,638
2027	101,503	20,579	122,082
2028	105,128	17,533	122,661
2029	107,545	14,380	121,925
2030	111,170	11,153	122,323
2031	113,587	7,540	121,127
2032	118,421	3,848	122,269
	$ 1,601,094	$ 478,210	$ 2,079,304

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Refunding Bonds, Series 2013, issued February 08, 2013 debt service requirements to maturity for the Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 1,970,000	$ 681,531	$ 2,651,531
2017	1,330,000	602,731	1,932,731
2018	1,635,000	549,531	2,184,531
2019	1,350,000	484,131	1,834,131
2020	1,375,000	443,631	1,818,631
2021	1,410,000	402,382	1,812,382
2022	1,085,000	360,081	1,445,081
2023	1,125,000	316,681	1,441,681
2024	1,155,000	282,931	1,437,931
2025	1,185,000	248,282	1,433,282
2026	1,215,000	218,656	1,433,656
2027	1,240,000	186,763	1,426,763
2028	1,195,000	149,563	1,344,563
2029	1,230,000	116,700	1,346,700
2030	1,265,000	79,800	1,344,800
2031	1,230,000	41,850	1,271,850
2032	165,000	4,950	169,950
	$ 21,160,000	$ 5,170,194	$ 26,330,194

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Public Improvement Bonds, Series 2013B, issued October 21, 2013 debt service requirements to maturity for the Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 355,862	$ 375,814	$ 731,676
2017	366,278	361,579	727,857
2018	387,108	343,266	730,374
2019	392,316	335,523	727,839
2020	404,468	323,754	728,222
2021	425,299	303,530	728,829
2022	439,186	290,772	729,958
2023	456,545	273,204	729,749
2024	479,112	250,377	729,489
2025	454,809	226,421	681,230
2026	473,904	207,660	681,564
2027	492,999	187,519	680,518
2028	515,566	166,567	682,133
2029	536,397	145,944	682,341
2030	558,964	123,147	682,111
2031	581,531	99,392	680,923
2032	605,833	76,130	681,963
2033	628,400	51,897	680,297
2034	652,703	26,761	679,464
	$ 9,207,280	$ 4,169,257	$ 13,376,537

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Public Improvement Bonds, Series 2014B, issued October 31, 2014 debt service requirements to maturity for the Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 0	$ 176,655	$ 176,655
2017	276,024	173,895	449,919
2018	279,562	168,339	447,901
2019	286,640	162,677	449,317
2020	293,717	155,405	449,122
2021	300,795	147,991	448,786
2022	304,334	141,940	446,274
2023	314,950	135,747	450,697
2024	318,489	129,413	447,902
2025	329,105	121,291	450,396
2026	339,721	111,259	450,980
2027	350,338	100,908	451,246
2028	360,954	90,238	451,192
2029	371,570	79,251	450,821
2030	378,648	67,997	446,645
2031	389,264	56,479	445,743
2032	403,419	44,588	448,007
2033	414,035	32,327	446,362
2034	428,190	19,693	447,883
2035	442,346	6,635	448,981
	$ 6,582,101	$ 2,122,728	$ 8,704,829

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

Total annual debt service requirements for general obligation and revenue bonds related to Business-type Activities is as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 8,483,431	$ 3,840,976	$ 12,324,407
2017	8,161,590	3,558,229	11,719,819
2018	7,409,747	3,297,171	10,706,918
2019	6,531,621	3,055,948	9,587,569
2020	6,214,235	2,857,083	9,071,318
Next Five Years	31,732,800	11,101,283	42,834,083
Next Five Years	31,028,587	5,395,804	36,424,391
Next Five Years	10,319,681	796,439	11,116,120
	$ 109,881,692	$ 33,902,933	$ 143,784,625

The total on the statement of net position has been adjusted by net premiums and discounts of $4,121,873.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
General Obligation Debt	$ 104,165,822	$ 32,291,848	$ (24,454,165)	$ 112,003,505	$ 6,906,571
Plus: Net Premiums and discounts	2,518,001	3,989,047	(329,330)	6,177,718	0
Total Bonds Payable	106,683,823	36,280,895	(24,783,495)	118,181,223	6,906,571
Interlocal Cooperative Agreement	360,000	0	(120,000)	240,000	120,000
Capital Outlay Note	812,000	0	(812,000)	0	0
Energy Efficiency Note	67,857	0	(67,857)	0	0
Notes Payable-State	3,201,866	0	(400,933)	2,800,933	400,933
School Energy Efficiency Note	4,371,104	0	(408,376)	3,962,728	411,449
Hud 108 Note	727,000	0	(43,000)	684,000	43,000
Total Governmental Activities	$ 116,223,650	$ 36,280,895	$ (26,635,661)	$ 125,868,884	$ 7,881,953
Business-type activities:					
General Obligation Debt	$ 92,532,373	$ 10,308,152	$ (7,978,833)	$ 94,861,692	$ 6,633,431
Local Option Sales Tax Revenue and Tax Bonds	12,750,000	0	(645,000)	12,105,000	665,000
Water and Sewer Revenue and Tax Bonds	4,045,000	0	(1,130,000)	2,915,000	1,185,000
Plus: Net Premiums and discounts	4,114,356	328,724	(321,207)	4,121,873	0
Total Bonds Payable	113,441,729	10,636,876	(10,075,040)	114,003,565	8,483,431
Total Business-type Activities	$ 113,441,729	$ 10,636,876	$ (10,075,040)	$ 114,003,565	$ 8,483,431

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Discretely presented component units

Industrial Development Board (IDBK)

The IDBK, a discretely presented component unit of the City, reports the following long-term liabilities at June 30, 2015.

In August 2011, a bank loan known as the C & F Loan, was issued in the amount of $3,500,000, with a 20 year maturity. The annual rate of interest is 4.68%, compounded monthly, with monthly principal and interest payments of $22,616. At June 30, 2015, the outstanding principal balance on the loan was $3,090,304.

In October 2012, a bank loan known as the Bray Property Loan, was issued in the amount of $1,785,000, with a 5 year maturity. The annual rate of interest is 2.9% and currently only accrued interest is being paid on the loan. At June 30, 2015, the outstanding principal balance on the loan was $1,785,000.

In December 2013, a bank line of credit loan known as the General Shale Property Loan was established in the amount of $4,000,000, with a 7 year maturity. The annual rate of interest is 3% and currently only accrued interest is being paid on the loan draw amount of $2,829,796 on a semi-annual basis. At June 30, 2015, the outstanding principal balance on the loan was $2,829,796.

In May 2014, a bank loan known as the Heritage Glass Property Loan, was issued in the amount of $2,600,000, with a 15 year maturity. The annual rate of interest is 3.95%, compounded monthly, with monthly principal and interest payments of $19,542. At June 30, 2015, the outstanding principal balance on the loan was $2,425,447.

In August 2014, the IDBK obtained a $650,000 loan to purchase the former National Guard Armory from the State of Tennessee for economic or industrial development purposes. The loan is for 10 years and carries a rate of 2.85% for the first 5 years. The City has agreed to pay interest on the loan until the property can be developed and sold. At June 30, 2015, the outstanding principal balance on the loan was $603,032.

On May 15, 2015, the IDBK closed on a loan totaling $6,540,000 in order to purchase approximately 33.75 acres and to construct an industrial building for lease to Pure Foods, Inc. Interest on the loan will accrue on the outstanding principal balance during the period May 15, 2015 through November 14, 2017, at a rate per annum equal to the LIBOR Rate plus ninety-nine basis points (.99). During the period November 15, 2017 through the maturity date of May 15, 2025, interest will accrue under the Loan at a fixed rate of 3.89% per annum. At June 30, 2015, a total of $2,041,738 had been drawn on the loan and remained outstanding.

Emergency Communications District (ECD)

The ECD, a discretely presented component unit of the City, reports no long-term liabilities at June 30, 2015.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Closure and post closure costs

The City currently operates a demolition landfill located on Brookside Drive which was permitted by the State of Tennessee in 1986 with an estimated useful life of 60 years. At June 30, 2015 the estimated remaining useful life is 31 years. Upon closure, the City is required to continue a period of monitoring and conduct any necessary post-closure activities in compliance with applicable state and federal laws.

In June, 1996, the City entered into a *Contract in Lieu of Performance Bond* with the State of Tennessee Department of Environment and Conservation to provide financial assurance in the amount of $1,390,095, for proper operation, closure and/or post-closure activities related to the City's demolition landfill. This financial assurance pledges any revenue due to the City from the State of Tennessee as collateral to fund estimated costs associated with the proper operation and closure, and/or post closure of the Kingsport Demolition Landfill.

This agreement is subsequently amended on an annual basis by the State of Tennessee Department of Environment and Conservation for inflation. The year 2014 financial assurance amount of $1,955,801 was adjusted for inflation by 1.55%, resulting in an amended amount of $1,986,116 at June 30, 2015.

The City's actual closure costs for the 29 year period through June 30, 2015 exceeded the liability amount by $342,175. The City has recorded this $342,175 in pre-paid landfill closing costs as of June 30, 2015, which will be offset as future closure costs are accrued.

	Ending June 30, 2015	Ending June 30, 2014	Ending June 30, 2013	Ending June 30, 2012	Ending June 30, 2011
Landfill closure costs paid	$ 1,384,655	$ 1,384,655	$ 1,349,663	$ 1,210,795	$ 1,023,438
Landfill closure costs accrued	1,042,480	981,726	922,385	856,017	781,259
Pre-paid landfill closure costs	$ 342,175	$ 402,929	$ 427,278	$ 354,778	$ 242,179

5. OTHER INFORMATION

A. Risk management

The City carries insurance coverage through the Tennessee Municipal League (TML) Risk Management Pool for general liability, automobile, and errors and omissions coverage. Although TML is a risk management pool and the policy contains an assessment clause, no assessment has been levied during the time the City has participated in this program.

The City's workers' compensation coverage is self-funded and administered by Tri-State Claims Service. The City carries a specific excess workers' compensation reinsurance agreement through Safety National Casualty Corporation.

An actuarial study for workers compensation and public liability was conducted for the period ended June 30, 2015. The estimated reserve requirements were as follows:

ESTIMATED REQUIRED RESERVES

	Low	Expected	High
Workers Compensation *	$ 1,672,054	$ 2,111,500	$ 2,550,946
Public Liability *	927,992	1,186,835	1,445,678

* Calculation utilizes U.S. Treasury yields as of June 30, 2015

Liabilities have been accrued to reflect the discounted expected claims of $2,111,500 for workers compensation and $1,186,835 for public liability, at June 30, 2015. The Insurance Reserve Fund has total assets of $5,675,680 at June 30, 2015. Estimated claims are budgeted and charged to the various departments on an annual basis.

A reconciliation of workers' compensation claims for the past four years is as follows:

	Year Ended June 30, 2015	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2012
Claims Accrued, Beginning	$ 2,211,677	$ 2,557,398	$ 2,380,000	$ 2,320,000
Claims Incurred	380,022	425,333	1,146,686	1,245,507
Claims Paid	(480,199)	(771,054)	(969,288)	(1,185,507)
Claims Accrued, Ending	$ 2,111,500	$ 2,211,677	$ 2,557,398	$ 2,380,000

The City's estimate of claims accrued at year end is based on actuarial reports using the discounted expected claims liability.

5. OTHER INFORMATION (CONTINUED)

A. Risk management (continued)

A reconciliation of public liability claims for the past four years is as follows:

	Year Ended June 30, 2015	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2012
Claims Accrued, Beginning	$ 1,111,388	$ 1,067,117	$ 1,000,000	$ 980,000
Claims Incurred	358,040	256,711	265,775	340,878
Claims Paid	(282,593)	(212,440)	(198,658)	(320,878)
Claims Accrued, Ending	$ 1,186,835	$ 1,111,388	$ 1,067,117	$ 1,000,000

The City's estimate of claims accrued at year end is based on actuarial reports using the discounted expected claims liability.

The City carries additional coverage for public officials and other employees through St. Paul / U.S. Fidelity and Guarantee, Travelers and Western Surety insurance companies and property insurance through FCCI, Travelers, Continental Casualty, and Montgomery, insurance companies. There has been no significant reduction in insurance coverage from the prior year, and the City has not had any settlements in the last five years, which were not covered by insurance.

Health insurance for the City and Kingsport City Schools employees is provided through a self- funded health insurance program. The City's program is currently administered by Humana, Inc., and the Kingsport City Schools' program is currently administered through Meritain Health, Inc. Premiums are evaluated annually based on historical expenditures and expected cost increase trends. Premium equivalents for participation in the self-funded programs are established annually based on quotations from the third-party administrator for projected expenses. The City and Kingsport City Schools both carry stop-loss insurance.

5. OTHER INFORMATION (CONTINUED)

B. Contingencies

Primary government

The City, like other similar bodies, is subject to a variety of legal suits and proceedings arising in the ordinary conduct of its affairs. After reviewing the status of all pending and threatened litigation at June 30, 2015 except as specifically described below, the City Attorney believes that, while the outcome of any litigation cannot be predicted, the final settlement of all lawsuits that have been filed and of any actions or claims presently pending or threatened against the City or its officials in such capacity, are adequately covered by insurance or by sovereign immunity or will not have an adverse effect upon the City's financial condition.

The City hires an independent arbitrage compliance firm to calculate arbitrage rebates due the IRS, for each applicable debt issue's reporting computation period. The City has recorded an estimated arbitrage rebate liability in the water and sewer funds. At June 30, 2015, the water fund and sewer fund had arbitrage rebate liabilities recorded of $40,037 and $97,473, respectively. These arbitrage rebate liabilities are not directly related to any bond issue, however are recorded in anticipation of future liabilities.

The City has entered into several construction contracts in the various funds, which were not completed at year-end. To account for these commitments, the City reserves a portion of fund balance in the appropriate governmental fund. In the proprietary funds, the City internally designates a portion of net position.

The City is dependent upon financial resources flowing from, or associated with, both the Federal Government and the State of Tennessee. Due to this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and appropriations. This includes long-term debt related interest subsidies provided by the Federal Government that may be reduced through sequestrations.

The Sullivan County Economic Development Partnership (SCEDP), (also known as NETWORKS), acquired considerable acreage near Tri-Cities Regional Airport for the purpose of establishing an industrial park. In April 2005, (SCEDP) issued $1,995,000 in capital outlay notes, of which, the City is contingently liable for 31%. In July 2007, SCEDP issued $6,500,000 in industrial park revenue bonds, of which the City is contingently liable for 31%. The capital outlay notes and the revenue bonds are secured by the assignment of revenue derived from property sales in the industrial park. The related liabilities are reflected in the financial statements of Sullivan County, Tennessee government. The SCEDP is responsible for making the bond payments, however in the event of their default the City is responsible for a 31% portion of the debt. During fiscal year 2015, total revenue from property sales in the industrial park was $302,700, with $93,837 representing the City's proportionate share. This amount was not sufficient for the SCEDP to make the total amount of the annual debt service payments. The City recorded an expenditure of $146,029 for the repayment of debt principal and interest associated with the SCEDP. As of June 30, 2015, a total of $6,375,000 of principal debt was outstanding, with $1,976,250 representing the City's 31% contingent share.

Sullivan County, Tennessee and The Sullivan County Board of Education as Plaintiffs ("Plaintiffs") filed Civil Action No. K0039409(c) on May 5, 2014 against the City as Defendant in the Chancery Court for Sullivan County, Tennessee. The lawsuit concerns the interpretation and application of Tennessee Code Annotated Section 57-4-306, which requires that a portion of the proceeds from the liquor by the drink tax paid to the City by the State "be expended and distributed in the same manner as the county property tax for schools is expended and distributed. Plaintiffs allege they are due unpaid liquor by the drink taxes from the City for the period from 1980 to 2014 and have demanded $1,340,037 or the full amount of the unremitted tax revenues plus pre-judgment interest. The City denies any liability. The Tennessee Attorney General opined in 1980 that the statute in question does not apply to counties that have not authorized liquor by the drink, followed by an opinion in 1981 indicating the statute does not apply to municipalities that operate their own school system. Sullivan County has not authorized liquor by the drink and the City operates its own school system. Similar lawsuits have been filed against several municipalities in Tennessee. In 2014 the Tennessee legislature enacted legislation permitting the settlement of such lawsuits by counties and

5. OTHER INFORMATION (CONTINUED)

B. Contingencies (continued)

Primary government (continued)

municipalities on mutual agreeable terms. It is impossible to predict the outcome of this litigation at this time.

In March 2015, a lawsuit was filed which was captioned, Travis Scott Dishner v. City of Kingsport, et al. In addition to the City, various police officers are named as defendants. The case, filed in the United States District Court for the Eastern District of Tennessee as case number C2:15-cv-0047-JRG-DHI, alleges violation of the civil rights of the plaintiff, assault and battery, and outrageous conduct and infliction of emotional distress during an altercation with police at a drug "sting." The City has filed an answer denying any liability and it will vigorously defend itself and its officers. The complaint seeks $1,000,000.00 in compensatory damages and $500,000 in punitive damages. It is impossible to predict the outcome of this litigation at this time.

On September 18, 2015, a lawsuit was filed alleging a civil rights violation against the City and two police officers. The lawsuit includes a request for prayer for relief of $1,000,000.00. Although the City is aware of the lawsuit, it has not yet been served. The City is prepared to vigorously defend its actions in this matter. It is impossible to predict the outcome of this litigation at this time.

The City has coverage through the Tennessee Municipal League Risk Management Pool for compensatory damages for civil rights claims up to $5,000,000. Ultimately, the City pays for this coverage, as it is self-insured through this risk pool. This coverage for its employees is for damages arising out of the performance of official duties. The charter of the City provides the following pertaining to coverage for its employees:

> *Whenever any elected official or employee of the City of Kingsport shall be sued for damages arising out of the performance of his official duties and while engaged in the course of his employment or discharge or attempted discharge of his official duties in his employment, the City of Kingsport shall be authorized and required to provide defense counsel for such elected official or employee in such suit and to indemnify him from any judgment rendered against him in such suit; provided, however, that such indemnity shall not extend to any judgment for punitive damages or for damages arising out of any willful wrongdoing by said elected official or employee and provided, further, that such municipal corporation or other political subdivision shall have notice of such suit.*
>
> *The City of Kingsport is authorized to contract at governmental expense for policies of liability insurance to protect elected officials and employees in the course of their employment.*

There is no coverage for punitive damages or intentional torts. Generally, the City has governmental immunity from intentional torts. For certain types of actions, immunity is waived, including certain negligent acts of its employees. The amount of damages that are recoverable are limited as set out in the Tennessee Governmental Tort Liability Act. The limits are $300,000 for bodily injury or death of any one (1) person in any one (1) accident, occurrence, or act, and up to $700,000 for bodily injury or death of all persons in any one (1) accident, occurrence, or act, and $100,000 for injury or destruction of property of others in any one (1) accident, occurrence, or act.

Component Unit – Industrial Development Board

In July 2011 the Industrial Development Board of the City of Kingsport (IDBK) entered into a loan agreement with a local bank in the amount of $3,500,000. The loan was used to purchase an industrial use facility near the Tri-Cities Regional Airport. In turn, the property was leased to C&F Manufacturing. In the event the manufacturing company fails to make lease payments, IDBK is required to fund the loan payments from other resources. The City and Sullivan County entered into agreements to support this project and share in a contingent liability, should the IDBK default on the loan. On October 7, 2014 the IDBK terminated the

5. OTHER INFORMATION (CONTINUED)

B. Contingencies (continued)

Component Unit – Industrial Development Board (continued)

lease with C & F Manufacturing. Under the terms of their respective funding agreements, the City and the County each will pay to IDBK 50.0% of the amount necessary to make the debt service payments required under the terms of the loan agreement. In fiscal year 2015, the City's recorded an expenditure of $136,862 to the IDBK for payment of the debt service on the loan. Future obligations may be as much as $136,000 annually for up to 16 years. The IDBK is in the process of marketing the property. Proceeds from the sale or lease of the facility, in excess of the amount needed to satisfy the outstanding principal balance and accrued interest of the loan, will be used to repay the City and the County for any amounts paid pursuant to the funding agreements.

In September 2012, the IDBK purchased real property located on West Sullivan Street and Clinchfield Streets within the City, known as the Bray Property. The purpose of this purchase is for future economic development, which will involve a significant quantity of residential housing units being constructed in the downtown area of the City. The IDBK purchased the property with proceeds from a $1,785,000 loan, to be repaid in five years with an interest rate of 2.9%. The net rental income derived from existing leases and rental agreements currently on the property is sufficient to pay accrued interest on the loan and IDBK will use such income to service the loan. As portions of the property are sold, IDBK will use the proceeds from the sales to reduce the principal balance outstanding on the loan. In the event net rental income from leases and rental agreements on the property, and the sale of part or all of the property, is not sufficient to cover the annual interest portion of the debt service on the loan, the City has approved an agreement with the IDBK to provide an annual contribution to the IDBK in an amount up to the required annual debt service interest on the loan, which is $51,765. A contingent liability exists should the IDBK default on the loan.

On December 6, 2012, the IDBK entered into an agreement with a developer, Stewart Taylor, for the purpose of developing property known as the Heritage Point Property to attract an extraordinary retail facility to locate on the property. The property is part of a 400 acre area located within the City's Border Region Retail Tourism Development District. The terms of the agreement grant the IDBK the exclusive right and option to purchase a specific section of the property for an option price of $1 and a purchase price for the property of $5,950,000. Upon receiving a firm written commitment from a "trigger tenant" retailer, the IDBK shall exercise its option to purchase the property contingent on the developer performing and advancing the funds necessary to prepare the property for development. The IDBK would then issue in the form of a bond or note to the developer, the purchase price and site development costs, payable within 4 years from the date of conveyance of the property at an interest rate of 4% per annum. The purchase price, site development costs, and interest shall be paid from the State sales and use tax incremental proceeds generated by the "trigger tenant" and any other retail facilities located within the district, and distributed to the City. The maximum site preparation costs for the entire Heritage Point Property development, payable to the developer by the IDBK, shall not exceed $24,873,207, nor shall the IDBK be obligated to repay the developer for site preparation costs in the event the incremental increase in State sales and use tax proceeds distributed to the City, are not sufficient for this purpose. The City, by resolution number 2013-095 dated December 7, 2012, delegated the IDBK the statutory authority to carry out the project in the Border Region Retail Tourism Development District.

On December 27, 2013, The IDBK borrowed $4,000,000 at an interest rate of 3.0%, with an even year term in order to purchase and develop certain property known as the General Shale Property. Consisting of approximately 98 acres, this property will be used to provide for future economic development opportunities and construction of the City's Brickyard Park. By resolution adopted on December 17, 2013, the City and IDBK entered into an agreement wherein proceeds from the sale of all or any portion of the property, would be applied toward the retirement of the principal loan balance. To support IDBK's acquisition of the property and to assure its ability to pay the loan, the City also agreed to make certain semi-annual contributions up to $60,000 each to the IDBK as economic development contributions for a period up to seven years, beginning in fiscal year 2014. The first such semi- annual contribution was made on or before June 1, 2014. Subsequent contributions will be made on or before each December 1 and June

5. OTHER INFORMATION (CONTINUED)

B. Contingencies (continued)

Component Unit – Industrial Development Board (continued)

1 through December 1, 2020. IDBK agreed to use such contributions to pay interest payments due on the loan in the event net proceeds realized from the lease of all or any portion of the property are insufficient to pay such interest. During fiscal year 2015, the City recorded the expenditure of $85,387 to the IDBK for loan interest payments. In the event a principal balance remains outstanding upon final maturity, the City agrees to either: (1) purchase the property from the IDBK for a purchase price equal to the outstanding principal and accrued interest owed on the loan; or (2) provide an economic development contribution to IDBK in an amount sufficient to pay the outstanding principal and accrued interest owed on the loan. In either event, IDBK agreed to use such funds to retire any remaining balance on the loan in full.

In May 2014, the IDBK obtained a $2,600,000 loan to purchase a glass manufacturing facility from AGC Glass. The loan carried a rate of 3.95%. Principal and interest are payable monthly over 15 years. The facility has been leased to a new glass manufacturer, Heritage Glass. Monthly lease payments cover the principal and interest on the loan. The City is contingently liable for the loan payments in the event the new manufacturer defaults on the lease. In the spring of 2015, Heritage Glass suspended operations and has defaulted under the Lease. IDBK has modified the terms of its loan whereby its lender has agreed to accept interest only payments through December 31, 2015. IDBK is a party to an Inter-Creditor Agreement with Heritage Glass' lender who has a lien on all of its equipment and inventory located in the manufacturing facility. In return for IDBK agreeing to modify certain terms of the Inter-Creditor Agreement, the lender has agreed to reimburse IDBK for all interest payments due on its loan from April 30 through December 31, 2015. Heritage Glass is actively attempting to obtain additional capital to sustain its operations.

In August 2014, the IDBK obtained a $650,000 loan to purchase the former National Guard Armory from the State of Tennessee for economic or industrial development purposes. The loan is for 10 years and carries a rate of 2.85% for the first 5 years. The City has agreed to pay interest on the loan until the property can be developed and sold. The City is contingently liable for the principal of the loan if it becomes due and payable before the property is sold.

On May 15, 2015, the IDBK closed on a loan totaling $6,540,000 in order to purchase approximately 33.75 acres and to construct an industrial building for lease to Pure Foods, Inc. Interest on the loan will accrue on the outstanding principal balance during the period May 15, 2015 through November 14, 2017, at a rate per annum equal to the LIBOR Rate plus ninety-nine basis points (.99). During the period November 15, 2017 through the maturity date of May 15, 2025, interest will accrue under the Loan at a fixed rate of 3.89% per annum. By resolution adopted on March 18, 2015, to support IDBK' s acquisition and improvement of the property and its ability to pay the debt service due under the Loan, the City entered into an agreement with IDBK to provide economic development contributions from time to time in such amounts as are needed by IDBK, during the 10 term of the loan, to make the debt service payments under the Loan after application of the net rental income from the lease with Pure Foods, Inc. and any other leases and rental agreements on the property. IDBK will use all net rental income received from the leases and rental agreements on the property, and all net proceeds realized from the sale of all or any portion of the property, to pay the accrued interest and debt service payments due under the loan.

In the event any indebtedness remains outstanding under the loan at the maturity date, the City shall either: (1) purchase the property from IDBK for a purchase price equal to the outstanding indebtedness then owed on the Loan including all principal, interest and expenses, if any, or (2) provide an economic development contribution to IDBK in an amount sufficient to pay the outstanding indebtedness then owed on the Loan.

