

City of Kingsport Tennessee

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2018



City of Kingsport, Tennessee
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

Prepared By
The Finance Department
James H. Demming, City Recorder
Lisa Winkle, Comptroller

CITY OF KINGSPORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS

I. INTRODUCTORY SECTION (UNAUDITED)	Page
Letter of Transmittal	1
GFOA Certificate of Achievement	7
Organizational Chart	8
History and Organization	9
List of Principal Officials	10
 II. FINANCIAL SECTION	
Independent Auditors' Report	11
A. MANAGEMENT'S DISCUSSION AND ANALYSIS	14
B. BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	27
Statement of Activities	28
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	29
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	31
Statement of Revenues, Expenditures, and Changes in Fund Balances	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund	
Balances of Governmental Funds to the Statement of Activities	34
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Budget and Actual - General Fund	35
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Budget and Actual - General Purpose School Fund	38
Proprietary Fund Financial Statements	
Statement of Net Position	40
Statement of Revenues, Expenses, and Changes in Fund Net Position	42
Statement of Cash Flows	43
Notes to the Financial Statements	45
Required Supplementary Information	
Schedule of Changes in Net Pension Liability (Asset) -	
Public Employee Pension Plan - City of Kingsport	172
Schedule of Contributions - Public Employee Pension Plan - City of Kingsport	173
Notes to Schedule - Public Employee Pension Plan - City of Kingsport	174
Schedule of Proportionate Share of Net Pension Liability (Asset) -	
Teacher Legacy Pension Plan - Kingsport City Schools	175
Schedule of Contributions - Teacher Legacy Pension Plan - Kingsport City Schools	176
Schedule of Proportionate Share of Net Pension Liability (Asset) -	
Teacher Retirement Plan - Kingsport City Schools	177
Schedule of Contributions - Teacher Retirement Plan - Kingsport City Schools	178
Schedule of Changes in Net OPEB Liability and Related Ratios - City Employees Post Employment	
Health and Life Insurance - City of Kingsport	179

**CITY OF KINGSPORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018**

TABLE OF CONTENTS

II. FINANCIAL SECTION (CONTINUED)

Required Supplementary Information (continued)

Schedule of OPEB Contributions - City Employees Post Employment Health and Life Insurance - City of Kingsport	180
Schedule of Changes in Net OPEB Liability and Related Ratios - Pre 65 Employees Post Employment Health and Life Insurance - Kingsport City Schools	181
Schedule of Employers Share of Net OPEB Liability - Pre 65 Employees Post Employment Health and Life Insurance - Kingsport City Schools	183
Schedule of OPEB Contributions - Pre 65 Employees Post Employment Health and Life - Insurance - Kingsport City Schools	184
Schedule of Changes in Net OPEB Liability and Related Ratios - Post 65 Employees Post Employment Health and Life Insurance - Kingsport City Schools	185
Schedule of Employers Share of Net OPEB Liability - Post 65 Employees Post Employment Health and Life Insurance - Kingsport City Schools	187
Schedule of OPEB Contributions - Post 65 Employees Post Employment Health and Life - Insurance - Kingsport City Schools	188

C. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Major Governmental Funds

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Debt Service Fund	189
---	-----

Nonmajor Governmental Funds

Combining Balance Sheet	190
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	191
Combining Balance Sheet - Nonmajor Governmental Funds - Public Safety	192
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Public Safety	193
Combining Balance Sheet - Nonmajor Governmental Funds - Transportation	194
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Transportation	195
Combining Balance Sheet - Nonmajor Governmental Funds - Culture and Recreation	196
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Culture and Recreation	197
Combining Balance Sheet - Nonmajor Governmental Funds - Education	198
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Education	199
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Criminal Forfeiture Fund	200
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Drug Fund	201
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - State Street Aid Fund	202
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Regional Sales Tax Revenue Fund	203
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Visitors Enhancement Fund	204
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Steadman Cemetery Fund	205

CITY OF KINGSPORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS

II. FINANCIAL SECTION (CONTINUED)

C. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES (CONTINUED)

Nonmajor Governmental Funds (continued)

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Public Library Commission Fund	206
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Library Governing Board Fund	207
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Bays Mountain Park Fund	208
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Senior Citizens Advisory Board Fund	209
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - School Nutrition Services Fund	210
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Palmer Center Fund	211
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Allandale Trust Fund	212