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans

Defined Benefit Pension Plan – City of Kingsport

Plan description

Employees of the City of Kingsport are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The City elected to close participation in this plan to new membership effective June 30, 2012, but the plan will continue providing benefits to existing members and retirees. 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 publically available financial report that can be obtained at www.treasury.tn.gov/tcrs .

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average of compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. The City has adopted a mandatory retirement provision at age 60 for eligible public safety officers (fire and police) and at age 62 for eligible public safety officers in administrative-type positions. Under this mandatory provision, public safety officers who are members of the TCRS plan, receive a supplemental bridge benefit which is payable at the beginning of the mandatory retirement age and ends when reaching eligibility for benefits under Title II of the Federal Social Security Act. The supplemental bridge benefit is equal to .75 percent of the member's average final compensation multiplied by the member's years of public safety service established in the TCRS plan. A variety of death benefits are available under various eligibility criteria for all members in the TCRS plan.

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

Employees covered by benefit terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	757
Inactive employees entitled to but not yet receiving benefits	823
Active employees	887
	2467

Effective July 1, 2012, the plan was closed to new entrants.

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – City of Kingsport (continued)

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees hired before October 1, 2010 are non-contributory members in the plan and make no employee contributions to the plan. Employees hired from October 1, 2010 thru June 30, 2012 are contributory members in the plan and contribute 5 percent of salary. 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, 2015, employer contributions made by the City were $ 5,677,744 based on a rate of 15.89 percent of covered payroll for non-public safety employees and 19.39 percent of covered payroll for public safety officers (fire and police). 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 costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net pension liability

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

Actuarial assumptions

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

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

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – City of Kingsport (continued)

Actuarial assumptions (continued)

developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the 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.

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – City of Kingsport (continued)

Changes in the net pension liability

	Total Pension Liability (a)	Plan Fiduciary Net Postion (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/13	$ 187,213,741	$ 147,261,088	$ 39,952,653
Changes for the year:			
Service Cost	3,134,841	0	3,134,841
Interest	13,948,239	0	13,948,239
Differences between expected and actual experience	(4,085,461)	0	(4,085,461)
Contributions by employer	0	6,099,494	(6,099,494)
Contributions by employees	0	149,333	(149,333)
Net Investment income	0	24,199,909	(24,199,909)
Benefit payments, including refunds of employee contributions	(8,744,114)	(8,744,114)	0
Administrative expense	0	(42,145)	42,145
Net Changes	4,253,505	21,662,477	(17,408,972)
Balance at 6/30/14	$ 191,467,246	$ 168,923,565	$ 22,543,681

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's Net Pension Liability (Asset)	$ 47,096,722	$ 22,543,681	$ 1,983,153

Pension expense (income)

For the year ended June 30, 2015, the City recognized pension expense of $2,695,458.

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – City of Kingsport (continued)

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, 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
Difference between expected and actual experience	$ 0	$ 3,404,551
Net difference between projected and actual earning on pension plan investments	0	10,600,385
Contributions subsequent to the measurement date June 30, 2014	5,677,745	(not applicable)
	$ 5,677,745	$ 14,004,936

The amount shown above for "Contributions susequent to the measurement date of June 30, 2014", will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:	
2016	$ (3,331,006)
2017	(3,331,006)
2018	(3,331,006)
2019	(3,331,006)
2020	(680,910)
Thereafter	0

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, 2015, the City reported a payable of $459,777 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Contribution Plan – City of Kingsport

Plan description

Employees of the City hired on or after July 1, 2012 are participants in a Governmental Money Purchase Plan and Trust known as the City of Kingsport Defined Contribution Retirement Plan. The qualified plan is established under Internal Revenue Codes 401(a) and 457(b) and is administered by the International City/County Management Association Retirement Corporation (ICMA-RC). Investment decisions on contributions to the plan are controlled by the employee participant. In-service distributions are not permitted under the plan at any age. Employee contributions are immediately 100% vested to the participant. Employer contributions made by the City are subject to a graduated vesting schedule based upon the employee's completed years of service with the City as follows: 1 year – 0% vested; 2 years – 20% vested; 3 years – 40% vested; 4 years – 60% vested; 5 years – 80% vested; 6 years – 100% vested. The plan's provisions may be amended at the discretion of the City's BMA, by resolution and subject to applicable federal laws governing such plans.

Contributions

A mandatory employee contribution equal to 5% of compensation is required from each participant. An employer matching contribution equal to 5% of the employee's compensation is currently made by the City. Employees may make voluntary contributions to the plan up to the Internal Revenue Service code annual maximum. Voluntary contributions made by the employee receive an equal matching contribution made by the City, which is currently up to a maximum of 3%. Contribution requirements may be amended at the discretion of the City's BMA, by resolution and subject to applicable federal laws governing such plans. During the year ended June 30, 2015, $43,040 in non-vested employer contributions was forfeited and returned to the plan due to employee terminations and will be used to offset future employer contributions to the plan. Total contributions for the year ended June 30, 2015 were $600,883 and consisted of $296,623 made by the City and $304,260 made by employees.

Defined Benefit Pension Plan – Teacher Legacy Pension Plan - Kingsport City Schools

Plan description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Kingsport City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. 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 all employer pension plans in 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 publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested 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-

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – Teacher Legacy Pension Plan - Kingsport City Schools (continued)

Benefits provided (continued)

service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contribution, plus any accumulated interest.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Kingsport City Schools for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were $2,895,231, which is 9.04 percent 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 lability.

Net pension asset

At June 30, 2014, the Kingsport City Schools reported an asset of $135,007 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Kingsport City School's proportion of the net pension liability was based on Kingsport City School's employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, Kingsport City School's proportion was 0.830833 percent. The proportion measured as of June 30, 2013 was 0.816392 percent.

Pension income

For the year ended June 30, 2015, Kingsport City Schools recognized a pension income of $81,837.

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – Teacher Legacy Pension Plan - Kingsport City Schools (continued)

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Kingsport City Schools 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
Difference between expected and actual experience	$ 327,762	$ 0
Net difference between projected and actual earning on pension plan investments	0	11,123,678
Changes in proportion of Net Pension Liability (Asset)	203,692	0
Kingsport City Schools contributions subsequent to the measurement date of June 30, 2014	2,895,231	(not applicable)
	$ 3,426,685	$ 11,123,678

Kingsport City Schools employer contributions of $2,895,231, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	$ (2,692,344)
2017	(2,692,344)
2018	(2,692,344)
2019	(2,692,344)
2020	88,576
Thereafter	88,576

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

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – Teacher Legacy Pension Plan - Kingsport City Schools (continued)

Actuarial assumptions

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

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

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

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

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

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

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – Teacher Legacy Pension Plan - Kingsport City Schools (continued)

Actuarial assumptions (continued)

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

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs 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 applies to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate

The following presents Kingsport City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Kingsport City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) that the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Kingsport City Schools proportionate share of the net pension liability (asset)	$ 22,770,376	$ (135,007)	$ (19,098,180)

Pension plan fiduciary net position

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

Payable to the pension plan

At June 30, 2015, Kingsport City Schools reported a payable of $512,744 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – Teacher Retirement Plan - Kingsport City Schools

Plan description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Kingsport City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency is the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs .

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire 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. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related to disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls, and unfunded liability controls that provide for adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make 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 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were $34,765, which is 4 percent 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.

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – Teacher Retirement Plan - Kingsport City Schools (continued)

Pension liabilities

Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015 for the Teacher Retirement Plan.

Pension Expense

Since the measurement date is June 30, 2014, Kingsport City Schools did not recognize a pension expense at June 30, 2015 for the Teacher Retirement Plan.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Kingsport City Schools reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Kingsport City Schools contributions subsequent to the measurement date of June 30, 2014	$ 34,765	(not applicable)
	$ 34,765	$ 0

Kingsport City Schools' employer contributions of $34,765 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

Payable to the pension plan

At June 30, 2015, Kingsport City Schools reported a payable of $6,147 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Contribution Plan – Kingsport City Schools

Plan description

As previously described, teachers of the Kingsport City Schools hired on or after July 1, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer defined benefit pension plan administered by the TCRS. In addition to this defined benefit plan, teachers hired on or after July 1, 2014 are required to participate in a separately managed defined contribution plan referred to as the State of Tennessee 401(k) Deferred Compensation Program, administered by Great West Financial. Investment decisions on contributions to the plan are controlled by the teacher participant. Teachers are immediately 100% vested in the plan.

Contributions

An employer contribution equal to 5% of the teacher's compensation is made by the Kingsport City Schools. Teachers are automatically enrolled in the plan when hired with an employee contribution rate of 2 percent. Teachers have the ability to opt out of employee contribution portion within 30 days of hire date. Teachers may make voluntary contributions to the plan up to the Internal Revenue Service code annual maximum. Total contributions for the year ended June 30, 2015 were $43,321 and consisted of $39,963 made by the Kingsport City Schools and $3,358 made by teachers.

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB)

Postemployment Health and Life Insurance Plans – City of Kingsport

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the City recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated for prior years will be phased in over 30 years, commencing with the 2008 liability.

Plan description

The City provides postemployment health insurance and life insurance benefits for certain eligible retired full-time employees under a single-employer defined benefit plan. The pre-65 health plans are self-insured while post-65 health plans are fully insured. Eligible employees are classified in one of two categories:

Category I: Employees hired prior to June 1, 2007 are eligible to receive retiree health benefits once they meet the following requirements: (1) Age 55 with a minimum of five years of service with the City or 25 years of service with the City and (2) Receiving benefits through TCRS immediately upon separation from service with the City and must have been enrolled in the City's offered health insurance plan as an active full time employee at the date of retirement.

Category II: Employees hired on or after June 1, 2007, are eligible to receive retiree health benefits once they meet the following requirements: (1) Age 55 with a minimum of 25 years of service with the City and have been enrolled in the City's offered health insurance plan for a minimum of three years immediately prior to retirement or have 30 years of service with the City and enrolled in the City's offered health insurance plan for a minimum of one full year immediately prior to retirement, and. (2) Receiving benefits through TCRS or has retired from the City and participated in a non-TCRS retirement plan upon separation from service with the City.

Spouses of retirees and surviving spouses of Category I retirees are allowed to remain on the plan until age 65. They are responsible for 100% of the premium. Public Safety employees (fire and police) hired prior to July 1, 2012 are held to a mandatory retirement requirement at age 60. Those with more than 50% of job duties in administrative or supervisory capacity are held to a mandatory retirement requirement at age 62. The Department Head (Chief) is exempt from any mandatory retirement provision.

Employees who retired on or before June 30, 2010 and continued on the City's health insurance plan as listed above are eligible for the City funded post-Medicare coverage when they reach 65 years of age. Employees retiring on or after July 1, 2010 are not eligible for the City funded post-Medicare coverage. The City provides the Medicare Advantage plan for retirees prior to July 1, 2010 and pays the premium for this coverage with a cap of $85. Since January 2011, the Medicare Advantage plan has been a zero premium plan. The OPEB valuation assumes the plan will continue to be a zero premium with the City having no contribution requirement.

All retirees of the City of Kingsport are eligible for a life insurance benefit. The City's life insurance benefit is based upon 25% of final annual compensation and remains in effect until death. Policy premiums are paid for by the City.

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Health and Life Insurance Plans – City of Kingsport (continued)

Plan Description (continued)

The number of active and retired employee participants as of June 30, 2015 was as follows.

Active employees - health & life insurance benefits	612
Active employees - life insurance benefit only	96
Retired employees - health & life insurance benefits	162
Retired employees - life insurance benefit only	149
Total	1,019

Funding policy

The premium requirements of plan members are established and may be amended by the BMA. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claim liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates.

Annual OPEB Cost and Net OPEB Obligation	City of Kingsport Retiree Plan
Annual Required Contribution (ARC) as of end of year	$ 1,735,605
Interest on the Net OPEB Obligation (NOO) to end of year	619,447
NOO Amortization Adjustment to the ARC	(496,449)
Annual OPEB Cost	1,858,603
Annual Employer Contribution for pay-as-you-go cost	(719,240)
Annual Employer Contribution for pre-funding	0
Change in NOO	1,139,363
NOO as of Beginning of Year	12,388,944
NOO as of end of year	$ 13,528,307

Year End*	Plan	Annual OPEB Cost	Percentage OPEB Cost Contributed	Net OPEB Obligation at Year End
06/30/15	City Retiree	$ 1,858,603	39%	$ 13,528,307
06/30/14	City Retiree	1,956,061	42%	12,388,944
06/30/13	City Retiree	2,029,501	35%	11,254,354
06/30/12	City Retiree	2,562,314	32%	9,936,937
06/30/11	City Retiree	2,422,409	20%	8,203,478
06/30/10	City Retiree	2,581,342	47%	6,272,246
06/30/09	City Retiree	3,292,208	27%	4,906,010
06/30/08	City Retiree	3,166,263	20%	2,518,897

*Data not available for the 2007 year.

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Health and Life Insurance Plans – City of Kingsport (continued)

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013 and July 1, 2014, was as follows:

	City of Kingsport Retiree Plan FY 2013-14	City of Kingsport Retiree Plan FY 2014-15
Actuarial valuation date	07/01/13	07/01/14
Actuarial accrued liability (AAL) as of beginning of year	$ 23,012,654	$ 20,682,464
Actuarial value of assets as of beginning of year	0	0
Unfunded actuarial accrued liability (UAAL)	23,012,654	20,682,464
Covered payroll (active plan members)	30,020,389	29,609,931
UAAL as a percentage of covered payroll	77%	70%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The schedule of funding progress and employer contributions for the retiree health plan, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The actuarial assumptions used represent a reasonable long-term expectation of future OPEB outcomes. As national economic and City experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There are changes to the plan provisions and actuarial methods and assumptions since the last OPEB valuation, which was for the fiscal year ending June 30, 2013. Assumption changes are based on the City's Experience Study conducted as of August 2015. For the current year OPEB valuation, per capita costs have been updated. Health care trend rates and per capita costs are expected to be updated again in the next full OPEB valuation, which will be for the fiscal year ending June 30, 2017.

Measurement Date	June 30, 2015 with results actuarially rolled-back to July 1, 2014 on a "no-gain / no-loss" basis
Discount Rate	5.00%
Payroll Growth	4.00% per year
Inflation Rate	3.00% per year
Cost Method	Projected Unit Credit with linear proration to decrement
Amortization	Level % of pay over thirty years based on an open group
Census Data	As of July 2015

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Health and Life Insurance Plans – City of Kingsport (continued)

Actuarial Methods and Assumptions (continued)

Health care Coverage Election Rate	Active employees with current coverage: 85% Active employees with no coverage: 0% Retired employees with current coverage: 100% Retired employees with no coverage: 0%
Spousal Coverage	Based on actual data for retirees. 80% of current actives are assumed to have spousal coverage at retirement. Husbands are assumed to be three years older than wives
Employer Funding Policy	Pay-as-you-go basis
Mortality	SOA RPH-2014 Total Dataset Mortality Table fully generational using Scale MP-2014
Disability	None
Turnover Rate	Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. Rates represent the probability of termination in the next 12 months and are based on the City's Experience Study conducted as of August 2015
Retirement rate	Annual rates of retirement are based on the City's Experience Study conducted as of August 2015. Retirees with less than 5 years of service at age 65 are assumed to retire with no benefit
Medical Trend rates	

FYE	Rate	FYE	Rate
2016	9.0%	2021	6.5%
2017	8.5%	2022	6.0%
2018	8.0%	2023	5.5%
2019	7.5%	2024+	5.0%
2020	7.0%		

Retiree Contributions	Retiree contributions are assumed to increase according to health care trend rates. All retirees are assumed to qualify for the wellness rate
Per Capita Costs	Annual per capita costs were calculated based on City paid claims experience for the 12-month period ending June 30, 2015 plus administrative expenses, actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates
Explicit Subsidy	The difference between the premium rate and the retiree contribution
Implicit Subsidy	The difference between the per capita cost and the premium rate

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Health and Life Insurance Plans – Kingsport City Schools

Plan description

The Kingsport City Schools (KCS) provide postemployment health insurance and life insurance benefits for certain eligible retired full-time employees under a single-employer defined benefit plan. The health plan is self-insured and experience rated. Retirees, their dependents, and survivors are eligible to remain on the plan until age 65. All employees must have been enrolled in KCS's offered health insurance plan as an active full-time employee at the date of retirement.

For individuals retired and participating in the Tennessee Consolidated Retirement System (TCRS), one of the following conditions must be met for continuation in the health insurance plan:

(i) The retiree must have at least 10 years of employment with KCS, with 3 continuous years of insurance coverage in the plan immediately prior to final termination for retirement; or

(ii) The retiree with 20 or more total years of employment with KCS, with one year of insurance coverage in the plan immediately prior to final termination for retirement. For such retirees, the period of time between the employee's final termination date and the date retirement benefits commence (retirement date) may be up to 5 years in length. If more than 5 years, retirees, and eligible dependents would have to meet the late applicant requirements of the plan before becoming insured.

Employees who participate in a retirement program sponsored by a participating local education agency other than TCRS, must meet one of the following conditions to continue insurance coverage under the plan:

(a) Attainment of age 55 and 20 or more total years of employment with KCS, with one year of insurance coverage in the plan immediately prior to final termination unless they satisfy one or more of the late applicant requirements in the plan. For such retirees, the time between the employee's final termination date and attainment of age 55 may be up to 5 years in length; or

(b) Attainment of age 55 at final termination or at least 10 but less than 20, total years of employment with KCS, with 3 continuous years of insurance coverage in the plan immediately prior to final termination unless they satisfy one or more of the late applicant requirements in the plan, or

(c) 25 years of employment with KCS, with one year of insurance coverage in the plan immediately prior to final termination unless they satisfy one or more of the late applicant requirements in the plan.

School board members are eligible to continue their coverage at the time of retirement as long as they meet the eligibility guidelines. To be eligible to continue insurance at retirement, the school board member must have at least 20 years of service as a member of the KCS school board, must be age 55 and be enrolled in the plan for one full year of coverage immediately prior to retirement or 30 years of service as a member of the KCS school board and at least one full year of coverage on the plan immediately prior to retirement. School board members are required to pay the entire monthly premium.

All retirees of the KCS are eligible for a life insurance benefit. The life insurance benefit is based upon 25% of final annual compensation and remains in effect until death. Policy premiums are paid for by KCS.

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Health and Life Insurance Plans – Kingsport City Schools (continued)

Plan description (continued)

The number of active and retired employee participants as of June 30, 2015 was as follows.

Active employees - health & life insurance benefits	706
Active employees - life insurance benefit only	245
Retired employees - health & life insurance benefits	100
Retired employees - life insurance benefit only	518
Total	1,569

Special Funding Situation

The state is legally responsible for contributions to the State Teacher Group and Medicare Supplement Plans that cover the retirees of other governmental entities. The state provided a subsidy for retired teachers who participated in the plans. The state is not the sole employer for the LEA employees since some of these agencies provide additional direct subsidies and all provide implicit subsidies.

Funding policy

The premium requirements of plan members are established and may be amended by the KCS Board of Education. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claim liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates.

Annual OPEB Cost and Net OPEB Obligation	Kingsport City Schools Retiree Plan
Annual Required Contribution (ARC) as of end of year	$ 2,370,079
Interest on the Net OPEB Obligation (NOO) to end of year	539,942
NOO Amortization Adjustment to the ARC	(432,731)
Annual OPEB Cost	2,477,290
Annual Employer Contribution for pay-as-you-go cost	(1,233,040)
Annual Employer Contribution for pre-funding	0
Change in NOO	1,244,250
NOO as of Beginning of Year	10,798,845
NOO as of end of year	$ 12,043,095

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Health and Life Insurance Plans – Kingsport City Schools (continued)

Funding policy (continued)

Year End	Plan	Annual OPEB Cost	Percentage OPEB Cost Contributed	Net OPEB Obligation at Year End
06/30/15	KCS Retiree	$ 2,477,290	50%	$ 12,043,095
06/30/14	State Teacher Group	1,511,954	25%	10,798,845
06/30/13	State Teacher Group	1,912,941	21%	9,660,477
06/30/12	State Teacher Group	2,021,793	19%	8,156,792
06/30/11	State Teacher Group	1,992,215	20%	6,527,534
06/30/10	State Teacher Group	2,055,663	17%	4,932,899
06/30/09	State Teacher Group	1,992,895	17%	3,233,246
06/30/08	State Teacher Group	1,900,000	17%	1,575,446

*Data not available for the 2007 year.

Annual OPEB Cost and Net OPEB Obligation	Medicare Supplement Plan
Annual Required Contribution (ARC) as of end of year	$ 2,906,000
Interest on the Net OPEB Obligation (NOO) to end of year	544,079
NOO Amortization Adjustment to the ARC	(530,064)
Annual OPEB Cost	2,920,015
Annual Employer Contribution for pay-as-you-go cost	(320,019)
Annual Employer Contribution for pre-funding	0
Change in NOO	2,599,996
NOO as of Beginning of Year	13,601,970
NOO as of end of year	$ 16,201,966

Year End	Plan	Annual OPEB Cost	Percentage OPEB Cost Contributed	Net OPEB Obligation at Year End
06/30/15	Medicare Supplement Plan	$ 2,920,015	11%	$ 16,201,966
06/30/14	Medicare Supplement Plan	2,816,431	11%	13,601,970
06/30/13	Medicare Supplement Plan	2,085,190	13%	11,094,436
06/30/12	Medicare Supplement Plan	2,206,865	11%	9,275,049
06/30/11	Medicare Supplement Plan	2,013,969	11%	7,311,881
06/30/10	Medicare Supplement Plan	2,079,538	10%	5,518,188
06/30/09	Medicare Supplement Plan	2,033,125	10%	3,650,763
06/30/08	Medicare Supplement Plan	1,928,000	6%	1,815,000

*Data not available for the 2007 year.

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Health and Life Insurance Plans – Kingsport City Schools (continued)

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013 and July 1, 2014, was as follows:

	State Teacher Group Plan FY 2013-14	Kingsport City Schools Retiree Plan FY 2014-15
Actuarial valuation date	07/01/13	07/01/14
Actuarial accrued liability (AAL) as of beginning of year	$ 13,210,000	$ 23,268,269
Actuarial value of assets as of beginning of year	0	0
Unfunded actuarial accrued liability (UAAL)	13,210,000	23,268,269
Covered payroll (active plan members)	25,898,037	41,669,010
UAAL as a percentage of covered payroll	51%	56%

	Medicare Supplement Plan FY 2013-14	Medicare Supplement Plan FY 2014-15
Actuarial valuation date	07/01/13	07/01/14
Actuarial accrued liability (AAL) as of beginning of year	$ 25,653,000	$ 25,653,000
Actuarial value of assets as of beginning of year	0	0
Unfunded actuarial accrued liability (UAAL)	25,653,000	25,653,000

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The schedule of funding progress and employer contributions for the retiree health plan, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The actuarial assumptions used represent a reasonable long-term expectation of future OPEB outcomes. As national economic and KCS experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

Health care trend rates and per capita costs are expected to be updated again in the next full OPEB valuation, which will be for the fiscal year ending June 30, 2017.

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Health and Life Insurance Plans – Kingsport City Schools (continued)

Actuarial Methods and Assumptions (continued)

Measurement Date	June 30, 2015 with results actuarially rolled-back to July 1, 2014 on a "no-gain / no-loss" basis
Discount Rate	5.00%
Payroll Growth	4.00% per year
Inflation Rate	3.00% per year
Cost Method	Projected Unit Credit with linear proration to decrement
Amortization	Level % of pay over thirty years based on an open group
Census Data	As of September 2015
Health care Coverage Election Rate	Active employees with current coverage: 85% Active employees eligible for life insurance: 100% Active employees with no coverage: 0% Retired employees with current coverage: 100% Retired employees with current life insurance coverage: 100% Retired employees with no coverage or life insurance: 0%
Spousal Coverage	Based on actual data for actives and retirees Husbands are assumed to be three years older than wives
Employer Funding Policy	Pay-as-you-go basis
Mortality	SOA RPH-2014 Total Dataset Mortality Table fully generational using Scale MP-2014
Disability	None
Turnover Rate	Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. Rates represent the probability of termination in the next 12 months as used in the TCRS actuarial valuation as of July 1, 2013
Retirement rate	Annual rates of retirement are based on the TCRS actuarial valuation as of July 1, 2013.

Medical Trend rates

FYE	Rate	FYE	Rate
2016	9.0%	2021	6.5%
2017	8.5%	2022	6.0%
2018	8.0%	2023	5.5%
2019	7.5%	2024+	5.0%
2020	7.0%		

Retiree Contributions	Retiree contributions are assumed to increase according to health care trend rates.

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Health and Life Insurance Plans – Kingsport City Schools (continued)

Actuarial Methods and Assumptions (continued)

Per Capita Costs	Annual per capita costs were calculated based on FY 2016 premium equivalent rates increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates
Explicit Subsidy	The difference between the premium rate and the retiree contribution
Implicit Subsidy	The difference between the per capita cost and the premium rate

5. OTHER INFORMATION (CONTINUED)

E. On-Behalf Payments

As required by GASB Statement No. 24, *Accounting, and Financial Reporting for Certain Grants and Other Financial Assistance*, the following on-behalf payments have been recorded.

Teacher Group Insurance Plan

The State of Tennessee made contributions (on-behalf payments) for retired teachers who participated in the State-administered Teacher Group Insurance Plan through TCRS. The on-behalf payments for fiscal year 2015 was $305,835 and has been recorded as revenue and expenditure in the general purpose school fund.

Medicare Supplement Plan

The State of Tennessee made contributions (on-behalf payments) for retired teachers who participated in the Medicare Supplement plan through the TCRS. The on-behalf payments for fiscal year 2015 was $91,238 and has been recorded as revenue and expenditure in the general purpose school fund.

During the year ended June 30, 2015, Kingsport City Schools contributed $416,615 for the State Teacher Group Plan and $314,341 to the Medicare Supplement plan.

F. Economic dependency

A material portion of the City's property tax revenue is derived from one taxpayer, the loss of which would have a material effect on the City. During the tax years ended December 31, 2014 and 2015, the taxes assessed on the above mentioned taxpayer accounted for approximately 24% of total property taxes assessed for each tax year.

5. OTHER INFORMATION (CONTINUED)

G. Joint Ventures

Phipps Bend Joint Venture

The IDBK entered into a joint venture with the Hawkins County Industrial Development Board (HCIDB) to purchase and develop land known as Phipps Bend for industrial purposes.

According to the Joint Venture Agreement, HCIDB shall have an 80% interest and IDBK shall have a 20% interest in the profit and losses of the Joint Venture. However, each venturer shall have an equal 50% right to control, manage, operate and otherwise deal with the Joint Venture in all matters and respects. A separate capital account is maintained for each venturer. No venturer shall withdraw any part of its original or additional capital account without the express written agreement of both parties respectively. IDBK's investment in the Phipps Bend Joint Venture at June 30, 2015 is valued as follows:

Note Receivable from Phipps Bend Venture	$ 499,216
20% interest in capital of Phipps Bend Joint Venture	326,740
Total Investment	$ 825,956

Audited information for the Phipps Bend joint venture as of June 30, 2015 is as follows:

	Phipps Bend Joint Venture
Operating Revenues	$ 25,950
Operating Expenses	(23,258)
Non Operating Revenues	514
Non Operating Expenses	(10,735)
Capital Contributions	
Principal and interest payments on loan by Hawkins County as guarantor	643,132
Accounting fees paid by Hawkins County	4,850
Change in Net Position	640,453
Net Position, July 1	1,719,333
Net Postion, June 30	$ 2,359,786
Total Assets	$ 3,819,580
Total Liabilities	(1,459,794)
Total Net Position	$ 2,359,786

Complete financial statements for the joint venture may be obtained at the administrative offices of:

Phipps Bend Joint Venture
C/o Rebecca Baker
107 East Main Street, Suite 221
Rogersville, TN 37857

5. OTHER INFORMATION (CONTINUED)

H. Jointly Governed Organization

Tri-Cities Airport Authority

The Tri-Cities Airport Authority, (the Airport) is jointly governed by representatives of Johnson City; Kingsport; Bristol, Tennessee; Bristol, Virginia and Washington and Sullivan Counties, Tennessee, and operates the Tri-Cities Regional Airport, TN/VA. The City initially contributed 20 percent of the start-up costs of the Airport in 1934 and has not contributed further since 1967. The City is represented by two of the Airport's twelve commissioners. The Airport prepares its own separate financial statements. The participating governments do not record any balances for the Airport. If the Airport ceased operations, disposition of its assets would be controlled by the Federal Aviation Administration. The City would not be guaranteed a return of its initial investments or subsequent retained earnings.

Complete financial statements for the jointly governed organization may be obtained at the administrative offices of:

Tri-Cities Airport Authority
2525 Highway 75, Suite 301
Blountville, TN 37617

Audited information for the Tri-Cities Regional Airport Authority jointly governed organization as of June 30, 2015 is presented below:

	Tri-Cities Airport Authority
Operating Revenues	$ 6,583,279
Operating Expenses	(5,845,653)
Depreciation	(4,033,759)
Non Operating Revenues	1,312,139
Non Operating Expenses	(71,246)
Capital Contributions	3,541,492
Change in Net Position	1,486,252
Beginning Net Position, July 1	88,064,682
Restatement, Implementation of GASB 68 and 71 for Pensions	(1,114,574)
Beginning Net Postion, July 1, Restated	86,950,108
Net Position, June 30	$ 88,436,360
Total Assets	$ 94,173,388
Total Deferred Outflows of Resources	306,014
Total Liabilities	(5,415,897)
Total Deffered Inflows of Resources	(627,145)
Total Net Position	$ 88,436,360

5. OTHER INFORMATION (CONTINUED)

I. Subsequent Events

On August 14, 2015, Moody's Investors Service affirmed the City's Aa2 assigned bond rating and removed the "negative outlook" for the City's general obligation debt, citing the city's satisfactory General Fund financial position that began to rebound in fiscal 2014, the expected improvement in fiscal 2015, and support made available by reserves in the Fleet Maintenance Fund that provide the city with additional financial flexibility. The rating also incorporates the city's stable economy with significant taxpayer concentration and above average, but manageable debt burden.

In September 2015, the City's Board of Mayor and Aldermen approved two redevelopment plans and tax increment financing incentives (TIF) for new apartment complexes, the Riverbend Villas and the Overlook at Indian Trail. The incentives were considered after a market study was conducted by the Economic Development Board revealed that the City's market has demand for approximately 600 new apartment units in the next three years.

The Riverbend Villas project will include 265 units in a mix of one, two, and three bedroom units. Amenities include garages, clubhouse and pool facilities. The estimated construction cost is $20,400,000 and the developer's TIF incentive is estimated to be $2,000,000 over a period of 15 years. The project is located adjoining a future municipal park with more than 26 acres of riverfront access. A portion of the incentive will be returned to the City for development of the park in the amount of $667,000.

The Overlook at Indian Trail project will include 168 units in a mix of one, two, and three bedroom units. Amenities will also include garages, clubhouse and pool facilities. The estimated construction cost is $17,600,000 and the developer's TIF incentive is estimated to be $1,500,000 over a period of 15 years. This project is strategically located to serve the medical community being equidistant from Bristol Regional Hospital, Wellmont Holston Valley Hospital and within minutes of Indian Path Medical Hospital.

On October 13, 2015, the City sold General Obligation Refunding and Improvement Bonds, series 2015A at a par value of $15,105,000, plus a net premium of $604,134, less an underwriter's discount and issuance costs of $257,752. The average coupon rate is 3.0161% and the net interest cost is 2.6965%. The refunding portion of the bonds resulted in a net present value benefit of $187,216. The bonds will mature each March 1 beginning March 1, 2017 through March 1, 2028, inclusive, on March 1, 2030, and on March 1, 2031 through March 1, 2036, inclusive. Moody's Investors Service, Inc., a division of Moody's Corporation ("Moody's") and Standard & Poor's Ratings Services – Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial ("S&P") have assigned the Bonds the ratings of "Aa2" and "AA", respectively.

The Series 2015A bonds, were issued for the purposes of (1) providing funds to refund certain outstanding maturities of (a) certain General Obligation School and Public Improvement Bonds, Series 2007, dated June 8, 2007, issued in the original principal amount of $19,360,000, (b) certain Water System Revenue and Tax Bonds, Series 2008, dated June 12, 2008, issued in the original principal amount of $1,200,000, (c) certain General Obligation Public Improvement and Refunding Bonds, Series 2008, dated June 12, 2008, issued in the original principal amount of $7,480,000, and (d) certain General Obligation Bonds, Series 2008, dated June 12, 2008, issued in the original principal amount of $11,165,000; (2) financing certain projects approved by the BMA and included in the City's 2016 Capital Improvement Plan (CIP); and (3) paying costs incident to the issuance and sale of the bonds.

As previously mentioned in Note 5-B above, the IDBK obtained a $650,000 loan in August 2014 to purchase the former National Guard Amory from the State of Tennessee to be used for economic or industrial development. On November 4, 2015, the IDBK paid off the outstanding loan principal and accrued interest amounts, totaling $606,087 after the property was sold to a local developer.

The City has requested loan draws totaling $680,076 from the $15,000,000 Drinking Water Revolving Fund Loan previously authorized and mentioned in Note 4-E above.

5. OTHER INFORMATION (CONTINUED)

I. Subsequent Events (continued)

The IDBK currently leases space at the MeadowView Conference Resort and Convention Center to, Reedy Creek Winery. The monthly lease payments are $2,325. On November 30, 2015, Reedy Global Holdings Family LLC, the owner of Reedy Creek Winery, filed a petition in U.S. Bankruptcy Court for Chapter 11 bankruptcy protection, citing crop losses of more than $500,000 due to significant freezes in 2014 and 2015. The attorney for Reedy says the bankruptcy filing has nothing to do with the winery and that Reedy Global Holdings Family LLC has no plans to close the winery.

J. Prior Period Adjustments

Restatement

As previously mentioned, effective for fiscal year 2015 the City implemented GASB Statement Number 68. Implementation of this new accounting standard required a restatement of beginning net position in the Governmental Activities and Business-Type Activities funds for pension liabilities. The total effect of implementing GASB Statement Number 68 on the beginning net position of Governmental Activities funds was a reduction of $39,210,704. The total effect of implementing GASB Statement Number 68 on the beginning net position of Business-Type Activities funds was a reduction of $5,181,511.

During fiscal year 2015, the City also recognized corrections related to the closing of CIP projects. These corrections required a restatement of beginning net position in the Governmental Activities and Business-Type Activities funds. The effect on Governmental Activities funds beginning net position was a reduction of $1,633,674 and consisted of depreciation expense. The total effect on the Sewer Fund beginning net position was a reduction of $3,798,206 consisting of $2,194,625 in depreciation expense and $1,603,581 in interest expense which was previously capitalized. The total effect on the Solid Waste Fund beginning net position was a reduction of $141,155 consisting of $122,394 in depreciation expense and $18,761 in interest expense which was previously capitalized. The total effect of these corrections on Business-Type Activities beginning net position was a reduction of $3,939,361.

The above restatements had the following impact on previously reported balances:

Statement of Activities - Government Wide	Governmental Activities	Business-Type Activities	Total
Net Position, July 1, 2014, as previously reported	$ 220,273,668	$ 196,186,369	416,460,037
Implementation of GASB 68, Pension Liability	(39,210,704)	(5,181,511)	(44,392,215)
Corrections related to the closing of CIP projects	(1,633,674)	(3,939,361)	(5,573,035)
Net Position, July 1, 2014, as restated	$ 179,429,290	$ 187,065,497	$ 366,494,787

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	Water Fund	Sewer Fund	Aquatic Center Fund	Other Enterprise Funds	Total Enterprise Funds
Net Position, July 1, 2014, as previously reported	$ 62,821,628	$ 107,261,807	$ 97,619	$ 6,010,344	$ 196,186,369
Implementation of GASB 68, Pension Liability	(2,330,099)	(1,492,869)	(69,352)	(1,289,191)	(5,181,511)
Corrections related to the closing of CIP projects	0	(3,798,206)	0	(141,155)	(3,939,361)
Net Position, July 1, 2014, as restated	$ 60,491,529	$ 101,970,732	$ 28,267	$ 4,579,998	$ 187,065,497

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Enterprise Funds	Solid Waste Fund	Storm Water Fund	Total Nonmajor Enterprise Funds
Net Position, July 1, 2014, as previously reported	$ 621,067	$ 1,537,121	$ 6,010,344
Implementation of GASB 68, Pension Liability	(962,101)	(327,090)	(1,289,191)
Corrections related to the closing of CIP projects	(141,155)	0	(141,155)
Net Position, July 1, 2014, as restated	$ (482,189)	$ 1,210,031	$ 4,579,998

The preceding restatement schedules include only the funds that were affected by the prior period adjustments, however net position totals include all funds.

City of Kingsport - Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Based on Participation in the Public Employee Pension Plan of the TCRS
Last Fiscal Year Ending June 30

	2014
Total Pension Liability	
Service Cost	$ 3,134,841
Interest	13,948,239
Changes in Benefit Terms	0
Differences Between Actual & Expected Experience	(4,085,461)
Change of Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	(8,744,114)
Net Change in Total Pension Liability	4,253,505
Total Pension Liability-Beginning	187,213,741
Total Pension Liability-Ending (a)	$ 191,467,246
Plan Fiduciary Net Position	
Contributions-Employer	$ 6,099,494
Contributions-Employee	149,333
Net Investment Income	24,199,909
Benefit Payments, Including Refunds of Employee Contributions	(8,744,114)
Administrative Expense	(42,145)
Net Change in Plan Fiduciary Net Position	21,662,477
Plan Fiduciary Net Position-Beginning	147,261,088
Plan Fiduciary Net Position-Ending (b)	$ 168,923,565
Net Pension Liability (Asset)- Ending (a) - (b)	$ 22,543,681
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	**88.23%**
Covered-Employee Payroll	**$ 35,655,016**
Net Pension Liability as a Percentage of Covered-Employee Payroll	**63.23%**

This is a 10-year schedule how ever, the information in this schedule is not required to be presented retroactively. Years w ill be added to this schedule in future fiscal years until 10 years of information is available.

City of Kingsport - Schedule of Contributions
Based on Participation in the Public Employee Pension Plan of the TCRS
Last Fiscal Year Ending June 30

	2014	2015
Actuarially Determined Contribution	$ 6,099,494	$ 5,677,744
Contributions in Relation to the Actuarially Determined Contribution	6,099,494	5,677,744
Contribution Deficiency (excess)	$ 0	$ 0
Covered-Employee Payroll	$ 35,655,016	$ 33,579,045
Contributions as a Percentage of Covered-Employee Payroll	17.11%	16.91%

This is a 10-year schedule how ever, the information in this schedule is not required to be presented retroactively. Years w ill 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 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	17 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.00 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

Kingsport City Schools - Schedule of Proportionate Share of Net Pension Asset and Related Ratios
Based on Participation in the Teacher Legacy Pension Plan of the TCRS
Last Fiscal Year Ending June 30

	2014
Proportion of the Net Pension Asset	0.830833%
Proportionate Share of the Net Pension Asset	$ 135,007
Covered-Employee Payroll	$ 32,610,169
Propionate Share of the Net Pension Asset as a Percentage of Covered-Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

This is a 10-year schedule how ever, the information in this schedule is not required to be presented retroactively. Years w ill be added to this schedule in future fiscal years until 10 years of information is available.

Kingsport City Schools - Schedule of Contributions
Based on Participation in the Teacher Legacy Pension Plan of the TCRS
Last Fiscal Year Ending June 30

	2014	2015
Actuarially Determined Contribution	$ 2,895,779	$ 2,895,231
Contributions in Relation to the Actuarially Determined Contribution	2,895,779	2,895,231
Contribution Deficiency (excess)	$ 0	$ 0
Covered-Employee Payroll	$ 32,610,169	$ 32,026,892
Contributions as a Percentage of Covered-Employee Payroll	8.88%	9.04%

This is a 10-year schedule how ever, the information in this schedule is not required to be presented retroactively. Years w ill be added to this schedule in future fiscal years until 10 years of information is available.

Kingsport City Schools - Schedule of Contributions
Based on Participation in the Teacher Retirement Pension Plan of the TCRS
Last Fiscal Year Ending June 30

	2015
Actuarially Determined Contribution	$ 21,728
Contributions in Relation to the Actuarially Determined Contribution	34,765
Contribution Deficiency (excess)	$ (13,037)
Covered-Employee Payroll	$ 869,125
Contributions as a Percentage of Covered-Employee Payroll	4.00%

This is a 10-year schedule how ever, the information in this schedule is not required to be presented retroactively. Years w ill be added to this schedule in future fiscal years until 10 years of information is available.

City of Kingsport - Schedule of Funding Progress
Postemployment Health Insurance Plan

Actuarial Valuation Date *	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2014	City Retiree	$ 0	$ 20,682,464	$ 20,682,464	0.00%	$ 29,609,931	70%
July 1, 2013	City Retiree	0	23,012,654	23,012,654	0.00%	30,020,389	77%
July 1, 2012	City Retiree	0	24,569,633	24,569,633	0.00%	28,865,759	85%
July 1, 2011	City Retiree	0	31,010,598	31,010,598	0.00%	27,872,345	111%
July 1, 2010	City Retiree	0	29,469,147	29,469,147	0.00%	26,800,332	110%
July 1, 2009	City Retiree	0	32,019,362	32,019,362	0.00%	23,721,000	134%
July 1, 2007	City Retiree	0	30,541,000	30,541,000	0.00%	21,931,000	139%

* An additional year will be reported as data becomes available.

Kingsport City Schools - Schedule of Funding Progress
Postemployment Health Insurance Plans

Actuarial Valuation Date *	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2014	KCS Retiree	$ 0	$ 23,268,269	$ 23,268,269	0.00%	$ 41,669,010	56%
July 1, 2014	Medicare Supplement	0	25,653,000	25,653,000	0.00%	N/A	N/A
July 1, 2013	State Teacher Group	$ 0	$ 13,210,000	$ 13,210,000	0.00%	$ 25,898,037	51%
July 1, 2013	Medicare Supplement	0	25,653,000	25,653,000	0.00%	N/A	N/A
July 1, 2011	State Teacher Group	$ 0	$ 16,816,000	$ 16,816,000	0.00%	$ 23,523,443	71%
July 1, 2011	Medicare Supplement	0	19,371,000	19,371,000	0.00%	N/A	N/A
July 1, 2010	State Teacher Group	$ 0	$ 17,243,000	$ 17,243,000	0.00%	$ 23,571,575	73%
July 1, 2010	Medicare Supplement	0	18,481,000	18,481,000	0.00%	N/A	N/A
July 1, 2009	State Teacher Group	$ 0	$ 17,196,000	$ 17,196,000	0.00%	$ 23,629,947	73%
July 1, 2009	Medicare Supplement	0	18,481,000	18,481,000	0.00%	N/A	N/A
July 1, 2007	State Teacher Group	$ 0	$ 17,503,000	$ 17,503,000	0.00%	$ 22,277,957	70%
July 1, 2007	Medicare Supplement	0	18,268,000	18,268,000	0.00%	N/A	N/A

* An additional year will be reported as data becomes available.

C. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF KINGSPORT, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	$ 129,800	$ 129,800	$ 125,406	$ (4,394)
Federal Interest Subsidy	200,000	200,000	198,670	(1,330)
Total Revenues	329,800	329,800	324,076	(5,724)
EXPENDITURES:				
Principal	7,968,700	7,706,948	7,696,331	10,617
Interest	4,759,200	4,377,661	4,352,406	25,255
Miscellaneous	16,200	36,241	8,184	28,057
Total Expenditures	12,744,100	12,120,850	12,056,921	63,929
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,414,300)	(11,791,050)	(11,732,845)	58,205
OTHER FINANCING SOURCES (USES):				
Transfers In	12,414,300	11,762,382	11,780,892	18,510
Total Other Financing Sources (Uses)	12,414,300	11,762,382	11,780,892	18,510
Net Change in Fund Balances	0	(28,668)	48,047	76,715
Fund Balances, July 1, 2014	0	28,668	51,311	22,643
Fund Balances, June 30, 2015	$ 0	$ 0	$ 99,358	$ 99,358

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue Funds							Permanent Fund	
	Community Development Fund	Special Revenue General Projects Fund	Public Safety Funds	Transportation Funds	Culture & Recreation Funds	Education Funds	Total Special Revenue Funds	Allandale Trust Fund	Total Nonmajor Governmental Funds
ASSETS:									
Cash	$ 0	$ 0	$ 359	$ 100	$ 351	$ 1,687,321	$ 1,688,131	$ 0	$ 1,688,131
Equity in Pooled Cash & Investments	0	583,571	259,496	124,275	321,089	384,557	1,672,988	10,688	1,683,676
Long Term Certificates of Deposit	0	0	0	0	0	98,000	98,000	152,691	250,691
Investments	0	0	0	0	229,611	65,902	295,513	30,513	326,026
Accounts Receivable	0	0	0	0	40,800	848	41,648	0	41,648
Accrued Interest Receivable	0	0	0	0	0	0	0	76	76
Due from Other Governments	74,161	13,356	693	813,268	636,488	1,013,891	2,551,857	0	2,551,857
Inventories	0	0	0	0	0	159,086	159,086	0	159,086
Restricted Investments	0	0	62,948	0	0	0	62,948	0	62,948
Total Assets	$ 74,161	$ 596,927	$ 323,496	$ 937,643	$ 1,228,339	$ 3,409,605	$ 6,570,171	$ 193,968	$ 6,764,139
LIABILITIES AND FUND BALANCES:									
Liabilities:									
Accounts Payable	$ 20,212	$ 6,375	$ 493	$ 159,390	$ 31,774	$ 55,457	$ 273,701	$ 0	$ 273,701
Other Liabilities	0	0	0	0	0	14,889	14,889	0	14,889
Due to Other Funds	37,478	0	0	98,035	598,334	815,062	1,548,909	0	1,548,909
Due to Other Governments	0	0	0	0	1	0	1	0	1
Unearned Revenue	0	0	0	0	0	116,495	116,495	0	116,495
Total Liabilities	57,690	6,375	493	257,425	630,109	1,001,903	1,953,995	0	1,953,995
Fund Balances:									
Nonspendable:									
Inventory	0	0	0	0	0	159,086	159,086	0	159,086
Allandale Trust Principal	0	0	0	0	0	0	0	152,691	152,691
Allandale Long-Term Receivable	0	0	0	0	0	0	0	0	0
Restricted:									
Unspent Federal Forfeitures	0	0	62,948	0	0	0	62,948	0	62,948
Unspent Hotel Tax	0	0	0	0	271,021	0	271,021	0	271,021
Assigned	16,471	590,552	260,055	680,218	327,209	2,248,616	4,123,121	41,277	4,164,398
Total Fund Balances	16,471	590,552	323,003	680,218	598,230	2,407,702	4,616,176	193,968	4,810,144
Total Liabilities and Fund Balances	$ 74,161	$ 596,927	$ 323,496	$ 937,643	$ 1,228,339	$ 3,409,605	$ 6,570,171	$ 193,968	$ 6,764,139

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds							Permanent Fund	
	Community Development Fund	Special Revenue General Projects Fund	Public Safety Funds	Transportation Funds	Culture & Recreation Funds	Education Funds	Total Special Revenue Funds	Allandale Trust Fund	Total Nonmajor Governmental Funds
REVENUES:									
Local Option Sales Tax	$ 0	$ 0	$ 0	$ 0	$ 3,674,106	$ 0	$ 3,674,106	$ 0	$ 3,674,106
Hotel/Motel Tax Allocation	0	0	0	0	391,100	0	391,100	0	391,100
Federal Government	491,494	6,030	34,321	1,613,867	0	6,030,023	8,175,735	0	8,175,735
State Government	0	33,850	0	1,831,731	0	1,029,411	2,894,992	0	2,894,992
Charges for Services	0	0	0	147,632	55,533	1,032,640	1,235,805	0	1,235,805
Fines and Forfeitures	0	1,820	120,712	0	0	0	122,532	0	122,532
Investment Earnings	0	0	82	0	193	339	614	2,546	3,160
Contributions and Donations	0	720	0	0	108,265	213,764	322,749	0	322,749
Total Revenues	491,494	42,420	155,115	3,593,230	4,229,197	8,306,177	16,817,633	2,546	16,820,179
EXPENDITURES:									
General & Administrative	0	275,008	0	0	0	0	275,008	0	275,008
School Food Service	0	0	0	0	0	3,249,238	3,249,238	0	3,249,238
School Federal Projects	0	0	0	0	0	3,689,294	3,689,294	0	3,689,294
Economic & Physical Development	491,494	0	0	0	0	0	491,494	0	491,494
Public Safety	0	0	178,248	0	0	0	178,248	0	178,248
Transportation	0	0	0	5,319,159	0	0	5,319,159	0	5,319,159
Culture and Recreation	0	0	0	0	236,714	0	236,714	0	236,714
Education	0	0	0	0	0	999,943	999,943	0	999,943
Capital Outlay	0	134,318	159,326	49,002	91,400	376,594	810,640	0	810,640
Total Expenditures	491,494	409,326	337,574	5,368,161	328,114	8,315,069	15,249,738	0	15,249,738
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(366,906)	(182,459)	(1,774,931)	3,901,083	(8,892)	1,567,895	2,546	1,570,441
OTHER FINANCING SOURCES (USES):									
Transfers In	0	701,651	0	1,758,679	0	60,487	2,520,817	0	2,520,817
Transfers Out	0	(2)	911	0	(3,938,899)	(27,901)	(3,965,891)	0	(3,965,891)
Total Other Financing Sources (Uses)	0	701,649	911	1,758,679	(3,938,899)	32,586	(1,445,074)	0	(1,445,074)
Net Change in Fund Balances	0	334,743	(181,548)	(16,252)	(37,816)	23,694	122,821	2,546	125,367
Fund Balances, July 1, 2014	16,471	255,809	504,551	696,470	636,046	2,384,008	4,493,355	191,422	4,684,777
Fund Balances, June 30, 2015	$ 16,471	$ 590,552	$ 323,003	$ 680,218	$ 598,230	$ 2,407,702	$ 4,616,176	$ 193,968	$ 4,810,144

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - PUBLIC SAFETY
June 30, 2015

	Criminal Forfeiture Fund	Drug Fund	Justice Assistance Grant Fund	Total Public Safety Funds
ASSETS:				
Cash	$ 0	$ 359	$ 0	$ 359
Equity in Pooled Cash and Investments	83,450	176,046	0	259,496
Due from Other Governments	0	693	0	693
Restricted Investments	62,948	0	0	62,948
Total Assets	$ 146,398	$ 177,098	$ 0	$ 323,496
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	$ 0	$ 493	$ 0	$ 493
Due to Other Funds	0	0	0	0
Unearned Revenue	0	0	0	0
Total Liabilities	0	493	0	493
Fund Balances:				
Restricted:				
Unspent Federal Forfeitures	62,948	0	0	62,948
Assigned	83,450	176,605	0	260,055
Total Fund Balances	146,398	176,605	0	323,003
Total Liabilities and Fund Balances	$ 146,398	$ 177,098	$ 0	$ 323,496

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - PUBLIC SAFETY
For the Fiscal Year Ended June 30, 2015

	Criminal Forfeiture Fund	Drug Fund	Justice Assistance Grant Fund	Total Public Safety Funds
REVENUES:				
Federal Government	$ 0	$ 0	$ 34,321	$ 34,321
State Government	0	0	0	0
Fines and Forfeitures	13,646	107,066	0	120,712
Miscellaneous	0	0	0	0
Investment Earnings	82	0	0	82
Total Revenues	13,728	107,066	34,321	155,115
EXPENDITURES:				
General and Administrative	0	0	0	0
Public Safety	15,041	156,531	6,676	178,248
Capital Outlay	30,999	100,682	27,645	159,326
Total Expenditures	46,040	257,213	34,321	337,574
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,312)	(150,147)	0	(182,459)
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	911	0	911
Total Other Financing Sources (Uses)	0	911	0	911
Net Change in Fund Balances	(32,312)	(149,236)	0	(181,548)
Fund Balances, July 1, 2014	178,710	325,841	0	504,551
Fund Balances, June 30, 2015	$ 146,398	$ 176,605	$ 0	$ 323,003

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - TRANSPORTATION
June 30, 2015

	Federal Transit Administration Fund	Metropolitan Planning Office Fund	State Street Aid Fund	Total Transportation Funds
ASSETS:				
Cash	$ 100	$ 0	$ 0	$ 100
Equity in Pooled Cash and Investments	87,869	36,406	0	124,275
Due from Other Governments	403,485	161,715	248,068	813,268
Total Assets	$ 491,454	$ 198,121	$ 248,068	$ 937,643
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	$ 7,679	$ 4,360	$ 147,351	$ 159,390
Due to Other Governments	0	0	0	0
Due to Other Funds	0	0	98,035	98,035
Total Liabilities	7,679	4,360	245,386	257,425
Fund Balances:				
Assigned	483,775	193,761	2,682	680,218
Total Fund Balances	483,775	193,761	2,682	680,218
Total Liabilities and Fund Balances	$ 491,454	$ 198,121	$ 248,068	$ 937,643

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - TRANSPORTATION
For the Fiscal Year Ended June 30, 2015

	Federal Transit Administration Fund	Metropolitan Planning Office Fund	State Street Aid Fund	Total Transportation Funds
REVENUES:				
Federal Government	$ 679,752	$ 934,115	$ 0	$ 1,613,867
State Government	472,033	5,971	1,353,727	1,831,731
Charges for Services	147,632	0	0	147,632
Investment Earnings	0	0	0	0
Total Revenues	1,299,417	940,086	1,353,727	3,593,230
EXPENDITURES:				
Transportation	1,471,958	1,098,682	2,748,519	5,319,159
Capital Outlay	0	28,040	20,962	49,002
Total Expenditures	1,471,958	1,126,722	2,769,481	5,368,161
Excess (Deficiency) of Revenues Over (Under) Expenditures	(172,541)	(186,636)	(1,415,754)	(1,774,931)
OTHER FINANCING SOURCES (USES):				
Transfers In	333,328	9,127	1,416,224	1,758,679
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	333,328	9,127	1,416,224	1,758,679
Net Change in Fund Balances	160,787	(177,509)	470	(16,252)
Fund Balances, July 1, 2014	322,988	371,270	2,212	696,470
Fund Balances, June 30, 2015	$ 483,775	$ 193,761	$ 2,682	$ 680,218

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CULTURE AND RECREATION
June 30, 2015

	Regional Sales Tax Revenue Fund	Visitors Enhancement Fund	Steadman Cemetery Fund	Public Library Commission Fund	Bays Mountain Park Fund	Senior Citizens Advisory Board Fund	Total Culture & Recreation Funds
ASSETS:							
Cash	$ 0	$ 0	$ 0	$ 0	$ 0	$ 351	$ 351
Equity in Pooled Cash & Investments	22,046	255,221	1,200	3,110	29,768	9,744	321,089
Investments	3,121	0	12,933	1,153	141,327	71,077	229,611
Accounts Receivable	0	40,800	0	0	0	0	40,800
Due from Other Governments	636,488	0	0	0	0	0	636,488
Due from Other Funds	0	0	0	0	0	0	0
Total Assets	$ 661,655	$ 296,021	$ 14,133	$ 4,263	$ 171,095	$ 81,172	$ 1,228,339
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	$ 0	$ 25,000	$ 0	$ 0	$ 142	$ 6,632	$ 31,774
Due to Other Governments	0	0	0	0	0	1	1
Due to Other Funds	598,334	0	0	0	0	0	598,334
Total Liabilities	598,334	25,000	0	0	142	6,633	630,109
Fund Balances:							
Restricted for:							
Unspent Hotel Tax	0	271,021	0	0	0	0	271,021
Assigned	63,321	0	14,133	4,263	170,953	74,539	327,209
Total Fund Balances	63,321	271,021	14,133	4,263	170,953	74,539	598,230
Total Liabilities and Fund Balances	$ 661,655	$ 296,021	$ 14,133	$ 4,263	$ 171,095	$ 81,172	$ 1,228,339

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CULTURE AND RECREATION
For the Fiscal Year Ended June 30, 2015

	Regional Sales Tax Revenue Fund	Visitors Enhancement Fund	Steadman Cemetery Fund	Public Library Commission Fund	Bays Mountain Park Fund	Senior Citizens Advisory Board Fund	Total Culture & Recreation Funds
REVENUES:							
Local Option Sales Tax	$ 3,674,106	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,674,106
Hotel/Motel Tax Allocation	0	391,100	0	0	0	0	391,100
Charges for Services	0	0	0	0	0	55,533	55,533
Investment Earnings	16	0	14	1	101	61	193
Contributions and Donations	0	0	0	7,716	36,273	64,276	108,265
Total Revenues	3,674,122	391,100	14	7,717	36,374	119,870	4,229,197
EXPENDITURES:							
Culture and Recreation	0	112,072	2,160	4,688	4,874	112,920	236,714
Capital Outlay	0	91,400	0	0	0	0	91,400
Total Expenditures	0	203,472	2,160	4,688	4,874	112,920	328,114
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,674,122	187,628	(2,146)	3,029	31,500	6,950	3,901,083
OTHER FINANCING SOURCES (USES):							
Transfers In	0	0	0	0	0	0	0
Transfers Out	(3,646,666)	(301,850)	0	0	9,617	0	(3,938,899)
Total Other Financing Sources (Uses)	(3,646,666)	(301,850)	0	0	9,617	0	(3,938,899)
Net Change in Fund Balances	27,456	(114,222)	(2,146)	3,029	41,117	6,950	(37,816)
Fund Balances, July 1, 2014	35,865	385,243	16,279	1,234	129,836	67,589	636,046
Fund Balances, June 30, 2015	$ 63,321	$ 271,021	$ 14,133	$ 4,263	$ 170,953	$ 74,539	$ 598,230

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EDUCATION
June 30, 2015

	School Nutrition Services Fund	Special School Projects Fund	Public Law 93-380 Fund	Palmer Center Fund	Total Education Funds
ASSETS:					
Cash	$ 1,687,321	$ 0	$ 0	$ 0	$ 1,687,321
Equity in Pooled Cash and Investments	384,557	0	0	0	384,557
Long Term Certificates of Deposit	98,000	0	0	0	98,000
Investments	0	0	0	65,902	65,902
Accounts Receivable	848	0	0	0	848
Due from Other Governments	56,906	266,713	690,272	0	1,013,891
Inventories	159,086	0	0	0	159,086
Total Assets	$ 2,386,718	$ 266,713	$ 690,272	$ 65,902	$ 3,409,605
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	$ 794	$ 11,573	$ 43,090	$ 0	$ 55,457
Other Liabilities	0	0	14,889	0	14,889
Due to Other Funds	0	182,769	632,293	0	815,062
Due to Other Governments	0	0	0	0	0
Unearned Revenue	45,120	71,375	0	0	116,495
Total Liabilities	45,914	265,717	690,272	0	1,001,903
Fund Balances:					
Nonspendable:					
Inventory	159,086	0	0	0	159,086
Assigned	2,181,718	996	0	65,902	2,248,616
Total Fund Balances	2,340,804	996	0	65,902	2,407,702
Total Liabilities and Fund Balances	$ 2,386,718	$ 266,713	$ 690,272	$ 65,902	$ 3,409,605

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EDUCATION
For the Fiscal Year Ended June 30, 2015

	School Nutrition Services Fund	Special School Projects Fund	Public Law 93-380 Fund	Palmer Center Fund	Total Education Funds
REVENUES:					
Federal Government	$ 2,106,148	$ 0	$ 3,923,875	$ 0	$ 6,030,023
State Government	30,031	999,380	0	0	1,029,411
Charges for Services	1,020,996	11,644	0	0	1,032,640
Investment Earnings	282	0	0	57	339
Contributions and Donations	213,764	0	0	0	213,764
Total Revenues	3,371,221	1,011,024	3,923,875	57	8,306,177
EXPENDITURES:					
School Food Service	3,249,238	0	0	0	3,249,238
School Federal Projects	0	0	3,689,294	0	3,689,294
Education	0	999,943	0	0	999,943
Capital Outlay	89,994	79,920	206,680	0	376,594
Total Expenditures	3,339,232	1,079,863	3,895,974	0	8,315,069
Excess (Deficiency) of Revenues Over (Under) Expenditures	31,989	(68,839)	27,901	57	(8,892)
OTHER FINANCING SOURCES (USES):					
Transfers In	0	60,487	0	0	60,487
Transfers Out	0	0	(27,901)	0	(27,901)
Total Other Financing Sources (Uses)	0	60,487	(27,901)	0	32,586
Net Change in Fund Balances	31,989	(8,352)	0	57	23,694
Fund Balances, July 1, 2014	2,308,815	9,348	0	65,845	2,384,008
Fund Balances, June 30, 2015	$ 2,340,804	$ 996	$ 0	$ 65,902	$ 2,407,702

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
CRIMINAL FORFEITURE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal Government	$ 0	$ 0	$ 0	$ 0
Fines and Forfeitures	6,000	6,000	13,646	7,646
Investment Earnings	0	0	82	82
Contributions and Donations	0	0	0	0
Total Revenues	6,000	6,000	13,728	7,728
EXPENDITURES:				
Public Safety	6,000	22,000	15,041	6,959
Capital Outlay	0	31,000	30,999	1
Total Expenditures	6,000	53,000	46,040	6,960
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(47,000)	(32,312)	14,688
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	0	(47,000)	(32,312)	14,688
Fund Balances, July 1, 2014	0	47,000	178,710	131,710
Fund Balances, June 30, 2015	$ 0	$ 0	$ 146,398	$ 146,398

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
State Government	$ 0	$ 0	$ 0	$ 0
Fines and Forfeitures	85,700	85,700	107,066	21,366
Miscellaneous	0	0	0	0
Total Revenues	85,700	85,700	107,066	21,366
EXPENDITURES:				
General and Administrative	5,000	5,000	0	5,000
Public Safety	105,300	174,188	156,531	17,657
Capital Outlay	100,000	141,494	100,682	40,812
Total Expenditures	210,300	320,682	257,213	63,469
Excess (Deficiency) of Revenues Over (Under) Expenditures	(124,600)	(234,982)	(150,147)	84,835
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	911	911
Total Other Financing Sources (Uses)	0	0	911	911
Net Change in Fund Balances	(124,600)	(234,982)	(149,236)	85,746
Fund Balances, July 1, 2014	124,600	234,982	325,841	90,859
Fund Balances, June 30, 2015	$ 0	$ 0	$ 176,605	$ 176,605

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
State Government	$ 1,322,800	$ 1,322,800	$ 1,353,727	$ 30,927
Investment Earnings	0	0	0	0
Miscellaneous	0	0	0	0
Total Revenues	1,322,800	1,322,800	1,353,727	30,927
EXPENDITURES:				
Highways and Streets	2,411,800	2,894,373	2,748,519	145,854
Capital Outlay	0	24,111	20,962	3,149
Total Expenditures	2,411,800	2,918,484	2,769,481	149,003
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,089,000)	(1,595,684)	(1,415,754)	179,930
OTHER FINANCING SOURCES (USES):				
Transfers In	1,089,000	1,588,197	1,416,224	(171,973)
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	1,089,000	1,588,197	1,416,224	(171,973)
Net Change in Fund Balances	0	(7,487)	470	7,957
Fund Balances, July 1, 2014	0	7,487	2,212	(5,275)
Fund Balances, June 30, 2015	$ 0	$ 0	$ 2,682	$ 2,682

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
REGIONAL SALES TAX REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Local Option Sales Tax	$ 3,466,450	$ 3,466,450	$ 3,674,106	$ 207,656
Investment Earnings	0	0	16	16
Total Revenues	3,466,450	3,466,450	3,674,122	207,672
EXPENDITURES:				
Culture and Recreation	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,466,450	3,466,450	3,674,122	207,672
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	(3,466,450)	(3,466,450)	(3,646,666)	(180,216)
Total Other Financing Sources (Uses)	(3,466,450)	(3,466,450)	(3,646,666)	(180,216)
Net Change in Fund Balances	0	0	27,456	27,456
Fund Balances, July 1, 2014	0	0	35,865	35,865
Fund Balances, June 30, 2015	$ 0	$ 0	$ 63,321	$ 63,321

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
VISITORS ENHANCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	$ 340,000	$ 360,000	$ 391,100	$ 31,100
Other	0	0	0	0
Total Revenues	340,000	360,000	391,100	31,100
EXPENDITURES:				
Culture and Recreation	56,500	151,508	112,072	39,436
Capital Outlay	60,000	168,962	91,400	77,562
Total Expenditures	116,500	320,470	203,472	116,998
Excess (Deficiency) of Revenues Over (Under) Expenditures	223,500	39,530	187,628	148,098
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	(223,500)	(307,187)	(301,850)	5,337
Total Other Financing Sources (Uses)	(223,500)	(307,187)	(301,850)	5,337
Net Change in Fund Balances	0	(267,657)	(114,222)	153,435
Fund Balances, July 1, 2014	0	267,657	385,243	117,586
Fund Balances, June 30, 2015	$ 0	$ 0	$ 271,021	$ 271,021

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
STEADMAN CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	$ 50	$ 50	$ 14	$ (36)
Total Revenues	50	50	14	(36)
EXPENDITURES:				
Culture and Recreation	2,550	2,550	2,160	390
Total Expenditures	2,550	2,550	2,160	390
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,500)	(2,500)	(2,146)	354
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(2,500)	(2,500)	(2,146)	354
Fund Balances, July 1, 2014	2,500	2,500	16,279	13,779
Fund Balances, June 30, 2015	$ 0	$ 0	$ 14,133	$ 14,133

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
PUBLIC LIBRARY COMMISSION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	$ 10	$ 10	$ 1	$ (9)
Contributions and Donations	0	6,091	7,716	1,625
Total Revenues	10	6,101	7,717	1,616
EXPENDITURES:				
Culture and Recreation	10	6,101	4,688	1,413
Total Expenditures	10	6,101	4,688	1,413
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	3,029	3,029
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	0	0	3,029	3,029
Fund Balances, July 1, 2014	0	0	1,234	1,234
Fund Balances, June 30, 2015	$ 0	$ 0	$ 4,263	$ 4,263

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
BAYS MOUNTAIN PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	$ 100	$ 100	$ 101	$ 1
Contributions and Donations	15,000	15,000	36,273	21,273
Total Revenues	15,100	15,100	36,374	21,274
EXPENDITURES:				
Culture and Recreation	56,500	56,499	4,874	51,625
Total Expenditures	56,500	56,499	4,874	51,625
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,400)	(41,399)	31,500	72,899
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	(1)	9,617	9,618
Total Other Financing Sources (Uses)	0	(1)	9,617	9,618
Net Change in Fund Balances	(41,400)	(41,400)	41,117	82,517
Fund Balances, July 1, 2014	41,400	41,400	129,836	88,436
Fund Balances, June 30, 2015	$ 0	$ 0	$ 170,953	$ 170,953

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
SENIOR CITIZENS ADVISORY BOARD FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for Services	$ 123,000	$ 123,000	$ 55,533	$ (67,467)
Investment Earnings	100	100	61	(39)
Contributions and Donations	55,700	55,700	64,276	8,576
Other	0	0	0	0
Total Revenues	178,800	178,800	119,870	(58,930)
EXPENDITURES:				
Culture and Recreation	178,800	179,392	112,920	66,472
Total Expenditures	178,800	179,392	112,920	66,472
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(592)	6,950	7,542
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	0	(592)	6,950	7,542
Fund Balances, July 1, 2014	0	592	67,589	66,997
Fund Balances, June 30, 2015	$ 0	$ 0	$ 74,539	$ 74,539

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
SCHOOL NUTRITION SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal Government	$ 2,030,000	$ 2,060,000	$ 2,106,148	$ 46,148
State Government	30,100	30,100	30,031	(69)
Charges for Services	873,500	1,053,500	1,020,996	(32,504)
Investment Earnings	600	600	282	(318)
Contributions and Donations	226,400	226,400	213,764	(12,636)
Total Revenues	3,160,600	3,370,600	3,371,221	621
EXPENDITURES:				
School Food Service	3,130,900	3,340,900	3,249,238	91,662
Capital Outlay	65,000	192,000	89,994	102,006
Total Expenditures	3,195,900	3,532,900	3,339,232	193,668
Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,300)	(162,300)	31,989	194,289
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(35,300)	(162,300)	31,989	194,289
Fund Balances, July 1, 2014	35,300	162,300	2,308,815	2,146,515
Fund Balances, June 30, 2015	$ 0	$ 0	$ 2,340,804	$ 2,340,804

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
PALMER CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	$ 100	$ 100	$ 57	$ (43)
Total Revenues	100	100	57	(43)
EXPENDITURES:				
Capital Outlay	100	100	0	100
Total Expenditures	100	100	0	100
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	57	57
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	0	0	57	57
Fund Balances, July 1, 2014	0	0	65,845	65,845
Fund Balances, June 30, 2015	$ 0	$ 0	$ 65,902	$ 65,902

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
ALLANDALE TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	$ 7,500	$ 7,500	$ 2,546	$ (4,954)
Total Revenues	7,500	7,500	2,546	(4,954)
EXPENDITURES:				
Culture and Recreation	37,700	37,700	0	37,700
Total Expenditures	37,700	37,700	0	37,700
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,200)	(30,200)	2,546	32,746
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(30,200)	(30,200)	2,546	32,746
Fund Balances, July 1, 2014	30,200	30,200	191,422	161,222
Fund Balances, June 30, 2015	$ 0	$ 0	$ 193,968	$ 193,968

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2015

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
ASSETS:				
Current Assets:				
Cash	$ 298	$ 0	$ 0	$ 298
Equity in Pooled Cash and Investments	0	741,951	43,837	785,788
Accounts Receivable, Net	83,812	221,375	0	305,187
Accrued Interest Receivable	209	0	0	209
Inventories	0	0	117,308	117,308
Prepaids	0	11,687	0	11,687
Total Current Assets	84,319	975,013	161,145	1,220,477
Noncurrent Assets:				
Restricted Assets:				
Cash	0	0	83,000	83,000
Cash from Unspent Debt Proceeds	1,117,800	33	448	1,118,281
Investments	1,641	0	441	2,082
Total Restricted Assets	1,119,441	33	83,889	1,203,363
Capital Assets:				
Land	1,716,309	977,763	981,600	3,675,672
Buildings and Systems	290,150	694,088	1,439,145	2,423,383
Improvements Other Than Buildings	1,177,264	534,297	6,033,890	7,745,451
Software	6,750	6,661	0	13,411
Machinery and Equipment	2,040,552	132,963	471,136	2,644,651
Construction in Progress	3,208	643,086	0	646,294
Less: Accumulated Depreciation	(2,013,932)	(134,100)	(4,513,125)	(6,661,157)
Total Capital Assets	3,220,301	2,854,758	4,412,646	10,487,705
Other Assets:				
Prepaid Landfill Closure Costs	342,175	0	0	342,175
Total Other Assets	342,175	0	0	342,175
Total Noncurrent Assets	4,681,917	2,854,791	4,496,535	12,033,243
Total Assets	4,766,236	3,829,804	4,657,680	13,253,720
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflows Related to Refunding	11,186	0	0	11,186
Deferred Outflows Related to Pensions	161,361	54,858	0	216,219
Total Deferred Outflows of Resources	172,547	54,858	0	227,405

(continued)

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2015

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
LIABILITIES:				
Current Liabilities:				
Accounts Payable	76,930	276,275	66,833	420,038
Due to Other Funds	698,169	42,108	78,817	819,094
Compensated Absences Payable	95,694	43,160	0	138,854
Accrued Interest Payable	29,756	22,247	3,735	55,738
General Obligation Bonds - Current	204,617	78,372	152,802	435,791
Other Payables	0	0	0	0
Total Current Liabilities	1,105,166	462,162	302,187	1,869,515
Noncurrent Liabilities:				
General Obligation Bonds Payable (Net of Deferred Refunding Costs, Discounts and Premiums)	2,687,957	1,398,865	615,309	4,702,131
Advances from Other Funds	0	0	0	0
OPEB Liability	518,562	77,345	0	595,907
Post Closure Liablility	0	0	0	0
Pension Liability	640,688	217,818	0	858,506
Total Noncurrent Liabilities	3,847,207	1,694,028	615,309	6,156,544
Total Liabilities	4,952,373	2,156,190	917,496	8,026,059
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflows Related to Pensions	398,018	135,316	0	533,334
Total Deferred Inflows of Resources	398,018	135,316	0	533,334
NET POSITION:				
Net Investment in Capital Assets	1,445,527	1,377,554	3,644,983	6,468,064
Restricted for Debt Service	1,641	0	0	1,641
Restricted for Capital Improvements	0	0	86,844	86,844
Unrestricted	(1,858,776)	215,602	8,357	(1,634,817)
Total Net Position	$ (411,608)	$ 1,593,156	$ 3,740,184	$ 4,921,732

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2015

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES:				
Charges and Fees	$ 997,046	$ 1,813,177	$ 819,742	$ 3,629,965
Penalties and Fines	0	0	0	0
Miscellaneous	9,239	350	0	9,589
Total Operating Revenue	1,006,285	1,813,527	819,742	3,639,554
OPERATING EXPENSES:				
Operating Costs	3,925,124	1,250,676	1,031,438	6,207,238
Depreciation	231,543	60,283	239,042	530,868
Total Operating Expenses	4,156,667	1,310,959	1,270,480	6,738,106
Operating Income (Loss)	(3,150,382)	502,568	(450,738)	(3,098,552)
NONOPERATING REVENUES:				
Investment Earnings	1,518	533	6	2,057
Federal Interest Subsidy	4,364	8,722	0	13,086
Interest Expense	(79,498)	(36,162)	(17,736)	(133,396)
Bond Issue Cost	(13,721)	0	0	(13,721)
Total Nonoperating Revenues	(87,337)	(26,907)	(17,730)	(131,974)
Income (Loss) Before Capital Contributions and Transfers	(3,237,719)	475,661	(468,468)	(3,230,526)
Transfers In	3,308,300	0	356,496	3,664,796
Transfers Out	0	(92,536)	0	(92,536)
Change in Net Position	70,581	383,125	(111,972)	341,734
Net Position, July 1, 2014	621,067	1,537,121	3,852,156	6,010,344
Implementation of GASB 68 Pension Liability	(962,101)	(327,090)	0	(1,289,191)
Corrections Related to Closing CIP Projects	(141,155)	0	0	(141,155)
Net Position, July 1, 2014 (as restated)	(482,189)	1,210,031	3,852,156	4,579,998
Net Position, June 30, 2015	$ (411,608)	$ 1,593,156	$ 3,740,184	$ 4,921,732

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2015

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers and Users	$ 967,783	$ 1,778,932	$ 879,893	$ 3,626,608
Receipts from Interfund Services Provided	38,335	75,291	0	113,626
Payments to Suppliers	(1,986,461)	(286,779)	(1,043,731)	(3,316,971)
Payments to Employees	(1,898,161)	(770,675)	0	(2,668,836)
Net Cash Provided (Used) by Operating Activities	(2,878,504)	796,769	(163,838)	(2,245,573)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from Other Funds	3,308,300	0	356,496	3,664,796
Transfers to Other Funds	0	(92,536)	0	(92,536)
Due To or From Other Funds	(180,528)	42,108	42,657	(95,763)
Net Cash Provided (Used) by Noncapital Financing Activities	3,127,772	(50,428)	399,153	3,476,497
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Capital Debt	1,100,000	0	0	1,100,000
Intergovernmental Revenue for Capital Projects	0	0	0	0
Acquisition and Construction of Capital Assets	(251,693)	(417,067)	(30,048)	(698,808)
Principal Paid on Capital Debt	(188,210)	(76,383)	(145,428)	(410,021)
Interest Paid on Capital Debt	(72,399)	(28,992)	(18,194)	(119,585)
Proceeds from Sales of Capital Assets	0	0	0	0
Net Cash Used by Capital and Related Financing Activities	587,698	(522,442)	(193,670)	(128,414)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from Sales and Maturities of Investments	0	0	2,186	2,186
Purchase of Investments	(1,542)	0	0	(1,542)
Interest Received	1,784	533	6	2,323
Net Cash Provided (Used) by Investing Activities	242	533	2,192	2,967
Net Increase (Decrease) In Cash and Cash Equivalents	837,208	224,432	43,837	1,105,477
Cash and Cash Equivalents, July 1, 2014	280,890	517,552	83,448	881,890
Cash and Cash Equivalents, June 30, 2015	$ 1,118,098	$ 741,984	$ 127,285	$ 1,987,367

(continued)

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2015

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	$ (3,150,382)	$ 502,568	$ (450,738)	$ (3,098,552)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	231,543	60,283	239,042	530,868
(Increase) Decrease in Assets:				
Accounts Receivable	(167)	40,696	60,151	100,680
Inventory	0	0	97	97
Prepaids	60,754	(4,454)	0	56,300
Increase (Decrease) in Liabilities:				
Accounts Payable	24,745	205,152	(12,390)	217,507
Pension Liabilities and Deferrals	(84,756)	(28,814)	0	(113,570)
Compensated Absences Payable	669	4,189	0	4,858
OPEB Liability	39,090	17,149	0	56,239
Other Payables	0	0	0	0
Retainages Payable	0	0	0	0
Net Cash Provided (Used) by Operating Activities	$ (2,878,504)	$ 796,769	$ (163,838)	$ (2,245,573)
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:				
Cash	$ 298	$ 0	$ 0	$ 298
Equity in Pooled Cash and Investments	0	741,951	43,837	785,788
Restricted Cash from Unspent Bonds	1,117,800	33	448	1,118,281
Restricted Cash	0	0	83,000	83,000
Cash and Cash Equivalents, June 30, 2015	$ 1,118,098	$ 741,984	$ 127,285	$ 1,987,367
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Federal Interest Subsidy Paid Directly to Bank	$ 4,364	$ 8,722	$ 0	$ 13,086

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2015

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	School Employee Insurance Fund	School Retirees Insurance Fund	Total Internal Service Funds
ASSETS:							
Current Assets:							
Equity in Pooled Cash and Investments	$ 0	$ 4,925,485	$ 1,410,261	$ 436,544	$ 1,037,025	$ 94,968	$ 7,904,283
Accounts Receivable	0	0	151,628	5,245	79,630	24,826	261,329
Accrued Interest Receivable	776	7	0	0	0	0	783
Due from Other Funds	0	0	0	0	0	0	0
Inventories	414,482	0	29,030	0	0	0	443,512
Prepaids	0	220,188	3,069	1,111	0	0	224,368
Total Current Assets	415,258	5,145,680	1,593,988	442,900	1,116,655	119,794	8,834,275
Capital Assets:							
Land	14,695	0	0	0	0	0	14,695
Buildings and Improvements	0	0	14,897	0	0	0	14,897
Machinery and Equipment	29,191,603	0	0	0	0	0	29,191,603
Less: Accumulated Depreciation	(19,164,978)	0	(3,104)	0	0	0	(19,168,082)
Net Capital Assets	10,041,320	0	11,793	0	0	0	10,053,113
Other Assets:							
Advances to Other Funds	154,785	0	0	0	0	0	154,785
Deposits	0	30,000	134,400	33,600	0	0	198,000
Total Other Assets	154,785	30,000	134,400	33,600	0	0	352,785
Restricted Assets:							
Long Term Certificates of Deposit	500,000	500,000	0	0	0	0	1,000,000
Investments	2,447,641	0	0	0	0	0	2,447,641
Total Restricted Assets	2,947,641	500,000	0	0	0	0	3,447,641
Total Assets	13,559,004	5,675,680	1,740,181	476,500	1,116,655	119,794	22,687,814

(continued)

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2015

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	School Employee Insurance Fund	School Retirees Insurance Fund	Total Internal Service Funds
LIABILITIES:							
Current Liabilities:							
Accounts Payable	131,231	61,405	87,273	0	62,821	0	342,730
Due to Other Governments	0	0	0	0	0	0	0
Due to Other Funds	168,616	0	0	0	0	13,450	182,066
Claims Payable	0	1,186,835	0	0	0	0	1,186,835
Benefits Payable	0	2,111,500	665,550	99,450	744,405	106,344	3,727,249
Compensated Absences Payable	79,627	18,780	6,106	0	0	0	104,513
Total Current Liabilities	379,474	3,378,520	758,929	99,450	807,226	119,794	5,543,393
Total Liabilities	379,474	3,378,520	758,929	99,450	807,226	119,794	5,543,393
NET POSITION:							
Net Investment in Capital Assets	10,041,320	0	11,793	0	0	0	10,053,113
Unrestricted	3,138,210	2,297,160	969,459	377,050	309,429	0	7,091,308
Total Net Position	$ 13,179,530	$ 2,297,160	$ 981,252	$ 377,050	$ 309,429	$ 0	$ 17,144,421

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Fiscal Year Ended June 30, 2015

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	School Employee Insurance Fund	School Retirees Insurance Fund	Total Internal Service Funds
OPERATING REVENUE:							
Charges for Sales and Services	$ 6,514,158	$ 2,292,645	$ 7,426,782	$ 999,550	$ 5,230,708	$ 361,631	$ 22,825,474
Miscellaneous	30,186	169,573	367,569	0	79,630	11,376	658,334
Total Operating Revenue	6,544,344	2,462,218	7,794,351	999,550	5,310,338	373,007	23,483,808
OPERATING EXPENSES:							
Personnel Services and Benefits	1,291,730	251,343	67,902	0	0	0	1,610,975
Materials and Supplies	3,248,430	1,834	103,375	0	64,543	0	3,418,182
Contractual Services	89,481	53,394	421,177	1,200	95,213	0	660,465
Insurance	9,235	518,333	459,515	49,292	287,091	32,516	1,355,982
Insurance Claims	0	763,596	6,473,017	903,108	4,098,564	564,460	12,802,745
Depreciation	1,873,708	0	1,490	0	0	0	1,875,198
Miscellaneous	108,529	25,200	791,611	37,801	214,422	17,107	1,194,670
Total Operating Expenses	6,621,113	1,613,700	8,318,087	991,401	4,759,833	614,083	22,918,217
Operating Income (Loss)	(76,769)	848,518	(523,736)	8,149	550,505	(241,076)	565,591
NONOPERATING REVENUES:							
Gain on Disposal of Fixed Assets	5,819	0	0	0	0	0	5,819
Investment Earnings	11,080	6,029	646	343	0	0	18,098
Total Nonoperating Revenues	16,899	6,029	646	343	0	0	23,917
Income (Loss) Before Transfers	(59,870)	854,547	(523,090)	8,492	550,505	(241,076)	589,508
Transfers In	0	0	345,000	0	0	241,076	586,076
Transfers Out	0	0	0	0	(241,076)	0	(241,076)
Change in Net Position	(59,870)	854,547	(178,090)	8,492	309,429	0	934,508
Net Position, July 1, 2014	13,239,400	1,442,613	1,159,342	368,558	0	0	16,209,913
Net Position, June 30, 2015	$ 13,179,530	$ 2,297,160	$ 981,252	$ 377,050	$ 309,429	$ 0	$ 17,144,421

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	School Employee Insurance Fund	School Retirees Insurance Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Interfund Services Provided	$ 6,544,744	$ 2,462,350	$ 7,642,723	$ 997,019	$ 5,230,708	$ 348,181	$ 23,225,725
Payments to Suppliers	(4,000,798)	(1,402,495)	(8,179,627)	(988,001)	(3,952,607)	(507,739)	(19,031,267)
Payments to Employees	(1,287,057)	(251,071)	(68,633)	0	0	0	(1,606,761)
Net Cash Provided (Used) by Operating Activities	1,256,889	808,784	(605,537)	9,018	1,278,101	(159,558)	2,587,697
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers (to) from Other Funds	0	0	345,000	0	(241,076)	241,076	345,000
Advances (to) from Other Funds	400,859	0	0	0	0	13,450	414,309
Net Cash Provided (Used) by Noncapital Financing Activities	400,859	0	345,000	0	(241,076)	254,526	759,309
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Capital Transfers from Other Funds	0	0	0	0	0	0	0
Purchase of Capital Assets	(1,783,867)	0	0	0	0	0	(1,783,867)
Proceeds from Sales of Capital Assets	5,819	0	0	0	0	0	5,819
Net Cash Used by Capital and Related Financing Activities	(1,778,048)	0	0	0	0	0	(1,778,048)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of Investments	(108,396)	0	0	0	0	0	(108,396)
Interest Received	10,354	6,022	646	343	0	0	17,365
Net Cash Provided (Used) by Investing Activities	(98,042)	6,022	646	343	0	0	(91,031)
Net Increase (Decrease) In Cash and Cash Equivalents	(218,342)	814,806	(259,891)	9,361	1,037,025	94,968	1,477,927
Cash and Cash Equivalents, July 1, 2014	218,342	4,110,679	1,670,152	427,183	0	0	6,426,356
Cash and Cash Equivalents, June 30, 2015	$ 0	$ 4,925,485	$ 1,410,261	$ 436,544	$ 1,037,025	$ 94,968	$ 7,904,283

(continued)

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	School Employee Insurance Fund	School Retirees Insurance Fund	Total Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating Income (Loss)	$ (76,769)	$ 848,518	$ (523,736)	$ 8,149	$ 550,505	$ (241,076)	$ 565,591
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	1,873,708	0	1,490	0	0	0	1,875,198
(Increase) Decrease in Assets:							
Accounts Receivable	400	132	(151,628)	(2,531)	(79,630)	(24,826)	(258,083)
Due From Other Governments	0	0	0	0	0	0	0
Inventory	(8,372)	0	(14,429)	0	0	0	(22,801)
Prepaids	0	(23,301)	0	0	0	0	(23,301)
Increase (Decrease) in Liabilities:							
Accounts Payable	(536,751)	7,893	(113,103)	0	62,821	0	(579,140)
Claims Payable	0	75,447	0	0	0	0	75,447
Benefits Payable	0	(100,177)	196,600	3,400	744,405	106,344	950,572
Compensated Absences Payable	4,673	272	(731)	0	0	0	4,214
Net Cash Provided (Used) by Operating Activities	$ 1,256,889	$ 808,784	$ (605,537)	$ 9,018	$ 1,278,101	$ (159,558)	$ 2,587,697
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:							
Equity in Pooled Cash and Investments	$ 0	$ 4,925,485	$ 1,410,261	$ 436,544	$ 1,037,025	$ 94,968	$ 7,904,283
Restricted Assets Cash in Bank	0	0	0	0	0	0	0
Cash and Cash Equivalents, June 30, 2015	$ 0	$ 4,925,485	$ 1,410,261	$ 436,544	$ 1,037,025	$ 94,968	$ 7,904,283

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015

	Industrial Development Board	Emergency Communications District
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers and Users	$ 900,751	$ 676,633
Payments to Suppliers	(471,747)	(372,761)
Net Cash Provided (Used) by Operating Activities	429,004	303,872
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Noncapital Grants	0	56,076
Net Cash Provided by Noncapital Financing Activities	0	56,076
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Note Proceeds	2,667,000	0
Purchases of Capital Assets	(2,428,509)	(1,949,199)
Capital Grants	20,532,000	0
Payments to Grantees	(20,532,000)	0
Principal Paid on Capital Debt	(392,332)	0
Interest Paid on Capital Debt	(395,029)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	(548,870)	(1,949,199)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Maturities of Investments	0	663,458
Interest Received	3,284	606
Net Cash Provided by Investing Activities	3,284	664,064
Net Increase (Decrease) in Cash and Cash Equivalents	(116,582)	(925,187)
Cash and Cash Equivalents, July 1, 2014	981,816	1,893,713
Cash and Cash Equivalents, June 30, 2015	$ 865,234	$ 968,526
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	$ (542,610)	$ 163,324
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	124,430	101,133
(Increase) Decrease in Assets:		
Accounts Receivable	(12,452)	16,238
Due from Other Governments	0	20,896
Due from Primary Government	105,015	0
Land Held for Sale or Development	334,873	0
Prepaid Items	33,972	9,926
Increase (Decrease) in Liabilities:		
Accounts Payable	405,776	(7,645)
Deferred Income	(20,000)	0
Net Cash Provided (Used) by Operating Activities	$ 429,004	$ 303,872
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:		
Cash	$ 865,234	$ 968,526
Restricted Assets Cash in Bank	0	0
Cash and Cash Equivalents, June 30, 2015	$ 865,234	$ 968,526
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Decrease in Investment in Joint Venture	$ 1,506	$ 0

See Independent Auditors' Report.

D. SUPPLEMENTAL INFORMATION

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
June 30, 2015 and 2014

	2015	2014
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	$ 30,040,799	$ 27,020,420
Buildings	180,589,401	175,135,671
Improvements Other Than Buildings	23,640,593	22,780,846
Equipment	21,389,027	19,808,474
Software	688,716	667,166
Infrastructure	289,685,085	284,403,208
Construction in Progress	23,966,570	24,862,529
Total Governmental Funds Fixed Assets	$ 570,000,191	$ 554,678,314
INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:		
General Obligation Bonds	$ 408,330,651	$ 395,192,256
Contributions from Municipalities	517,978	517,978
Federal Grants	9,903,330	9,650,358
State Grants	212,132	97,844
County Grants	19,817	19,817
Federal Revenue Sharing	278,611	247,612
General Fund Revenue	15,281,933	14,970,218
Gifts	27,773,643	25,728,141
Annexed Roads	14,297,831	14,297,831
Forfeitures	114,985	144,580
Special Revenue Funds	64,209,565	63,856,005
Operating Revenue	2,330,159	2,330,159
Notes Payable	2,762,986	2,762,986
Construction in Progress	23,966,570	24,862,529
Total Governmental Funds Capital Assets	$ 570,000,191	$ 554,678,314

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

A prior period adjustment was recorded in fiscal year 2015 to capitalize assets from a project that had remained open in construction in progress years after it was put in service. The effect of this correction decreases construction in progress by $13,376,185 while increasing land by $1,513,280; buidings by $11,681,092; improvements other than buildings by $131,413; and equipment by $50,400. The 2014 information above includes the prior period adjustment.

See Independent Auditor's Report.

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2015

Function and Activity	Land	Buildings	Improvements other than Buildings	Equipment	Software	Infrastructure	Construction in Progress	Total
General Government:								
General Government	$ 12,117,382	$ 23,768,925	$ 2,545,274	$ 914,480	$ 26,173	$ 0	$ 2,658,643	$ 42,030,877
Finance	0	0	5,797	19,251	180,748	0	0	205,796
Information Services	0	0	0	425,583	29,030	0	0	454,613
Geographic Information	0	0	0	86,598	8,500	0	0	95,098
Total General Government	12,117,382	23,768,925	2,551,071	1,445,912	244,451	0	2,658,643	42,786,384
Economic and Physical Development:								
Development Services	0	650,519	33,326	0	0	0	0	683,845
Transportation	0	980,014	133,476	2,012,684	152,390	0	117,901	3,396,465
Engineering	0	0	0	45,335	0	0	13,496	58,831
Total Economic and Physical Development	0	1,630,533	166,802	2,058,019	152,390	0	131,397	4,139,141
Public Safety:								
Police	90,588	4,677,342	56,725	1,975,581	87,247	0	1,811,742	8,699,225
Fire	1,173,230	5,286,126	213,598	1,630,812	11,665	0	932,740	9,248,171
Communication	0	66,535	0	66,972	0	0	0	133,507
Central Dispatch	0	0	0	2,046,631	0	0	0	2,046,631
Total Public Safety	1,263,818	10,030,003	270,323	5,719,996	98,912	0	2,744,482	20,127,534
Public Works:								
General and Administrative	0	340,217	44,744	148,655	0	344,469	0	878,085
Sanitation	0	0	0	5,000	0	0	0	5,000
Streets	0	0	1,123,214	785,085	0	36,909,829	4,662,475	43,480,603
Maintenance	0	136,572	0	750,413	0	0	116,267	1,003,252
Bridges System	0	0	0	0	0	8,348,531	0	8,348,531
Highways System	0	0	0	0	0	243,605,639	0	243,605,639
Total Public Works	0	476,789	1,167,958	1,689,153	0	289,208,468	4,778,742	297,321,110

(continued)

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2015

Function and Activity	Land	Buildings	Improvements other than Buildings	Equipment	Software	Infrastructure	Construction in Progress	Total
Culture and Recreation:								
Senior Citizens	0	3,871,547	29,040	0	13,550	0	0	3,914,137
Recreation	10,535,108	22,636,318	9,214,746	731,040	0	0	10,635,250	53,752,462
Cultural Arts	140,000	0	296,004	8,550	0	0	0	444,554
Bays Mountain	980,962	953,077	315,641	1,138,057	0	0	2,252	3,389,989
Allandale	306,018	344,930	663,561	192,686	0	0	0	1,507,195
Library	133,000	3,620,618	0	148,469	0	476,617	0	4,378,704
Total Culture and Recreation	12,095,088	31,426,490	10,518,992	2,218,802	13,550	476,617	10,637,502	67,387,041
Education	4,564,511	113,256,661	8,965,447	8,257,145	179,413	0	3,015,804	138,238,981
Total Governmental Funds Capital Assets	$ 30,040,799	$ 180,589,401	$ 23,640,593	$ 21,389,027	$ 688,716	$ 289,685,085	$ 23,966,570	$ 570,000,191

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended June 30, 2015

Function and Activity	Governmental Funds Capital Assets June 30, 2014	Additions	Deletions	Adjustments	Governmental Funds Capital Assets June 30, 2015
General Government:					
General Government	$ 40,225,920	$ 4,007,385	$ (2,202,428)	$ 0	$ 42,030,877
Finance	205,796	0	0	0	205,796
Information Services	476,165	13,050	(34,602)	0	454,613
Geographic Information	96,979	8,500	(10,381)	0	95,098
Total General Government	41,004,860	4,028,935	(2,247,411)	0	42,786,384
Economic and Physical Development:					
Development Services	731,078	0	(47,233)	0	683,845
Transportation	3,424,166	213,428	(17,208)	(223,921)	3,396,465
Engineering	45,335	13,496	0	0	58,831
Total Economic and Physical Development	4,200,579	226,924	(64,441)	(223,921)	4,139,141
Public Safety:					
Police	6,798,695	1,973,638	(73,108)	0	8,699,225
Fire	8,783,668	486,067	(21,564)	0	9,248,171
Communication	133,507	0	0	0	133,507
Central Dispatch	2,046,631	0	0	0	2,046,631
Total Public Safety	17,762,501	2,459,705	(94,672)	0	20,127,534
Public Works:					
General and Administrative	729,430	148,655	0	0	878,085
Sanitation	5,000	0	0	0	5,000
Streets	42,071,323	7,291,645	(5,882,365)	0	43,480,603
Maintenance	426,319	576,933	0	0	1,003,252
Bridges System	8,348,531	0	0	0	8,348,531
Highways System	243,697,015	0	(91,376)	0	243,605,639
Total Public Works	295,277,618	8,017,233	(5,973,741)	0	297,321,110
Culture and Recreation:					
Senior Citizens	3,914,137	0	0	0	3,914,137
Recreation	42,505,332	11,737,290	(490,153)	(7)	53,752,462
Cultural Arts	260,600	183,954	0	0	444,554
Bays Mountain	3,391,343	69,171	(66,919)	(3,606)	3,389,989
Allandale	1,507,195	0	0	0	1,507,195
Library	4,371,496	12,212	(5,004)	0	4,378,704
Total Culture and Recreation	55,950,103	12,002,627	(562,076)	(3,613)	67,387,041
Education	140,482,653	3,070,743	(5,296,524)	(17,891)	138,238,981
Total Governmental Funds Capital Assets	$ 554,678,314	$ 29,806,167	$ (14,238,865)	$ (245,425)	$ 570,000,191

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
ENTERPRISE FUNDS
SCHEDULE OF OPERATING COSTS
For the Fiscal Year Ended June 30, 2015

	Water Fund	Sewer Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds
General and Administrative:						
Personnel Services	$ 430,862	$ 390,544	$ 8,244	$ 0	$ 56,239	$ 885,889
Contractual Services	185,053	229,696	26,209	27,649	293,961	762,568
Supplies	226,921	18,462	6,214	93,935	51,790	397,322
Insurance	44,049	56,000	36,227	29,250	28,983	194,509
Subsidies and Contributions	0	0	0	566,948	0	566,948
Base Management Fee	0	0	0	140,561	23,875	164,436
Other	175,980	60,995	880	169,196	60,878	467,929
Total General and Administrative	1,062,865	755,697	77,774	1,027,539	515,726	3,439,601
Operations:						
Water Plant Operations	2,913,376	0	0	0	0	2,913,376
Sewer Plant Operations	0	2,650,751	0	0	0	2,650,751
Water Distribution System Maintenance	2,713,097	0	0	0	0	2,713,097
Sewer Collection System Maintenance	0	1,457,746	0	0	0	1,457,746
Reading, Service and Maintenance of Meters	534,308	0	0	0	0	534,308
Landfill Operations and Services	0	0	0	0	728,221	728,221
Solid Waste Collection Services	0	0	0	0	729,043	729,043
Organic Refuse Services	0	0	0	0	1,798,426	1,798,426
Recycling Services	0	0	0	0	583,699	583,699
Storm Water Maintenance	0	0	0	0	1,133,291	1,133,291
Aquatic Center Operations	0	0	1,694,015	0	0	1,694,015
Golf Grounds Maintenance	0	0	0	0	343,638	343,638
Golf Pro Shop	0	0	0	0	322,659	322,659
Golf Shop Food and Beverage	0	0	0	0	52,535	52,535
Total Operations	6,160,781	4,108,497	1,694,015	0	5,691,512	17,654,805
Total Operating Costs	$ 7,223,646	$ 4,864,194	$ 1,771,789	$ 1,027,539	$ 6,207,238	$ 21,094,406

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
NONMAJOR ENTERPRISE FUNDS
SCHEDULE OF OPERATING COSTS
For the Fiscal Year Ended June 30, 2015

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
General and Administrative:				
Personnel Services	$ 39,090	$ 17,149	$ 0	$ 56,239
Contractual Services	4,500	95,187	194,274	293,961
Supplies	0	5,023	46,767	51,790
Insurance	25,000	0	3,983	28,983
Subsidies and Contributions	0	0	0	0
Base Management Fee	0	0	23,875	23,875
Other	17,145	26	43,707	60,878
Total General and Administrative	85,735	117,385	312,606	515,726
Operations:				
Landfill Operations and Services	728,221	0	0	728,221
Solid Waste Collection Services	729,043	0	0	729,043
Organic Refuse Services	1,798,426	0	0	1,798,426
Recycling Services	583,699	0	0	583,699
Storm Water Maintenance	0	1,133,291	0	1,133,291
Golf Grounds Maintenance	0	0	343,638	343,638
Golf Pro Shop	0	0	322,659	322,659
Golf Shop Food and Beverage	0	0	52,535	52,535
Total Operations	3,839,389	1,133,291	718,832	5,691,512
Total Operating Costs	$ 3,925,124	$ 1,250,676	$ 1,031,438	$ 6,207,238

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

	CFDA Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2014	Cash Receipts	Expend-itures	Balance June 30, 2015	
		SCHOOL NUTRITION SERVICES FUND:						
		Pass Through Tennessee Department of Education:						
	10.555	National School Lunch Program	U.S. Department of Agriculture	$ 0	$ 1,507,727	$ 1,507,727	$ 0	
	10.553	School Breakfast Program	U.S. Department of Agriculture	0	499,148	499,148	0	
	10.559	Summer Feeding Program	U.S. Department of Agriculture	(64,481)	92,598	85,023	(56,906)	*
	10.582	Fresh Fruit and Vegetable Program	U.S. Department of Agriculture	0	14,249	14,249	0	
		Pass Through Tennessee Department of Agriculture:						
	10.569	Commodity Supplemental Feeding	U.S. Department of Agriculture	97,847	213,764	219,892	91,719	***
		Total School Nutrition Services Fund		33,366	2,327,486	2,326,039	34,813	
		PUBLIC LAW 93-380 FUND:						
		Pass Through Tennessee Department of Education:						
	84.010	Title I, Project 14-01	U.S. Department of Education	(371,004)	371,004	0	0	
	84.010	Title I, Project 14-21	U.S. Department of Education	0	262,797	262,797	0	
	84.010	Title I, Project 15-01	U.S. Department of Education	0	1,250,322	1,592,759	(342,437)	*
	84.027	IDEA Part B, 14-01	U.S. Department of Education	(211,452)	211,452	0	0	
	84.027	IDEA Part B, 14-21	U.S. Department of Education	0	54,837	54,837	0	
	84.027	IDEA Part B, 15-01	U.S. Department of Education	0	1,192,257	1,393,253	(200,996)	*
	84.048	Carl Perkins, 2014	U.S. Department of Education	(6,372)	6,372	0	0	
	84.048	Carl Perkins, 2015	U.S. Department of Education	0	93,239	118,177	(24,938)	*
	84.048	Carl Perkins Incentive 2015	U.S. Department of Education	0	1,467	2,500	(1,033)	*
	84.173	Pre School 14-01	U.S. Department of Education	(6,918)	6,918	0	0	
	84.173	Pre School 15-01	U.S. Department of Education	0	29,901	36,959	(7,058)	*
	84.367	Title II, 2014, 2014-01	U.S. Department of Education	(125,023)	125,023	0	0	
	84.367	Title II, 2015, 2014-21	U.S. Department of Education	0	105,416	105,416	0	
	84.367	Title II ,2015, 2015-01	U.S. Department of Education	0	158,361	271,962	(113,601)	*
ARRA	84.395	Race To The Top, 2014, ARRA	U.S. Department of Education	(138,146)	214,398	76,252	0	
ARRA	84.395	First To The Top Focus Schools, ARRA	U.S. Department of Education	(43,367)	43,367	0	0	
		Pass Through City of Greenville, Tennessee:						
	84.365	Title III, 2014-01	U.S. Department of Education	(2,820)	2,820	0	0	
	84.365	Title III, 2015-01	U.S. Department of Education	0	8,756	8,964	(208)	*
		Total Public Law 93-380 Fund		(905,102)	4,138,707	3,923,876	(690,271)	
		SPECIAL SCHOOL PROJECTS FUND:						
		Pass-Through Tennessee Department of Education:						
	84.196	Homeless Assistance Grant	U.S. Department of Education	(21,977)	54,139	50,767	(18,605)	*
	84.184	Safe and Supportive School Grant (S3)	U.S. Department of Education	(9,299)	36,541	51,205	(23,963)	*
		Total Special School Projects Fund		(31,276)	90,680	101,972	(42,568)	

(continued)

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

CFDA Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2014	Cash Receipts	Expend-itures	Balance June 30, 2015	
SPECIAL REVENUE GENERAL PROJECTS FUND:							
Direct Programs:							
16.607	Bulletproof Vest Partnership Program 10054361	U.S. Department of Justice	0	0	6,030	(6,030)	*
Pass Through Tennessee Department of Transportation:							
20.607	Multiple Traffic Violation Z15GHS184	U. S. Dept. of Transportation	0	20,794	28,120	(7,326)	*
20.607	Crash Reduction Campaign Z14GHS186	U. S. Dept. of Transportation	(11,132)	16,862	5,730	0	
Total Special Revenue General Projects Fund			(11,132)	37,656	39,880	(13,356)	
COMMUNITY DEVELOPMENT FUND:							
Direct Programs:							
14.218	Community Development Block Grants	U.S. Department of HUD	(42,717)	396,650	421,888	(67,955)	*
Pass-Through Tennessee Department of Health & Human Services:							
14.231	Emergency Shelter Grant Program	U.S. Department of HUD	0	63,400	69,606	(6,206)	*
Total Community Development Fund			(42,717)	460,050	491,494	(74,161)	
FEDERAL TRANSIT ADMINISTRATION FUND:							
Direct Programs:							
20.507	FTA Capital/Operating/Planning TN-90-X334	U.S. Department of Transportation	(6,398)	53,979	47,581	0	
20.507	FTA Capital/Operating/Planning TN-90-X353	U.S. Department of Transportation	(188,352)	199,505	11,153	0	
20.507	FTA Capital/Operating/Planning TN-90-X368	U.S. Department of Transportation	0	432,948	607,366	(174,418)	*
20.507	FTA Capital/Operating/Planning TN-90-X383	U.S. Department of Transportation	0	0	13,652	(13,652)	*
Total Federal Transit Administration Fund			(194,750)	686,432	679,752	(188,070)	
CAPITAL PROJECTS FUND:							
Pass-Through Tennessee Department of Transportation:							
20.205	STP-EN-9108(43)	U.S. Department of Transportation	0	0	119,406	(119,406)	*
20.205	Safe Routes to Schools SRTS-9108(30)	U.S. Department of Transportation	0	5,329	104,268	(98,939)	*
20.219	STP-EN-8200(24)	U.S. Department of Transportation	0	1,227	3,882	(2,655)	*
Pass-Through Appalachian Regional Commission							
23.011	TN-16331-09	Appalachian Regional Commission	(8,758)	8,758	0	0	
Total Capital Projects Fund			(8,758)	15,314	227,556	(221,000)	

(continued)

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

CFDA Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2014	Cash Receipts	Expend-itures	Balance June 30, 2015	
GENERAL PURPOSE SCHOOL FUND:							
Pass-Through Tennessee Department of Labor:							
84.002	Adult Basic Education	U.S. Department of Education	(48,004)	180,321	192,595	(60,278)	*
Total General Purpose School Fund			(48,004)	180,321	192,595	(60,278)	
GENERAL FUND:							
Pass-Through First Tennessee Development District:							
93.044	Title III-B Transportation& III-D Health Promotion	U.S. Dept of Health & Human Services	0	10,834	13,000	(2,166)	*
Pass-Through Financial Commission for Appalachia HIDTA:							
95.001	High Intensity Drug Trafficking Area	Executive Office of the President	(9,076)	16,771	7,695	0	
Total General Fund			(9,076)	27,605	20,695	(2,166)	
JUSTICE ASSISTANCE GRANT FUND:							
Direct Programs:							
16.579	Justice Assistance Grant / 2013-DJ-BX-0455	U.S. Department of Justice	0	6,676	6,676	0	
16.579	Justice Assistance Grant / 2014-DJ-BX-0250	U.S. Department of Justice	0	27,645	27,645	0	
Total Justice Assistance Grant Fund			0	34,321	34,321	0	

(continued)

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

CFDA Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2014	Cash Receipts	Expend-itures	Balance June 30, 2015	
METROPOLITAN PLANNING OFFICE FUND:							
Pass-Through Tennessee Department of Transportation:							
20.205	FHWA Project No. SPR-PL-1-(318) 2015	Federal Highway Administration	(42,832)	149,672	151,555	(44,715)	*
20.505	FTA Capital / Operating / Planning Section 5303 10	U.S. Department of Transportation	(14,082)	40,761	38,157	(11,478)	*
20.205	Resurfacing STP-M-9108(30) 82956-3578-54	U.S. Department of Transportation	(768,954)	768,954	0	0	
20.205	Resurfacing STP-M-9108(38) 82956-3579-54	U.S. Department of Transportation	(856)	607,474	606,618	0	
20.205	Closed Loop Signal System STP-M-9108(41)	U.S. Department of Transportation	(149,148)	177,188	28,110	(70)	*
20.205	Signalization SR-126 Island Rd STP-M-126(20)	U.S. Department of Transportation	0	172	33,915	(33,743)	*
20.205	Roadscaping STP-EN-9108(42)	U.S. Department of Transportation	(1,916)	2,754	61,341	(60,503)	*
20.205	Wilcox Sidewalk Phase 5 STP-126(18	U.S. Department of Transportation	0	0	1,040	(1,040)	*
Pass-Through Virginia Department of Transportation:							
20.205	FHWA Project VA PL Funds 2012	Federal Highway Administration	(3,026)	3,026	3,976	(3,976)	*
20.505	FTA Capital / Operating / Planning VA 2012	U.S. Department of Transportation	(3,288)	3,288	3,553	(3,553)	*
Total Metropolitan Planning Office Fund			(984,102)	1,753,289	928,265	(159,078)	
Total Federal Awards			$ (2,201,551)	$ 9,751,861	$ 8,966,445	$ (1,416,135)	

NOTE A: BASIS OF PRESENTATION
The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Kingsport, Tennessee and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: FOOD DISTRIBUTION
Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and used. The balance amounts represent inventory on hand. Non-monetary assistance has been included in the financial statements.

NOTE C: PAYMENTS TO SUB-RECIPIENTS
Payments were made from the Community Development Block Grant to the South Central Kingsport CDC and CASA of Sullivan County in the amounts of $40,656 and $12,572 respectively.

* Receivable ** Unused Revenue *** Inventory on Hand

See Independent's Auditor's Report.

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2015

State Grant Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2014	Cash Receipts	Expend-itures	Balance June 30, 2015	
GENERAL FUND:							
31625	Arts Program Categorical Grants	Tennessee Arts Commission	$ (6,520)	$ 13,660	$ 7,140	$ 0	
Pass-Through First Tennessee Development District:							
KINGS-2015-HOOT-15	State Senior Center Operations Grant	TN Department of Health & Human Services	0	16,667	20,000	(3,333)	*
Total General Fund			(6,520)	30,327	27,140	(3,333)	
METROPOLITAN PLANNING ORGANIZATION FUND:							
GG-13-34888-00	TN-80-0004-01 Operating 82-5303-S3-013	Tennessee Department of Transportation	(80)	80	0	0	
GG-14-41412-00	TN-80-0005-00 Operating 82-5303-S3-016	Tennessee Department of Transportation	(1,681)	5,015	4,769	(1,435)	*
82LPLM-F3-051	119940.00	Tennessee Department of Transportation	0	260	260	0	
Total Metropolitan Planning Organization Fund			(1,761)	5,355	5,029	(1,435)	
FEDERAL TRANSIT ADMINISTRATION FUND:							
GG-12-38186	TN-90-X-334 Operating 82-5307-S3-011	Tennessee Department of Transportation	(800)	6,747	5,947	0	
GG-13-35508	TN-90-X-353 Operating 82UROP-S3-013	Tennessee Department of Transportation	(163,476)	172,398	8,922	0	
Z-15-40943-00	TN-90-X-368 Operating 82UROP-S3-017	Tennessee Department of Transportation	0	346,358	450,337	(103,979)	*
82UROP-S3-017	TN-90-X-383 Operating 82UROP-S3-017	Tennessee Department of Transportation	0	0	6,826	(6,826)	*
Total Federal Transit Administration Fund			(164,276)	525,503	472,032	(110,805)	
SPECIAL SCHOOL PROJECTS FUND:							
GG-12-30644	Truancy Intervention Program	Tennessee Department of Children's Services	(17,845)	53,886	53,548	(17,507)	*
119-12-02-041	LEAPS Program	Tennessee Department of Education	(55,904)	191,892	193,708	(57,720)	*
GP-46590	Safe Schools	Tennessee Department of Education	(17,863)	45,942	34,463	(6,384)	*
MX0-AAX	Pre-Kindergarten- Lottery	Tennessee Department of Education	(176,634)	575,593	491,322	(92,363)	*
MTE-AAX	Family Resource	Tennessee Department of Education	(13,528)	31,249	26,952	(9,231)	*
GZB-AAX	Coordinated School Health	Tennessee Department of Education	(45,327)	102,849	98,287	(40,765)	*
	Teacher Leader Council	Tennessee Department of Education	(35,000)	35,000	0	0	
Total Special School Projects Fund			(362,101)	1,036,411	898,280	(223,970)	

(continued)

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2015

State Grant Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2014	Cash Receipts	Expend-itures	Balance June 30, 2015
CAPITAL PROJECTS FUND:						
GG-09-25533-00	Madd Branch Storm Water Device	Tennessee Department of Agriculture	27,500	0	0	27,500 **
GG-11-34695-00	Local Park and Recreation Fund	Tennessee Dept of Environment & Conservation	(13,289)	19,650	6,361	0
Total Capital Projects Fund			14,211	19,650	6,361	27,500
WATER FUND:						
82084-2129-14	8" Waterline to I-26 Welcome Center	Tennessee Dept of General Services for TDOT	(68,003)	115,875	47,872	0
Total Water Fund			(68,003)	115,875	47,872	0
Total State Awards for the Primary Government			(588,450)	1,733,121	1,456,714	(312,043)
COMPONENT UNIT INDUSTRIAL DEVELOPMENT BOARD						
33006-06615	Eastman Corporate Business Center Construction	TN Dept of Economic and Community Development	0	20,000,000	20,000,000	0
33006-45214	Heritage Glass Building Improvements	TN Dept of Economic and Community Development	0	532,000	532,000	0
Total Industrial Development Board			0	20,532,000	20,532,000	0
Total State Awards			$ (588,450)	$ 22,265,121	$ 21,988,714	$ (312,043)

* Receivable ** Unused Revenue *** Inventory on Hand

See Independent Auditor's Report.

STATISTICAL SECTION

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

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Financial Trends

Tables 1 - 6 contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 211

Revenue Capacity

Tables 7 - 12 contain information to help the reader assess the government's most significant local revenue sources, the property tax and local option sales tax. 219

Debt Capacity

Tables 13 - 17 present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. 225

Demographic and Economic Information

Tables 18 - 19 offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. 230

Operating Information

Tables 20 - 29 contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. 232

Note: Statistical tables are exclusive of any prior period adjustments.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

Table 1

CITY OF KINGSPORT, TENNESSEE
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	$ 245,201,000	$ 244,856,000	$ 251,706,778	$ 255,888,658	$ 262,313,208	$ 246,176,930	$ 241,652,040	$ 236,819,524	$ 229,484,970	$ 220,670,564
Restricted	4,099,000	33,768,000	30,399,946	22,286,383	184,626	184,662	178,140	195,625	247,951	215,639
Unrestricted	38,707,000	9,145,000	2,085,078	(702,400)	6,871,567	9,312,041	284,928	(6,270,614)	(9,459,253)	(42,782,973)
Total Governmental Activities Net Position	$ 288,007,000	$ 287,769,000	$ 284,191,802	$ 277,472,641	$ 269,369,401	$ 255,673,633	$ 242,115,108	$ 230,744,535	$ 220,273,668	$ 178,103,230
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	$ 126,885,000	$ 133,869,000	$ 142,403,592	$ 149,317,029	$ 157,978,008	$ 163,891,065	$ 169,428,141	$ 179,431,176	$ 183,789,590	$ 183,083,561
Restricted	838,000	952,000	1,119,119	939,246	882,421	1,432,126	619,678	364,708	469,895	406,253
Unrestricted	6,069,000	10,225,000	13,816,505	16,644,944	16,420,757	17,296,662	17,772,154	13,894,445	11,926,884	6,201,559
Total Business-Type Activities Net Position	$ 133,792,000	$ 145,046,000	$ 157,339,216	$ 166,901,219	$ 175,281,186	$ 182,619,853	$ 187,819,973	$ 193,690,329	$ 196,186,369	$ 189,691,373
Primary Government										
Invested in Capital Assets, Net of Related Debt	$ 372,086,000	$ 378,725,000	$ 394,110,370	$ 405,205,687	$ 420,291,216	$ 410,067,995	$ 411,080,181	$ 416,250,700	$ 413,274,560	$ 403,754,125
Restricted	4,937,000	34,720,000	31,519,065	23,225,629	1,067,047	1,616,788	797,818	560,333	717,846	621,892
Unrestricted	44,776,000	19,370,000	15,901,583	15,942,544	23,292,324	26,608,703	18,057,082	7,623,831	2,467,631	(36,581,414)
Total Primary Government Net Position	$ 421,799,000	$ 432,815,000	$ 441,531,018	$ 444,373,860	$ 444,650,587	$ 438,293,486	$ 429,935,081	$ 424,434,864	$ 416,460,037	$ 367,794,603

Source: City of Kingsport Finance Department

Note: Financial statements prior to June 30, 2008 were rounded to thousands.

CITY OF KINGSPORT, TENNESSEE
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General Government	$ 5,605,000	$ 10,185,000	$ 10,448,110	$ 8,346,300	$ 11,201,367	$ 14,877,308	$ 12,574,751	$ 12,206,753	$ 9,342,864	$ 10,576,342
Public Safety	16,076,000	16,994,000	19,844,589	19,955,908	19,485,392	20,186,463	20,995,344	21,116,177	21,804,504	21,215,734
Public Works	11,638,000	11,388,000	13,370,957	12,871,747	14,690,010	15,325,189	13,397,601	13,504,933	13,920,899	14,606,362
Highway Transportation Planning	2,894,000	2,820,000	3,121,176	3,532,499	5,767,852	3,846,573	3,804,969	4,219,117	4,876,627	5,319,159
Economic and Physical Development	3,280,000	3,418,000	4,097,855	4,397,024	4,234,673	4,792,022	4,852,780	4,590,460	4,647,819	4,358,455
Culture and Recreation	5,253,000	5,097,000	6,802,922	6,535,076	6,144,900	6,590,859	6,691,418	7,295,391	7,308,927	7,347,859
Education	57,985,000	60,306,000	66,063,108	69,060,256	71,107,497	75,900,414	75,544,772	75,456,221	77,124,830	74,368,054
Interest on Long-Term Debt	1,737,000	1,470,000	3,244,491	3,276,319	4,069,104	4,718,229	4,551,533	3,253,559	4,121,095	4,189,508
Other	0	0	0	0	0	0	0	0	0	0
Total Governmental Activities Expenses	104,468,000	111,678,000	126,993,208	127,975,129	136,700,795	146,237,057	142,413,168	141,642,611	143,147,565	141,981,473
Business-Type Activities:										
Water	8,051,000	7,910,000	8,971,314	9,208,308	9,068,323	9,630,478	10,329,009	10,373,689	10,848,749	10,689,783
Sewer	7,700,000	7,582,000	7,941,556	8,527,859	8,082,865	8,227,535	8,267,253	8,687,619	8,912,004	11,281,230
Solid Waste Management	3,168,000	4,432,000	3,798,666	3,643,156	3,614,988	4,009,722	4,367,121	4,246,071	4,379,003	4,249,886
Storm Water Management	0	0	0	0	0	0	671,575	848,997	1,230,005	1,347,121
Aquatic Center	0	0	0	0	0	0	0	753,495	3,220,643	3,058,481
MeadowView Conference Center	1,392,000	1,230,000	1,246,702	1,461,629	1,986,408	1,597,797	1,362,677	1,559,914	2,954,368	2,944,790
Cattails at MeadowView Golf Course	1,355,000	1,432,000	1,447,591	1,361,077	1,586,343	1,384,281	1,325,339	1,313,104	1,335,963	1,288,216
Total Business-Type Activities Expenses	21,666,000	22,586,000	23,405,829	24,202,029	24,338,927	24,849,813	26,322,974	27,782,889	32,880,735	34,859,507
Total Primary Government Expenses	$ 126,134,000	$ 134,264,000	$ 150,399,037	$ 152,177,158	$ 161,039,722	$ 171,086,870	$ 168,736,142	$ 169,425,500	$ 176,028,300	$ 176,840,980
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	$ 507,000	$ 821,000	$ 138,937	$ 194,323	$ 687,263	$ 1,596,808	$ 681,275	$ 683,997	$ 491,916	$ 1,036,182
Public Safety	288,000	314,000	2,478,198	2,384,667	1,789,496	1,820,625	1,179,259	1,106,058	1,227,933	1,106,788
Highway Transportation Planning	88,000	97,000	97,070	120,520	103,207	110,713	122,236	127,303	130,945	147,631
Economic and Physical Development	435,000	519,000	513,595	562,536	1,192,238	1,079,506	996,925	1,028,954	764,682	599,980
Culture and Recreation	679,000	678,000	748,935	754,137	818,919	987,328	988,565	991,503	963,498	1,029,146
Education	2,639,000	2,726,000	2,472,281	2,452,987	2,475,034	2,485,634	2,540,181	2,348,049	2,344,300	2,287,373
Operating Grants and Contributions	26,957,000	29,035,000	31,848,530	32,757,394	34,317,663	37,442,335	38,727,209	37,090,159	38,620,397	38,081,890
Capital Grants and Contributions	1,627,000	706,000	6,982,702	4,179,278	7,348,567	9,217,970	4,786,618	2,298,091	2,043,937	3,351,516
Total Governmental Activities Program Revenues	33,220,000	34,896,000	45,280,248	43,405,842	48,732,387	54,740,919	50,022,268	45,674,114	46,587,608	47,640,506
Business-Type Activities:										
Charges for Services:										
Water	12,493,000	13,445,000	13,073,516	12,981,541	12,513,017	12,383,505	12,667,214	12,235,550	12,791,336	13,262,329
Sewer	12,895,000	13,357,000	12,740,996	13,081,940	12,618,400	12,276,442	12,371,334	12,611,643	13,142,602	13,305,667
Solid Waste Management	489,000	580,000	783,960	679,518	772,999	829,411	944,641	802,090	832,053	1,006,285
Storm Water Management	0	0	0	0	0	0	910,822	1,809,829	1,840,865	1,813,527
Aquatic Center	0	0	0	0	0	0	0	331,444	1,428,226	1,388,065
MeadowView Conference Center	253,000	287,000	283,188	259,746	251,800	303,648	321,915	188,114	180,481	223,898
Cattails at MeadowView Golf Course	982,000	1,025,000	1,095,861	1,042,420	981,837	938,658	1,011,026	945,421	948,586	819,742
Operating Grants and Contributions	0	0	0	0	0	229,976	186,888	238,749	185,308	181,030
Capital Grants and Contributions	0	0	2,660,735	2,123,441	1,296,823	655,174	65,871	507,015	1,033,605	868,632
Total Business-Type Activities Program Revenues	27,112,000	28,694,000	30,638,256	30,168,606	28,434,876	27,616,814	28,479,711	29,669,855	32,383,062	32,869,175
Total Primary Government Program Revenues	$ 60,332,000	$ 63,590,000	$ 75,918,504	$ 73,574,448	$ 77,167,263	$ 82,357,733	$ 78,501,979	$ 75,343,969	$ 78,970,670	$ 80,509,681

(continued)

CITY OF KINGSPORT, TENNESSEE
CHANGES IN NET POSITION
For the Fiscal Years Noted
(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense)/Revenue										
Governmental Activities	$ (71,248,000)	$ (76,782,000)	$ (81,712,960)	$ (84,569,287)	$ (87,968,408)	$ (91,496,138)	$ (92,390,900)	$ (95,968,497)	$ (96,559,957)	$ (94,340,967)
Business-Type Activities	5,446,000	6,108,000	7,232,427	5,966,577	4,095,949	2,767,001	2,156,737	1,886,966	(497,673)	(1,990,332)
Total Primary Government Net (Expense) Revenue	$ (65,802,000)	$ (70,674,000)	$ (74,480,533)	$ (78,602,710)	$ (83,872,459)	$ (88,729,137)	$ (90,234,163)	$ (94,081,531)	$ (97,057,630)	$ (96,331,299)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	$ 41,609,000	$ 42,857,000	$ 43,181,138	$ 45,003,403	$ 45,938,645	$ 47,144,856	$ 48,236,082	$ 50,347,648	$ 52,677,994	$ 55,935,014
Sales Taxes	26,154,000	27,570,000	27,531,437	27,003,900	26,304,997	27,514,740	29,469,816	29,687,264	30,753,163	32,690,121
Other Taxes	4,460,000	5,069,000	6,117,575	5,447,237	5,017,241	5,234,872	5,633,647	5,805,431	6,144,010	6,596,149
Grants and Contributions Not Restricted	589,000	713,000	641,999	970,035	1,040,878	986,665	1,361,422	1,370,621	1,151,744	1,126,538
Unrestricted Investment Earnings	1,662,000	2,801,000	3,392,236	1,624,800	786,056	421,579	401,451	332,967	178,084	158,346
Gain (Loss) on Disposal of Capital Assets	2,000	4,000	269,917	18,322	(869,975)	0	0	0	0	0
Miscellaneous	972,000	1,340,000	1,036,779	790,029	742,259	755,400	960,663	875,719	903,143	1,047,776
Transfers	(3,899,000)	(3,810,000)	(4,035,319)	(3,007,600)	(3,874,687)	(4,425,338)	(3,615,027)	(3,821,726)	(4,331,130)	(4,539,037)
Total Governmental Activities	71,549,000	76,544,000	78,135,762	77,850,126	75,085,414	77,632,774	82,448,054	84,597,924	87,477,008	93,014,907
Business-Type Activities:										
Unrestricted Investment Earnings	877,000	1,334,000	1,024,862	600,431	409,331	146,328	153,080	161,664	74,889	77,171
Gain (Loss) on Disposal of Capital Assets	0	2,000	50	(12,605)	0	0	5,812	0	0	0
Miscellaneous	22,000	0	0	0	0	0	0	0	0	0
Transfers	3,899,000	3,810,000	4,035,319	3,007,600	3,874,687	4,425,338	3,615,027	3,821,726	4,331,130	4,539,037
Total Business-Type Activities	4,798,000	5,146,000	5,060,231	3,595,426	4,284,018	4,571,666	3,773,919	3,983,390	4,406,019	4,616,208
Total Primary Government	$ 76,347,000	$ 81,690,000	$ 83,195,993	$ 81,445,552	$ 79,369,432	$ 82,204,440	$ 86,221,973	$ 88,581,314	$ 91,883,027	$ 97,631,115
Change in Net Position										
Governmental Activities	$ 301,000	$ (238,000)	$ (3,577,198)	$ (6,719,161)	$ (12,882,994)	$ (13,863,364)	$ (9,942,846)	$ (11,370,573)	$ (9,082,949)	$ (1,326,060)
Business-Type Activities	10,244,000	11,254,000	12,292,658	9,562,003	8,379,967	7,338,667	5,930,656	5,870,356	3,908,346	2,625,876
Total Primary Government	$ 10,545,000	$ 11,016,000	$ 8,715,460	$ 2,842,842	$ (4,503,027)	$ (6,524,697)	$ (4,012,190)	$ (5,500,217)	$ (5,174,603)	$ 1,299,816

Source: City of Kingsport Finance Department

Note: All changes in Net Position are exclusive of any prior period adjustments.

Table 3

CITY OF KINGSPORT, TENNESSEE
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Income Tax	Business Tax	Alcoholic Beverage Tax	Hotel / Motel Tax	Total
2006	$ 41,609,000	$ 26,154,000	$ 750,000	$ 1,551,000	$ 1,368,000	$ 791,000	$ 72,223,000
2007	42,857,000	27,570,000	1,026,000	1,707,000	1,398,000	938,000	75,496,000
2008	43,181,138	27,531,437	1,324,987	1,951,834	1,459,593	1,381,161	76,830,150
2009	45,003,403	27,003,900	957,062	1,673,312	1,575,636	1,241,227	77,454,540
2010	45,938,645	26,304,997	577,363	1,589,591	1,549,521	1,300,766	77,260,883
2011	47,144,856	27,514,740	555,283	1,681,523	1,617,478	1,380,588	79,894,468
2012	48,236,082	29,469,816	609,312	1,746,264	1,778,471	1,499,600	83,339,545
2013	50,347,648	29,687,264	709,109	1,845,565	1,742,979	1,507,778	85,840,343
2014	52,677,994	30,753,163	893,978	1,806,045	1,800,932	1,643,055	89,575,167
2015	55,935,014	32,690,121	1,115,663	2,068,944	1,847,187	1,564,355	95,221,284

Source: City of Kingsport Finance Department

Note: Financial statements prior to June 30, 2008 were rounded to thousands.

Table 4

CITY OF KINGSPORT, TENNESSEE
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011*	2012	2013	2014	2015
General Fund										
Reserved	$ 3,232,000	$ 3,510,000	$ 3,391,331	$ 2,384,571	$ 1,574,013	$ 0	$ 0	$ 0	$ 0	$ 0
Unreserved	15,420,000	17,409,000	14,848,415	12,927,260	13,155,138	0	0	0	0	0
Nonspendable	0	0	0	0	0	44,571	23,543	23,773	34,360	20,941
Restricted	0	0	0	0	0	0	0	0	0	0
Committed	0	0	0	0	0	0	0	0	0	0
Assigned	0	0	0	0	0	1,440,450	739,876	73,750	85,660	139,451
Unassigned	0	0	0	0	0	12,099,373	11,809,520	11,537,853	11,648,737	12,736,020
Total General Fund	$ 18,652,000	$ 20,919,000	$ 18,239,746	$ 15,311,831	$ 14,729,151	$ 13,584,394	$ 12,572,939	$ 11,635,376	$ 11,768,757	$ 12,896,412
All Other Governmental Funds										
Reserved	$ 4,747,000	$ 5,695,000	$ 14,961,015	$ 16,130,214	$ 9,018,913	$ 0	$ 0	$ 0	$ 0	$ 0
Unreserved, reported in:										
Debt Service	69,000	1,022,000	1,140,765	626,839	411,923	0	0	0	0	0
Special Revenue Funds	5,050,000	7,556,000	6,895,192	7,432,715	6,594,744	0	0	0	0	0
Capital Project Funds	3,757,000	33,434,000	30,073,388	22,101,833	38,247,760	0	0	0	0	0
Permanent Fund	0	0	20,293	28,232	36,804	0	0	0	0	0
Nonspendable	0	0	0	0	0	335,358	391,421	431,092	321,674	328,598
Restricted	0	0	0	0	0	29,898,833	32,898,517	12,101,368	14,014,752	15,519,288
Committed	0	0	0	0	0	195,000	15,000	15,000	18,510	15,000
Assigned	0	0	0	0	0	10,303,693	8,663,697	7,907,282	9,192,987	10,510,648
Total all Other Governmental Funds	$ 13,623,000	$ 47,707,000	$ 53,090,653	$ 46,319,833	$ 54,310,144	$ 40,732,884	$ 41,968,635	$ 20,454,742	$ 23,547,923	$ 26,373,534

Source: City of Kingsport Finance Department

Note: Financial statements prior to June 30, 2008 were rounded to thousands.
* FY 2011 Implementation of GASB Statement No. 54 Fund Balance Classification

CITY OF KINGSPORT, TENNESSEE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes	$ 51,532,000	$ 53,341,000	$ 57,472,994	$ 58,697,849	$ 59,644,769	$ 61,736,098	$ 64,053,048	$ 65,947,861	$ 69,564,106	$ 73,722,283
Licenses and Permits	350,000	526,000	778,788	544,797	354,400	339,843	390,916	357,816	530,179	518,480
Intergovernmental	50,004,000	52,686,000	52,217,860	54,633,138	57,016,177	57,618,712	60,411,908	58,908,421	61,026,056	61,752,080
Charges for Services	3,900,000	4,162,000	3,940,109	4,056,619	4,903,995	5,059,845	4,788,526	4,741,965	4,446,028	4,453,764
Fines and Forfeitures	560,000	787,000	2,233,346	2,083,918	1,404,126	1,475,914	888,013	808,164	924,190	872,162
Contributions and Donations	459,000	316,000	385,508	343,405	417,259	544,308	478,234	445,475	456,400	713,459
Investment Earnings	1,188,000	2,123,000	2,754,996	1,209,675	534,657	285,622	301,300	273,394	152,238	140,248
Miscellaneous	360,000	555,000	714,899	438,420	620,950	1,087,540	712,967	296,538	683,627	426,932
Total Revenues	108,353,000	114,496,000	120,498,500	122,007,821	124,896,333	128,147,882	132,024,912	131,779,634	137,782,824	142,599,408
Expenditures:										
General Government	6,240,000	7,698,000	8,228,820	8,287,499	9,493,673	8,937,456	9,897,339	9,432,504	8,748,363	8,888,732
Public Safety	14,556,000	15,568,000	16,983,599	17,862,379	18,183,202	18,602,375	19,206,238	19,422,279	20,067,727	20,349,756
Public Works	5,018,000	5,178,000	5,639,582	6,162,895	6,297,624	6,292,395	6,104,746	6,441,239	6,823,759	6,854,129
Transportation	2,894,000	2,820,000	3,121,176	3,532,499	5,767,852	4,404,721	3,804,971	4,219,117	4,876,627	5,319,159
Development	3,068,000	3,219,000	3,681,462	3,884,126	3,823,882	4,258,551	4,209,456	4,010,897	4,080,865	4,009,648
Recreation	4,011,000	3,933,000	4,594,675	4,884,551	4,883,835	5,203,012	5,137,420	5,294,145	5,300,591	5,413,181
Maintenance	0	0	0	0	0	0	0	320	0	0
Education	53,181,000	55,800,000	57,969,972	60,328,330	62,216,835	63,944,855	65,758,406	67,003,733	68,827,804	69,933,085
Miscellaneous	722,000	878,000	1,019,288	860,350	1,164,299	1,179,584	1,108,609	1,045,894	726,702	1,010,101
Capital Outlay	10,562,000	4,954,000	21,263,050	30,907,899	23,141,716	20,219,807	25,002,612	13,015,102	14,160,334	15,864,508
Debt Service:										
Principal	8,525,000	8,488,000	12,191,783	7,750,015	4,286,390	5,271,066	5,426,273	6,436,120	6,657,299	7,696,331
Interest	1,735,000	1,470,000	2,449,755	2,761,593	3,612,987	4,930,280	4,549,707	4,133,024	4,032,477	4,352,406
Bond Issuance Costs	100,000	300,000	389,556	405,059	459,043	20,479	435,261	126,829	165,924	498,456
Arbitrage Rebate	0	0	0	0	0	0	0	0	0	8,184
Other Charges	20,000	11,000	7,590	19,516	9,744	33,061	7,387	12,122	29,895	0
Total Expenditures	110,632,000	110,317,000	137,540,308	147,646,711	143,341,082	143,297,642	150,648,425	140,593,325	144,498,367	150,197,676
Excess (deficiency) of revenues over (under) expenditures	(2,279,000)	4,179,000	(17,041,808)	(25,638,890)	(18,444,749)	(15,149,760)	(18,623,513)	(8,813,691)	(6,715,543)	(7,598,268)

(Continued)

CITY OF KINGSPORT, TENNESSEE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other Financing Sources (Uses):										
Transfers In	32,824,000	36,504,000	36,400,996	33,134,077	28,905,392	29,214,433	28,958,597	29,346,521	29,439,834	31,868,200
Transfers Out	(36,723,000)	(40,314,000)	(40,680,728)	(36,665,512)	(32,780,079)	(33,051,330)	(32,573,624)	(33,018,247)	(33,770,964)	(36,752,237)
Transfer Bonds to Enterprise Funds	0	0	0	0	0	0	0	(10,596,258)	0	0
Issuance of Debt	6,771,000	35,441,000	23,120,000	19,260,000	29,207,043	4,097,044	26,376,201	12,677,052	13,406,845	32,291,848
Premiums on Debt Issued	0	0	112,398	211,590	520,024	0	740,813	1,068,429	866,390	4,044,772
Sale of Building	0	0	800,000	0	0	0	0	0	0	0
Payments to Refunded Bond Escrow Agent	0	0	0	0	0	0	(4,654,178)	(13,115,262)	0	(19,901,049)
Total Other Financing Sources (Uses)	2,872,000	31,631,000	19,752,666	15,940,155	25,852,380	260,147	18,847,809	(13,637,765)	9,942,105	11,551,534
Net Change in Fund Balances	$ 593,000	$ 35,810,000	$ 2,710,858	$ (9,698,735)	$ 7,407,631	$ (14,889,613)	$ 224,296	$ (22,451,456)	$ 3,226,562	$ 3,953,266
Debt Service as a Percentage of Noncapital Expenditures	10.3%	9.5%	12.6%	9.0%	6.6%	8.3%	7.9%	8.3%	8.2%	9.0%

Source: City of Kingsport Finance Department

Note: All net changes in fund balances are exclusive of any prior period adjustments.
Financial statements prior to June 30, 2008 were rounded to thousands.

Table 6

CITY OF KINGSPORT, TENNESSEE
GENERAL GOVERNMENT TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Income Tax	Business Tax	Alcoholic Beverage Tax	Hotel / Motel Tax	Total
2006	$ 41,770,000	$ 26,154,000	$ 750,000	$ 1,551,000	$ 1,368,000	$ 791,000	$ 72,384,000
2007	42,929,000	27,570,000	1,026,000	1,707,000	1,398,000	938,000	75,568,000
2008	43,322,288	27,531,437	1,324,987	1,951,834	1,459,593	1,381,161	76,971,300
2009	44,749,419	27,003,900	957,062	1,673,312	1,575,636	1,241,227	77,200,556
2010	45,745,881	26,304,997	577,363	1,589,591	1,549,521	1,300,766	77,068,119
2011	47,130,788	27,514,740	555,283	1,681,523	1,617,478	1,380,588	79,880,400
2012	48,337,930	29,469,816	609,312	1,746,264	1,778,471	1,499,600	83,441,393
2013	49,939,941	29,687,264	709,109	1,845,565	1,742,979	1,507,778	85,432,636
2014	53,084,374	30,753,163	893,978	1,806,045	1,800,932	1,643,055	89,981,547
2015	56,221,896	32,690,121	1,115,663	2,068,944	1,847,187	1,564,355	95,508,166

Source: City of Kingsport Finance Department

Note: Certain tax revenue that flows from other governments has historically been rolled up as intergovernmental revenue in Table 5 and the related statement of revenues, expenditures, and changes in fund balances.

Note: Financial statements prior to June 30, 2008 were rounded to thousands.

Table 7

CITY OF KINGSPORT, TENNESSEE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

		Real Property							
Fiscal Year Ended June 30	Tax Year	Residential and Farm Property	Industrial and Commercial Property	Personal Property	Public Utility	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2006	2005	$ 416,736,199	$ 438,583,408	$ 360,312,126	$ 48,475,652	$ 1,264,107,385	$ 2.26	$ 4,053,938,000	31.18%
2007	2006	432,446,370	451,842,280	382,898,959	46,401,525	1,313,589,134	2.26	4,194,699,000	31.32%
2008	2007	443,963,472	459,872,279	341,168,271	40,991,606	1,285,995,628	2.30	4,137,292,349	31.08%
2009	2008	456,423,060	480,026,995	345,357,678	40,519,972	1,322,327,705	2.30	4,250,624,664	31.11%
2010	2009	542,112,415	601,517,500	408,047,665	47,796,156	1,599,473,736	1.94	5,119,304,395	31.24%
2011	2010	576,028,905	624,738,933	387,994,899	54,381,309	1,643,144,046	1.94	5,258,154,390	31.25%
2012	2011	594,243,299	636,435,237	359,672,056	51,874,049	1,642,224,641	1.97	5,261,284,595	31.21%
2013	2012	638,772,453	636,926,951	352,203,970	48,475,692	1,676,379,066	1.97	5,409,558,045	30.99%
2014	2013	662,428,582	660,706,711	407,373,787	53,886,860	1,784,395,940	1.94	5,757,369,838	30.99%
2015	2014	667,577,858	669,577,428	398,689,272	53,753,183	1,789,597,741	2.07	5,770,952,302	31.01%

Source: City of Kingsport Finance Department

Note: Tax rates are per $100 of assessed value

Table 8

CITY OF KINGSPORT, TENNESSEE
PROPERTY TAX RATES (PER $100 ASSESSED VALUE)
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

Fiscal Year Ended June 30	City Direct Rates	Overlapping Rates	
		Sullivan County	Hawkins County
2006	$ 2.2600	$ 2.5300	$ 2.6800
2007	2.2600	2.5300	2.3600
2008	2.3000	2.5300	2.6100
2009	2.3000	2.5300	2.6100
2010	1.9400	2.1307	2.7050
2011	1.9400	2.1307	2.7050
2012	1.9700	2.1307	2.3450
2013	1.9700	2.3307	2.3450
2014	1.9400	2.3054	2.3450
2015	2.0700	2.3054	2.4650

Source: City of Kingsport Finance Department

Note: Overlapping rates are those of county governments that apply to property owners within the City of Kingsport.

Table 9

CITY OF KINGSPORT, TENNESSEE
PRINCIPAL PROPERTY TAXPAYERS
For The Fiscal Years Noted

	2015			2006		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Eastman Chemical Company	$ 437,321,517	1	24.4%	$ 357,500,000	1	28.3%
Domtar, Inc (Weyerhauser Co/ Willamette Industries)	33,294,787	2	1.9%	20,320,000	2	1.6%
Holston Family Practice	21,778,098	3	1.2%			
Kingsport Power Company	21,715,630	4	1.2%	16,377,000	3	1.3%
Brandy Mill Apartments, LLC	20,236,689	5	1.1%			
Wellmont Health System/ Holston Valley Health Care	16,893,030	6	0.9%	11,782,000	7	0.9%
Inland Western Kpt East Stone LLC - Clara F Jackson	15,487,440	7	0.9%			
Mountain States Health / HCA	14,529,002	8	0.8%	9,623,000	9	0.8%
Eastman Credit Union	13,520,614	9	0.8%			
Kingsport Town Center (Fort Henry Mall- Baltry, LLC)	11,912,507	10	0.7%	13,262,000	5	1.0%
Wal Mart Properties/Real Estate				9,669,000	8	0.8%
Sprint/United Inter-Mountain Telephone Southeast				12,989,000	6	1.0%
Quebecor				13,894,000	4	1.1%
AFG/AGC Industries				7,088,000	10	0.6%
Totals	$ 606,689,314		33.9%	$ 472,504,000		37.4%

Total Taxable Assessed Value:

FYE 2015 (Tax Year 2014)	$ 1,789,597,741
FYE 2006 (Tax Year 2005)	1,264,107,000

Source: City of Kingsport Finance Department

Table 10

CITY OF KINGSPORT, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

				Collected within the Fiscal Year of the Levy			Total Collections to Date		
Fiscal Year Ended June 30	Tax Levy for Fiscal Year	Subsequent Adjustments to Levy	Adjusted Tax Levy	Amount	Percentage of Adjusted Levy	Collections in Subsequent Years	Amount	Percentage of Adjusted Levy	Uncollected Delinquent Taxes
2006	$ 28,738,644	$ (44,992)	$ 28,693,652	$ 27,985,510	97.53%	$ 665,461	$ 28,650,971	99.85%	$ 42,681
2007	29,564,326	(32,688)	29,531,638	28,769,796	97.42%	735,206	29,505,002	99.91%	26,636
2008	29,582,951	20,423	29,603,374	28,616,818	96.67%	932,321	29,549,139	99.82%	54,235
2009	30,553,586	(45,722)	30,507,864	29,616,908	97.08%	828,222	30,445,130	99.79%	62,734
2010	31,362,309	(190,255)	31,172,054	30,151,757	96.73%	958,778	31,110,535	99.80%	61,519
2011	32,011,845	213,370	32,225,215	31,071,305	96.42%	1,072,224	32,143,529	99.75%	81,686
2012	32,276,181	349,029	32,625,210	31,684,065	97.12%	823,017	32,507,082	99.64%	118,128
2013	32,988,793	999,822	33,988,615	32,509,744	95.65%	1,278,330	33,788,074	99.41%	200,541
2014	34,588,442	529,009	35,117,451	34,296,005	97.66%	549,161	34,845,166	99.22%	272,285
2015	37,776,783	339,929	38,116,712	37,242,818	97.71%	0	37,242,818	97.71%	873,894

Source: City of Kingsport Finance Department

Table 11

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE
For the Fiscal Year Ended June 30, 2015

Tax Year	Property Tax Receivable Balance June 30, 2014	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Net Receivable Balance June 30, 2015
2005	$ 43,026			$ -	$ (345)	$ 42,681
2006	28,156			-	(1,520)	26,636
2007	56,095			-	(1,860)	54,235
2008	106,151			-	(43,417)	62,734
2009	107,794			-	(46,275)	61,519
2010	150,407			-	(68,721)	81,686
2011	211,372			451	(93,695)	118,128
2012	359,938			114	(159,511)	200,541
2013	831,006			(9,560)	(549,161)	272,285
2014		$ 37,776,783		339,929	(37,242,818)	873,894
2015			$ 36,662,013		-	36,662,013
Totals	$ 1,893,945	$ 37,776,783	$ 36,662,013	$ 330,934	$ (38,207,323)	$ 38,456,352

NOTES: All uncollected real property taxes for years prior to 2014 have been turned over to the Clerk & Master for collection.
All uncollected personal property taxes for years prior to 2011 have been turned over to the Clerk & Master for collection.

Source: City of Kingsport Finance Department

Table 12

CITY OF KINGSPORT, TENNESSEE
LOCAL OPTION SALES TAX COLLECTIONS
Last Ten Fiscal Years

FISCAL YEAR ENDED JUN 30	TOTAL LOCAL OPTION SALES TAX COLLECTIONS	GENERAL FUND	REGIONAL SALES TAX FUND
2006	$ 17,103,371	$ 14,019,410	$ 3,083,961
2007	17,833,634	14,618,999	3,214,635
2008	17,854,873	14,640,220	3,214,653
2009	17,634,903	14,478,441	3,156,462
2010	17,067,113	14,009,678	3,057,435
2011	17,778,766	14,594,959	3,183,807
2012	18,789,437	15,432,814	3,356,623
2013	18,816,176	15,439,972	3,376,205
2014	19,390,768	15,901,590	3,489,178
2015	20,522,234	16,848,128	3,674,106

Source: City of Kingsport Finance Department

Note: The Local Option Sales Tax rate for sales within the corporate limits of the City of Kingsport is 2.50% in the Sullivan County portion of the municipality. One-quarter percent (0.25%) is distributed directly to the Regional Sales Tax Fund and is used to offset the costs related to the City's MeadowView Conference, Resort, and Convention Center and related facilities, and the Aquatic Center.

Table 13

CITY OF KINGSPORT, TENNESSEE
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

	Governmental Activities		Business-Type Activities					
Fiscal Year Ended June 30	General Obligation Bonds	Notes Payable	General Obligation Bonds	Revenue Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
2006	$ 38,458,000	$ 3,932,000	$ 60,827,000	$ 210,000	$ 5,830,000	$ 109,257,000	9.11%	$ 2,476
2007	63,041,000	6,302,000	54,243,000	195,000	5,423,000	129,204,000	10.24%	2,924
2008	73,954,097	6,419,174	48,045,133	180,000	5,591,065	134,189,469	10.70%	3,020
2009	86,231,128	5,872,283	67,029,074	160,000	15,578,624	174,871,109	12.85%	3,821
2010	112,219,869	5,323,392	73,689,344	140,000	22,190,263	213,562,868	15.17%	4,510
2011	107,563,297	8,795,620	67,014,158	0	24,288,460	207,661,535	13.30%	4,214
2012	122,673,341	10,615,303	69,832,074	0	23,658,574	226,779,292	13.85%	4,485
2013	96,542,440	10,240,943	105,705,775	0	0	212,489,158	11.85%	4,145
2014	106,683,823	9,179,827	113,441,729	0	0	229,305,379	12.68%	4,472
2015	118,181,223	7,447,661	114,003,565	0	0	239,632,449	12.58%	4,519

Source: City of Kingsport Finance Department

Note:
-Details regarding the City's outstanding debt can be found in the notes to the financial statements.
-See the Schedule of Demographic and Economic Statistics for personal income and population data.
-Financial statements prior to June 30, 2008 were rounded to thousands.

Table 14

CITY OF KINGSPORT, TENNESSEE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Reserves	Net General Obligation Bonds	Estimated Actual Taxable Value of Property	Per Capita
2006	$ 99,285,000	$ 338,000	$ 98,947,000	2.44%	$ 2,242
2007	117,284,000	765,000	116,519,000	2.78%	2,637
2008	121,999,230	971,096	121,028,134	2.93%	2,724
2009	153,260,202	600,280	152,659,922	3.59%	3,336
2010	185,909,213	468,937	185,440,276	3.62%	3,916
2011	174,577,455	1,230,382	173,347,073	3.30%	3,518
2012	192,505,415	148,495	192,356,920	3.66%	3,804
2013	202,248,215	139,984	202,108,231	3.74%	3,942
2014	220,125,552	144,635	219,980,917	3.82%	4,290
2015	232,184,788	224,584	231,960,204	4.02%	4,374

Source: City of Kingsport Finance Department

Note:
-Details regarding the City's outstanding debt can be found in the notes to the financial statements.
-See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
-See the Schedule of Demographic and Economic Statistics for personal income and population data.
-Financial statements prior to June 30, 2008 were rounded to thousands.

Table 15

CITY OF KINGSPORT, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
For the Fiscal Year Ended June 30, 2015

Governmental Unit	Debt Outstanding		Estimated Percentage Applicable		Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:					
Net Direct Debt:					
City of Kingsport	$ 145,513,415	(1)	100.00%		$ 145,513,415
Total Direct Debt	145,513,415		100.00%		145,513,415
Overlapping Debt:					
Sullivan County	74,821,504		46.70%	(2)	34,943,492
Hawkins County	81,030,521		6.36%	(2)	5,153,615
Subtotal, Overlapping Debt	155,852,025				40,097,107
Total Direct and Overlapping Debt	$ 301,365,440				$ 185,610,522

(1) Includes Solid Waste Management, Aquatic Center, MeadowView Conference and Resort Center and Cattails Golf Course General Obligation Bonds. The debt for these business-type activities was structured to be funded by the taxing authority of the City.

(2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

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

Sources:
-City of Kingsport Finance Department
-County Governments
-Tennessee Comptroller of the Treasury Division of Property Assessments

Table 16

CITY OF KINGSPORT, TENNESSEE
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	$ 252,821,477	$ 262,717,827	$ 257,199,126	$ 264,465,541	$ 319,894,747	$ 328,628,809	$ 328,444,928	$ 335,275,813	$ 356,879,188	$ 357,919,548
Total Net Debt Applicable to Limit	43,335,000	65,910,000	74,655,000	101,870,000	128,636,532	123,381,532	138,767,654	130,382,038	138,394,266	145,513,415
Legal Debt Margin	$ 209,486,477	$ 196,807,827	$ 182,544,126	$ 162,595,541	$ 191,258,215	$ 205,247,277	$ 189,677,274	$ 204,893,775	$ 218,484,922	$ 212,406,133
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	17.14%	25.09%	29.03%	38.52%	40.21%	37.54%	42.25%	38.89%	38.78%	40.66%

Legal Debt Margin Calculation for Fiscal Year 2015

Total Taxable Assessed Value	$ 1,789,597,741
Debt Limit (20% of Taxable Assessed Value)	357,919,548
Debt Applicable to Limit:	
General Obligation Bonds	112,003,505
Add: Solid Waste Management General Obligation Bonds	2,735,458
Add: Aquatic Center General Obligation Bonds	17,299,823
Add: MeadowView Conference Center General Obligation Bonds	12,979,337
Add: Cattails Golf Course General Obligation Bonds	495,292
Total Net Debt Applicable to Limit	145,513,415
Legal Debt Margin	$ 212,406,133

Limitation on Borrowing Power

City Charter - Article XIII, Section 5 "The total bonded indebtedness of the City shall not exceed twenty per centum (20%) of the assessed value of the taxable property of the City according to the last complete assessment." Revenue Bonds and Special Assessment Bonds are excluded in computing the debt limit.

Bond Rating:	"Standard & Poor's"	AA
	"Moody's"	Aa2

Source: City of Kingsport Finance Department

Table 17

CITY OF KINGSPORT, TENNESSEE
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Operating Revenue	(1) Less: Operating Expenses	Net Available Revenue	Debt Service (2) Principal	Debt Service Interest	Debt Service Total	Coverage
Water, Sewer and Storm Water Revenue Bonds:							
2006	$ 25,388,000	$ 9,601,000	$ 15,787,000	$ 6,334,000	$ 1,734,000	$ 8,068,000	1.96
2007	26,802,000	9,341,000	17,461,000	6,327,000	1,608,000	7,935,000	2.20
2008	25,814,512	10,578,186	15,236,326	5,271,846	1,606,431	6,878,277	2.22
2009	26,063,481	11,109,643	14,953,838	4,967,220	1,309,336	6,276,556	2.38
2010	25,131,017	10,772,806	14,358,211	5,643,153	1,007,724	6,650,877	2.16
2011	24,659,947	11,054,147	13,605,800	6,087,198	843,459	6,930,657	1.96
2012	25,038,548	11,818,993	13,219,555	6,751,577	730,976	7,482,553	1.77
2013	26,657,022	12,864,076	13,792,946	7,252,314	636,400	7,888,714	1.75
2014	27,774,803	13,435,862	14,338,941	7,465,527	749,533	8,215,060	1.75
2015	28,379,023	13,338,516	15,040,507	7,904,148	2,087,368	9,991,516	1.51

(1) Total operating expenses exclusive of depreciation.
(2) Principal paid on capital debt is net of refunded debt.

Source: City of Kingsport Finance Department

Notes: Financial statements prior to June 30, 2008 were rounded to thousands.
Storm Water Utility debt was established during fiscal year 2013.

Table 18

CITY OF KINGSPORT, TENNESSEE
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year Ended June 30	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
2006	44,130	$ 1,198,703,190	$ 27,163	*	*	6,451	5.4%
2007	44,191	1,261,608,859	28,549	*	*	6,455	4.2%
2008	44,435	1,254,044,570	28,222	*	*	6,396	6.2%
2009	45,763	1,360,533,990	29,730	*	*	6,392	9.4%
2010	47,356	1,407,893,880	29,730	*	*	6,439	8.8%
2011	49,275	1,561,869,675	31,697	*	*	6,556	8.6%
2012	50,561	1,637,670,790	32,390	*	*	6,698	8.4%
2013	51,264	1,792,958,400	34,975	*	*	6,798	8.1%
2014	51,274	1,808,126,336	35,264	*	*	7,011	7.1%
2015	53,028	1,904,341,536	35,912	*	*	7,038	6.3%

* Information was not available.

Source:
City of Kingsport Planning Department
U.S. Census Bureau
U.S. Dept. of Commerce Bureau of Economic Analysis

Table 19

CITY OF KINGSPORT, TENNESSEE
PRINCIPAL EMPLOYERS
For the Fiscal Years Noted

	2015			2006		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
Eastman Chemical Company	6,848	1	10.3%	8,000	1	11.4%
Wellmont Health Systems	3,009	2	4.5%	2,000	2	2.8%
Brock	1,564	3	2.4%	N/A		
Kingsport City Schools	1,057	4	1.6%	1,040	3	1.5%
City of Kingsport	742	5	1.1%	761	6	1.1%
Wal-Mart	725	6	1.1%	900	4	1.3%
Holston Medical Group	718	7	1.1%	730	7	1.0%
BAE SYSTEMS Ordnance Systems, Inc.	700	8	1.1%	428	9	0.6%
Jacobs	672	9	1.0%	N/A		
Mountain States Health	663	10	1.0%	845	5	1.2%
AFG Industries	N/A			600	8	0.9%
Quebecor World	N/A			N/A		
Weyerhaeuser Company	N/A			370	10	0.5%
	16,698		25.1%	15,674		22.3%

Total Sullivan County Employment:

FYE 2015	66,410
FYE 2006	70,420

Source:
-NETWORKS/Sullivan Partnership & Employers

Table 20

CITY OF KINGSPORT, TENNESSEE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

	Fiscal Year									
Function	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
General Government	81	80	92	96	96	93	95	112	104	100
Public Safety	237	243	254	257	262	264	267	265	265	269
Public Works	106	113	119	120	122	123	124	130	135	135
Development	47	36	25	24	25	22	23	23	23	19
Recreation	57	57	58	59	58	58	58	58	58	61
Education	970	978	982	993	1,010	1,013	1,040	1,041	1,047	1,057
Water	80	80	78	78	76	74	73	73	73	73
Sewer	40	40	40	41	40	41	42	42	42	42
Solid Waste	35	31	30	30	30	30	32	33	34	34
	1,653	1,658	1,678	1,698	1,719	1,718	1,754	1,777	1,781	1,790

Sources:
-City of Kingsport Finance Department
-Kingsport City School System

Table 21

CITY OF KINGSPORT, TENNESSEE
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Education:										
Student Transportation:										
Miles	369,438	368,869	377,916	355,694	371,912	371,726	392,811	422,471	414,823	447,373
Average Daily Ridership	1,864	1,949	1,943	1,754	1,717	1,505	1,526	1,373	1,976	1,972
Public Safety:										
Police:										
Physical Arrests	3,251	3,206	3,348	3,587	4,584	5,066	4,029	3,641	3,501	4,406
Parking Citations	3,509	3,722	3,016	2,804	1,814	1,074	1,560	1,037	1,387	1,246
Traffic Citations	12,484	12,895	12,957	12,030	7,579	5,127	12,442	11,647	14,870	15,699
Calls for Service	44,236	47,934	48,981	46,249	57,153	59,755	59,147	60,210	63,789	62,935
Fire:										
Calls for Service	5,752	5,987	6,445	6,515	6,468	7,388	8,106	7,851	8,115	8,593
Inspections	2,873	3,403	2,899	3,378	3,378	3,339	1,951	1,942	2,577	3,225
Fire Loss	$ 2,402,520	$ 1,471,657	$ 1,565,342	$ 1,909,032	$ 3,390,231	$ 846,950	$ 664,820	$ 933,338	$ 1,664,021	$ 1,771,938
Public Works:										
Potholes Repaired	735	538	924	1,102	2,762	4,985	4,147	4,822	3,151	9,491
Streets Swept (linear miles)	4,500	7,853	6,339	6,247	6,456	5,105	7,409	5,520	4,715	4,432
Traffic Signal Maintenance Calls	630	650	547	598	599	610	557	736	608	549
Leaves Collected (Tons)	1,703	1,716	1,595	1,907	1,497	1,628	1,780	1,526	2,414	2,028
Parks and Recreation:										
Civic Auditorium Rentals	825	1,127	899	881	1,349	796	539	686	598	757
Civic Auditorium Attendance	53,000	54,219	70,197	72,773	147,764	96,248	106,807	110,635	78,856	68,461
Splash Pad Attendance	29,500	27,552	25,231	18,120	22,886	8,548	23,209	10,307	10,100	10,750
Participation in Athletic Division events	176,000	180,766	187,561	198,544	201,225	265,231	278,829	280,119	288,108	286,000
Participation in Cultural Arts Division events	15,028	16,708	9,891	13,088	10,057	12,761	9,276	11,143	11,700	12,378
Participation in Community Services Division events	33,229	34,673	76,402	78,918	141,772	138,817	167,631	162,496	171,878	172,475
Renaissance Center Rentals	2,000	1,908	1,870	2,135	2,110	1,959	1,861	1,660	1,712	1,813
Renaissance Center Attendance	190,000	181,650	198,575	222,294	211,738	188,576	166,175	158,227	163,183	172,647
Allandale Rentals	315	297	293	274	342	304	226	231	215	212
Allandale Visitors	33,000	29,808	23,591	22,598	27,435	25,986	32,296	31,285	32,711	38,401
K - Play Games Played	1,300	1,350	1,428	1,560	1,768	1,825	1,875	1,847	1,908	1,986
K - Play Attendance	86,000	91,145	97,320	124,728	172,930	185,856	188,997	166,299	171,720	176,500
Lynn View Rentals	n/a	n/a	n/a	n/a	36	238	271	254	268	154
Lynn View Attendance	n/a	n/a	n/a	n/a	18,116	43,615	48,278	53,928	57,650	52,250
Senior Center:										
Active Members	2,000	1,842	2,365	2,673	2,591	2,801	3,012	2,978	3,045	3,424
Average Daily Attendance	175	188	226	241	247	252	325	308	301	333
Aquatic Center:										
Aquatic Center Attendance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31,244	140,433	115,982
YMCA Entering Pools Attendance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	19,714	74,567	69,660
Total Attendance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	50,958	215,000	185,642
Bays Mountain Park:										
Total Programs	1,400	1,667	1,259	2,090	1,771	1,422	3,658	3,080	5,091	5,176
Total Attendance	151,000	148,041	173,063	192,529	176,813	201,129	178,069	191,321	257,692	235,578
Library:										
Total Circulation	188,448	206,586	210,476	241,239	244,735	248,709	248,482	248,802	254,073	233,778
Building Attendance	169,122	176,854	193,344	209,234	213,379	206,533	199,875	187,837	189,598	172,806
Water:										
Average Daily Consumption in Gallons	15.2 mgd	14.5mgd	14.6 mgd	15.2 mgd	15.1 mgd	14.7 mgd	14.5 mgd	13.7 mgd	13.9 mgd	14.9 mgd
Maximum Daily Capacity in Gallons	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd	16.2 mgd	17.8 mgd	28.0 mgd	28.0 mgd	28.0 mgd
Water Taps	588	339	442	256	219	168	191	189	186	192
Sewer:										
Average Daily Treatment in Gallons	9.2 mgd	8.8 mgd	8.8 mgd	8.6 mgd	9.3 mgd	8.5 mgd	7.5 mgd	9.8 mgd	9.1 mgd	9.6 mgd
Maximum Daily Plant Capacity in Gallons	17.0 mgd	12.4 mgd	12.4 mgd	12.4 mgd	12.4 mgd	17.7 mgd	16.8 mgd	12.4 mgd	12.4 mgd	12.4 mgd
Sewer Taps	402	187	206	165	84	237	179	213	206	263
Solid Waste:										
Landfill Material Accepted (Tons)	25,056	24,434	32,574	26,958	25,077	61,326	34,268	27,198	25,670	35,809
Household Refuse Collected (Tons)	16,374	16,046	16,244	15,924	16,437	16,647	18,452	18,834	18,039	19,065
Recyclables Collected (Tons)	2,167	2,587	2,613	2,728	1,715	1,848	1,772	1,606	2,607	3,041
Golf Course:										
Rounds of Golf	26,925	26,175	27,338	26,233	24,225	23,515	25,915	24,090	24,387	20,455

Source: Various City Departments

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Education:										
Student Transportation:										
Buses	35	35	37	38	38	40	40	42	39	41
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	104	104	109	109	109	117	117	117	116	124
Motorcycle Units	1	1	1	1	1	0	0	0	0	0
Fire:										
Stations	6	6	6	6	7	7	7	8	8	8
Fire Trucks/Rescue Units	14	14	14	14	15	16	16	15	14	15
Public Works:										
Streets (Miles)	427	434	443	456	459	472	490	496	498	498
Street Lights	9,600	8,921	9,031	9,114	9,219	9,372	9,737	9,993	10,075	10,525
Traffic Signals	101	103	102	101	101	104	103	102	103	102
Leisure Services:										
Parks and Recreation:										
Park Sites	17	17	17	18	18	18	18	18	18	18
Park Acreage	191	191	191	237	237	237	237	237	237	237
Swimming Pools	2	2	2	1	1	1	1	1	-	-
Splash Pad	n/a	n/a	n/a	1	1	1	1	1	1	1
Tennis Courts	8	8	8	8	8	8	8	8	8	8
Community Centers	5	5	5	5	5	5	5	5	5	5
Senior Citizens:										
Senior Center	1	1	1	1	1	1	1	1	1	1
Other Recreational Facilities:										
Aquatic Center - Acreage	n/a	n/a	n/a	n/a	n/a	n/a	n/a	17	17	17
Bays Mountain Park & Nature Center -Acreage	3,461	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550
Hunter Wright Baseball Stadium - Acreage	54	54	54	54	54	54	54	54	54	54
Allandale - Acreage	25	25	25	25	25	25	25	25	25	25
Civic Auditorium - Acreage	5	5	5	5	5	5	5	5	5	5
Dogwood Park Facility - Acreage	n/a	n/a	n/a	3	3	3	3	3	3	3
Lynn View Facility - Acreage	n/a	n/a	n/a	14	14	14	14	14	14	14
Renaissance Center - Acreage	5	5	5	5	5	5	5	5	5	5
Legion Pool - Acreage	5	5	5	5	5	5	5	5	5	5
School System:										
Elementary Schools	7	7	7	7	8	8	8	8	8	8
Middle Schools	2	2	2	2	2	2	2	2	2	2
High Schools	1	1	1	1	1	1	1	1	1	1
Water and Sewer:										
Water Mains (Miles)	750	750	817	826	828	828	832	838	837	847
Fire Hydrants	1,960	1,691	1,740	1,754	1,794	1,848	1,898	1,938	2,003	2,028
Sanitary Sewers (Miles)	525	515	515	518	524	533	540	549	554	563
Storm Sewers (Miles)	209	209	209	209	209	209	209	241	300	300
Solid Waste:										
Collection Trucks	15	14	15	15	15	15	15	15	15	15
Golf Courses	1	1	1	1	1	1	1	1	1	1
Cattails Golf Course - Acreage	192	192	192	192	192	192	192	192	192	192

Source: Various City Departments

Table 23

CITY OF KINGSPORT, TENNESSEE
UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
June 30, 2015

Water Rates:

		Inside City	
First	2,000 gallons	$ 3.79	per 1000 gal
Next	13,000 gallons	3.05	per 1000 gal
Next	55,000 gallons	2.35	per 1000 gal
Over	70,000 gallons	1.69	per 1000 gal
		Outside City	
First	2,000 gallons	$ 11.67	per 1000 gal
Next	13,000 gallons	7.07	per 1000 gal
Next	35,000 gallons	6.39	per 1000 gal
Next	70,000 gallons	5.93	per 1000 gal
Next	70,000 gallons	4.85	per 1000 gal
Over	190,000 gallons	4.56	per 1000 gal

Sewer Rates:

	Inside City	
Minimum charge	$ 14.74	2,000 gal
Additional gallons	7.37	per 1000 gal
	Outside City	
Minimum charge	$ 22.16	2,000 gal
Additional gallons	11.08	per 1000 gal

Number of Customers:	Inside City	Outside City
Water	22,501	12,194
Sewer	20,625	982

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER - AWWA METHOD
June 30, 2015

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association.
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? Click to access definition
+ Click to add a comment

Water Audit Report for: City of Kingsport
Reporting Year: FY15 7/2014 - 6/2015

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

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

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

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

Master Meter and Supply Error Adjustments

WATER SUPPLIED

							Pcnt:	Value:	
Volume from own sources:	+ ?	7	5,452.790	MG/Yr	+ ?	4	0.50%		MG/Yr
Water imported:	+ ?	7	4.333	MG/Yr	+ ?				MG/Yr
Water exported:	+ ?			MG/Yr	+ ?				MG/Yr

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

WATER SUPPLIED: 5,429.995 MG/Yr

AUTHORIZED CONSUMPTION

Click here: ? for help using option buttons below

					Pcnt:	Value:	
Billed metered:	+ ?	9	3,202.958	MG/Yr			
Billed unmetered:	+ ?	n/a	0.000	MG/Yr			
Unbilled metered:	+ ?	9	277.725	MG/Yr			
Unbilled unmetered:	+ ?		67.875	MG/Yr	1.25%		MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

Use buttons to select percentage of water supplied **OR** value

AUTHORIZED CONSUMPTION: ? 3,548.558 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 1,881.437 MG/Yr

Apparent Losses

					Pcnt:	Value:	
Unauthorized consumption:	+ ?		13.575	MG/Yr	0.25%		MG/Yr

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

Customer metering inaccuracies:	+ ?	10	35.158	MG/Yr	1.00%		MG/Yr
Systematic data handling errors:	+ ?		8.007	MG/Yr	0.25%		MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: ? 56.741 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? 1,824.696 MG/Yr

WATER LOSSES: 1,881.437 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: ? 2,227.037 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ?	10	846.0	miles
Number of active AND inactive service connections:	+ ?	10	38,976	
Service connection density:	?		46	conn./mile main
Are customer meters typically located at the curbstop or property line?			Yes	
Average length of customer service line:	+ ?			(length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure:	+ ?	10	112.5	psi

COST DATA

Total annual cost of operating water system:	+ ?	10	$14,728,566	$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	8	$7.73	$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	8	$412.44	$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 79 out of 100 *****

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

PRIORITY AREAS FOR ATTENTION:

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

1: Volume from own sources
2: Unauthorized consumption
3: Systematic data handling errors

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER - AWWA METHOD
June 30, 2015

AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
American Water Works Association.
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Water Audit Report for: City of Kingsport
Reporting Year: FY15 7/2014 - 6/2015

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 79 out of 100 ***

System Attributes:

	Apparent Losses:	56.741	MG/Yr
+	Real Losses:	1,824.696	MG/Yr
=	**Water Losses:**	**1,881.437**	MG/Yr
?	Unavoidable Annual Real Losses (UARL):	428.01	MG/Yr
	Annual cost of Apparent Losses:	$438,606	
	Annual cost of Real Losses:	$752,578	Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumpiton

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	41.0%	
	Non-revenue water as percent by cost of operating system:	9.1%	Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	3.99	gallons/connection/day
	Real Losses per service connection per day:	128.26	gallons/connection/day
	Real Losses per length of main per day*:	N/A	
	Real Losses per service connection per day per psi pressure:	1.14	gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	1,824.70	million gallons/year
?	Infrastructure Leakage Index (ILI) [CARL/UARL]:	4.26	

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

Table 25

CITY OF KINGSPORT, TENNESSEE
TOP TEN WATER CUSTOMERS
For the Fiscal Year Ended June 30, 2015

Customer Name	Consumption (in gallons)	Revenue	Revenue as % of FY15 Water Sales
Eastman Chemical Company	790,432,800	$ 1,755,571	14.37%
Domtar Paper Company, LLC	71,175,400	136,878	1.12%
BAE Systems	60,862,200	104,239	0.85%
Wellmont Health System	41,078,600	71,368	0.58%
Kingsport Housing Authority	32,374,100	65,280	0.53%
Warriors Path State Park	8,489,700	43,167	0.35%
Indian Path Hospital	19,473,100	33,680	0.28%
Allandale Falls Apt, LLC	17,014,600	29,609	0.24%
Model City II, L.P.	12,095,000	26,868	0.22%
Cross Creek Apartments	9,772,800	26,795	0.22%
	1,062,768,300	$ 2,293,455	18.77%

Source: City of Kingsport Finance Department

Table 26

CITY OF KINGSPORT, TENNESSEE
TOP TEN SEWER CUSTOMERS
For the Fiscal Year Ended June 30, 2015

Customer Name	Consumption (in gallons)	Revenue	Revenue as % of FY15 Sewer User Fees
Eastman Chemical Company	212,987,400	$ 1,574,049	12.56%
Kingsport Housing Authority	32,217,600	239,044	1.91%
Wellmont Health System	21,398,600	157,772	1.26%
Allandale Falls Apt, LLC	17,014,600	125,398	1.00%
Model City II, L.P.	12,095,000	89,140	0.71%
Indian Path Hospital	11,899,500	87,795	0.70%
Tuscany Villas	10,991,600	81,008	0.65%
Warriors Path State Park	7,038,600	77,988	0.62%
Rental Uniform	9,927,800	73,168	0.58%
BAE Systems	9,855,200	72,648	0.58%
	345,425,900	$ 2,578,010	20.58%

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF BONDS PAYABLE - FUTURE REQUIREMENTS
JUNE 30, 2015

Table 27

GENERAL OBLIGATION AND REVENUE BONDS

Fiscal Year	General Obligation Bonds Principal	General Obligation Bonds Interest	Water Bonds Principal	Water Bonds Interest	Sewer Bonds Principal	Sewer Bonds Interest	Storm Water Bonds Principal	Storm Water Bonds Interest	Aquatic Center Bonds MeadowView Convention Center Bonds and Cattails Golf Course Bonds Principal	Aquatic Center Bonds MeadowView Convention Center Bonds and Cattails Golf Course Bonds Interest	Combined Bonds and Interest
2016	$ 7,111,188	$ 4,143,585	$ 2,001,657	$ 686,754	$ 4,478,349	$ 1,757,989	$ 78,372	$ 66,742	$ 1,720,436	$ 1,231,822	$ 23,276,894
2017	7,147,819	4,006,538	1,991,932	630,886	4,096,416	1,591,471	80,420	64,155	1,775,413	1,179,642	22,564,692
2018	7,544,702	3,901,285	1,697,252	577,958	3,724,216	1,449,155	82,713	61,462	1,691,114	1,123,950	21,853,807
2019	7,356,853	3,639,929	1,558,790	537,276	2,913,682	1,323,419	84,012	58,501	1,751,663	1,060,166	20,284,291
2020	7,149,086	3,381,165	1,494,453	501,464	2,589,684	1,233,888	86,467	55,083	1,815,313	997,223	19,303,826
2021	7,245,002	3,102,493	1,553,281	463,475	2,668,334	1,145,000	89,451	51,328	1,893,933	920,628	19,132,925
2022	7,235,596	2,821,896	1,503,277	426,345	2,376,445	1,061,012	92,574	47,205	1,967,108	847,298	18,378,756
2023	7,154,861	2,539,916	1,587,771	389,394	2,460,909	971,148	95,682	43,100	2,035,778	775,047	18,053,606
2024	7,437,358	2,254,651	1,529,717	348,566	2,537,696	884,415	99,840	38,572	2,115,390	697,067	17,943,272
2025	7,630,088	1,945,547	1,529,579	310,321	2,561,369	792,969	102,205	33,844	2,186,759	611,360	17,704,041
2026	7,907,930	1,637,552	1,477,290	273,029	2,636,821	709,026	105,774	28,934	2,280,381	520,840	17,577,577
2027	8,239,431	1,316,782	848,153	234,581	2,712,559	619,750	110,064	23,695	2,374,795	425,099	16,904,909
2028	6,071,527	1,003,482	868,108	199,736	2,721,483	522,447	114,399	17,951	2,469,483	324,614	14,313,230
2029	4,943,624	751,275	897,967	163,672	2,809,759	427,382	119,257	11,844	2,584,392	213,284	12,922,456
2030	3,700,621	527,901	930,265	125,765	2,900,085	324,768	68,957	5,468	1,515,071	96,444	10,195,345
2031	2,815,517	364,922	669,127	85,904	2,481,675	218,060	27,439	2,099	336,241	30,757	7,031,741
2032	2,925,580	260,423	696,007	61,684	1,466,688	136,042	28,541	1,070	353,182	19,174	5,948,391
2033	1,961,165	157,073	451,400	36,508	1,042,435	84,224	0	0	85,000	7,000	3,824,805
2034	2,031,016	88,702	468,091	20,074	1,080,893	46,454	0	0	90,000	3,600	3,828,830
2035	1,129,999	16,950	182,654	2,740	442,346	6,635	0	0	0	0	1,781,324
	$ 114,738,963	$ 37,862,067	$ 23,936,771	$ 6,076,132	$ 50,701,844	$ 15,305,254	$ 1,466,167	$ 611,053	$ 31,041,452	$ 11,085,015	$ 292,824,718

	Principal	Interest	Total
General Obligation	$ 114,738,963	$ 37,862,067	$ 152,601,030
Revenue and General Obligation	107,146,234	33,077,454	140,223,688
TOTAL	$ 221,885,197	$ 70,939,521	$ 292,824,718

Note: Future interest requirements shown above reflect interest on TMBF bonds at the maximum possible rate of interest and interest on BABS bonds net of the 25% Federal interest subsidy.

Source: City of Kingsport Finance Department

Table 28

CITY OF KINGSPORT, TENNESSEE
SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
For the Fiscal Year Ended June 30, 2015

NAME	TITLE	ANNUAL SALARY	AMOUNT OF SURETY BOND
Jeff Fleming	City Manager	$ 149,500	$ 5,000
J. Michael Billingsley	City Attorney	125,644	-
James H. Demming	City Recorder/Chief Financial Officer/ City Treasurer	113,827	759,000
Lyle Ailshie	Superintendent of Schools	167,840	-
David Quillin	Chief of Police	86,289	-
Dennis R. Phillips	Mayor	3,000	-
Mike McIntire	Vice-Mayor	2,400	-
John Clark	Alderman	2,400	-
Colette George	Alderwoman	2,400	-
Andy Hall	Alderman	2,400	-
Tom C. Parham	Alderman	2,400	-
Tom Segelhorst	Alderman	2,400	-

Source: City of Kingsport Finance Department

Table 29

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE
June 30, 2015

Type of Coverage/ Insurance Carrier	Policy Number	Policy Period	Details of Coverage	Claim Limits	Annual Premiums
Comprehensive General Liability/					
TML Risk Management Pool	TML-21300	7/1/15-7/1/18	General Liability	$ 5,000,000	$ 163,740
		Annual Renewal	Auto Liability	5,000,000	
		7/1/14-7/1/15	Auto Physical Damage	replacement	
			Errors and Omissions	5,000,000	
Safety National Casualty Corporation	SP4052060	1/1/15-1/1/16	Worker's Compensation	Statutory	142,910
Government Crime/					
St. Paul / U.S. Fidelity & Guarantee Co.	105731214	1/1/15-1/1/16	Employee Blanket Dishonesty (City)	500,000	1,770
Travelers Insurance Co.	105981870	7/1/14-7/1/15	Employee Blanket Dishonesty (Schools)	500,000	4,394
Unemployment Compensation	Self insured				
Property and Casualty					
Travelers	KTK-CMB-9A14090-0-15	12/31/15-12/31/16	Buildings and Contents	526,500,000	160,500
EMC Insurance Companies	5A0-73-30---17	2/13/15-2/13/16	Justice Center Commercial/ Gen Property	13,543,000	9,786
Great American Insurance Company	MAC 0-99-12-47-00	8/1/14-8/1/15	Aquatic Center Property Insurance	23,000,000	15,154
Hartford Insurance Company	9705334265-2016	1/25/15-1/25/16	Flood Insurance Aquatic center	23,000,000	1,889
Hartford Insurance Co.	20MSCYQ7488	5/26/15-5/26/16	Grand Piano - Allandale		534
Boiler and Machinery					
The Cincinnati Insurance Co.	BEP2646328	1/1/15-1/1/16	Boilers and Machinery	100,000	5,292
Public Officials Bond					
Travelers Insurance Company	82C001612	3/1/15-3/1/16	Bond - Treasurer (J. Demming) (State of Tennessee Schools)	1,277,000	4,721
Travelers Insurance Company	82C011619	3/1/15-3/1/16	Bond - Recorder/Treasurer (J. Demming)	385,000	2,277
Travelers Insurance Company	106151564	7/1/14-7/1/15	Bond - City Manager (J. Fleming)	5,000	100
Travelers Insurance Company	105795556	1/1/15-1/1/16	Bond - City Judge (W. K. Rogers)	1,000	100
Western Surety Company	58368775	4/1/15-4/1/16	Blanket Notary Errors and Omissions	25,000	650
Other					
Stadium General Liability/ Hunter Wright Property - D.B. High School Montgomery Insurance Company	CBP9566738	3/8/15-3/8/16	General Liability/ Scoreboard/ Public Address system	2,000,000	1,339
ACE Tank Save	G24730086 002	10/12/14-10/12/15	Above ground storage tanks		6,803
Freberg Insurance Company	FEI-EST-10955-01	11/1/14-11/1/15	Fuel Tank Environmental		677
Hanover Insurance Company	1H5A19679501	1/24/15 - 1/24/16	Personally owned tools - Fleet	400,000	8,560
HCC Life Insurance Company	HCL15136	1/1/15 - 1/31/16	Aggregate Stop Loss	10,692,020	23,446
Total Premiums					**$ 554,643**

Source: City of Kingsport

BROWNEDWARDS
certified public accountants

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

Honorable Mayor and Board of Aldermen
City of Kingsport, Tennessee
Kingsport, Tennessee 37660

We have audited, 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 requirements prescribed by the Comptroller of the Treasury, State of Tennessee, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingsport, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Kingsport, Tennessee's basic financial statements and have issued our report thereon dated December 30, 2015. Our report includes a reference to other auditors who audited the financial statements of the Emergency Communications District (ECD), a discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency 2014-001 described in the accompanying schedule of findings and questioned costs to be a material weakness.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kingsport, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

City of Kingsport, Tennessee's Response to Findings

The City of Kingsport, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Kingsport, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
December 30, 2015

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

Honorable Mayor and Board of Aldermen
City of Kingsport, Tennessee
Kingsport, Tennessee 37660

Report on Compliance for Each Major Federal Program

We have audited the City of Kingsport, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Kingsport, Tennessee's major federal programs for the year ended June 30, 2015. The City of Kingsport, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Kingsport, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kingsport, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Kingsport, Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Kingsport, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Kingsport, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Kingsport, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Kingsport, Tennessee's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
December 30, 2015

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Section I - Summary of Auditor's Results

1. The auditor's report expresses an **unmodified opinion** on the basic financial statements of the City of Kingsport, Tennessee.

2. **One significant deficiency** relating to the audit of the financial statements are reported in the 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*. **This deficiency is reported as a material weakness.**

3. **No instances of noncompliance** material to the basic financial statements of the City of Kingsport, Tennessee were disclosed during the audit.

4. **No significant deficiencies** relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By *OMB Circular A-133*.

5. The auditors' report on compliance for the major federal award programs for the City of Kingsport, Tennessee expresses an **unmodified opinion** on all major federal programs.

6. The audit disclosed **no audit findings** relating to major programs.

7. The programs tested as major programs include:

Name of Program	CFDA Number
Child Nutrition	**10.553, 10.555, & 10.559**
Improving Teacher Quality – Title II	**84.367**
Highway Construction	**20.205**
Federal Transit	**20.507**
IDEA Part B and Pre School	**84.027, 84.173**

8. The **threshold** used for distinguishing Type A and B programs was **$300,000**.

9. The City of Kingsport, Tennessee was **not** determined to be a **low risk auditee**.

Section II – Findings - Financial Statement Audit

2014-001: Capital Asset Recording (Material Weakness)

Condition: The City failed to properly report several capital assets. Construction period interest was calculated on certain items and capitalized as a portion of the cost of the asset after the assets were completed and placed in service. Additionally the City failed to record certain assets in the capital asset software and begin depreciation at the time they were placed in service. The Industrial Development Board also failed to properly record construction in progress and the related payable.

Cause: The City failed to follow their capitalization policies properly.

Effect: The City's capitalized interest was overstated, fund balance overstated, depreciation understated, CIP for Industrial Development Board was understated and payables were understated.

Recommendation: Capitalized interest for assets should only be calculated up until the point that those assets are substantially complete and ready for use. We recommend, when identifiable portions of a project are placed into service, those items be moved out of construction in progress, placed in service and begin depreciating the asset. Additionally all payables related to ongoing construction projects should be recorded along with any applicable retainage.

Management Response: We agree that certain capital projects have been left open far longer than they should have been. A contributing factor is that once funds are approved for a project, no one wants to close the project and return the unspent funds. The best solution going forward may be to get everyone on board with the idea of closing a project as phase 1 as soon as it is operational and rolling the remaining funds into a phase 2 project to cover the smaller remaining expenses.

Section III - Findings and Questioned Costs – Major Federal Award Programs Audit

None

Section IV – Findings and Questioned Costs – State of Tennessee

None

CITY OF KINGSPORT, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

Financial Statement Audit

2014-002: Deficiencies in Controls over Accounts Payable (Significant Deficiency)

Condition: During examination of subsequent disbursements we noted a payable related to the current fiscal year which was not properly recorded. The controls in place at the City failed to capture and properly record an account payable of the City as of the end of the fiscal year.

Current Year Status: This issue was noted in current year as errors were noted in recording of capital assets. See finding 2014-001 for current year.

Major Federal Award Programs Audit

2014-003: Race-to-the-Top, ARRA – CFDA 84.395 Cash Management

Condition: During the testing of the Race-to-the-Top grant, it was noted that some items were requested for reimbursement prior to the payment of the goods occurring.

Current Year Status: This grant was not tested during the current year.

Kingsport Carousel
Cover Picture
Provided by Jeffrey Stoner
Jeffreystonerphotography.com