Nonmajor Enterprise Funds

Combining Statement of Net Position	213
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	215
Combining Statement of Cash Flows	216

Internal Service Funds

Combining Statement of Net Position	218
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	220
Combining Statement of Cash Flows	221

Discretely Presented Component Units

Statement of Cash Flows	223
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D. SUPPLEMENTAL INFORMATION

Capital Assets Used in the Operation of Governmental Funds

Comparative Schedules by Source	224
Schedule by Function and Activity	225
Schedule of Changes by Function and Activity	227

Other

Schedule of Operating Costs - Enterprise Funds	228
Schedule of Operating Costs - Nonmajor Enterprise Funds	229
Schedule of Expenditures of Federal Awards	230
Schedule of Expenditures of State Awards	232

CITY OF KINGSPORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS

III. STATISTICAL SECTION (UNAUDITED)

Net Position by Component	233
Changes in Net Position	234
Governmental Activities Tax Revenues by Source	236
Fund Balances of Governmental Funds	237
Changes in Fund Balances of Governmental Funds	238
General Government Tax Revenues by Source	240
Assessed Value and Estimated Actual Value of Taxable Property	241
Property Tax Rates - Direct and Overlapping Governments	242
Principal Property Taxpayers	243
Property Tax Levies and Collections	244
Schedule of Changes In Property Tax Receivable	245
Local Option Sales Tax Collections	246
Ratios of Outstanding Debt by Type	247
Ratios of General Bonded Debt Outstanding	248
Direct and Overlapping Governmental Activities Debt	249
Legal Debt Margin Information	250
Pledged-Revenue Coverage	251
Demographic and Economic Statistics	252
Principal Employers	253
Full-Time Equivalent City Government Employees by Function	254
Operating Indicators by Function	255
Capital Asset Statistics by Function	256
Utility Rate Structure and Number of Customers	257
Schedule of Unaccounted for Water - AWWA Reporting and Performance	
Indicators Worksheets	258
Top Ten Water Customers	260
Top Ten Sewer Customers	261
Schedule of Bonds Payable - Future Requirements	262
Salaries and Surety Bonds of Principal Officials	263
Schedule of Insurance in Force	264

IV. COMPLIANCE SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	265
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	267
Schedule of Findings and Questioned Costs	269
Summary Schedule of Prior Audit Findings	270

**CITY OF KINGSPORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

I. INTRODUCTORY SECTION (UNAUDITED)





December 28, 2018

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, 2018.

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, has issued an unmodified ("clean") opinion on the City of Kingsport's financial statements for the fiscal year ended June 30, 2018. 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 Uniform Guidance audit designed to meet the special needs of federal grantor agencies. The standards governing Uniform Guidance 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 is celebrating its centennial year. The city has a population of 52,698 and operates under a council-manager form of government. Policymaking and legislative authority are vested in the Board of Mayor and Aldermen (BMA) consisting of a mayor and six aldermen. The BMA is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees, and hiring

the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the BMA, for overseeing the day-to-day operations and 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 35 through 37 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.

The City Manager is charged by the Board of Mayor and Aldermen to present a balanced annual budget that hopefully has no tax increase.

Beginning in 2012, the State made changes that permanently reduced recurring revenue to local governments. State taxes were reduced or eliminated on groceries, inheritances, and income on stock/bond investments. For the City of Kingsport that's a net annual reduction of \$1,289,900 every year – or \$9,000,000 total to date. The County also lost revenue, too, creating budgetary stresses that forced tough decisions to balance their own budget. Their budget impacts affect the City's residents as the County provides services for City residents, including the criminal justice system and education.

One of the unintended consequences last year was a reduction in funding for countywide schools that resulted in an annual loss of \$644,000 to Kingsport City Schools – equivalent to a 4-cent city property tax increase.

Instead of just raising taxes to make up for the lost revenues, the City reviewed its operations looking for opportunities to manage expenses and improve efficiencies of the services provided to the public.

The City reduced borrowing by \$8.2 million, we didn't hire new employees – but we didn't lay off either. We invested in technology so our existing employees could do their jobs more efficiently, and we asked our partners to tighten their belts.

The City was still able to fund \$1 million in school capital, \$1.2 million for Bays Mountain Park, honor our commitment to remodel the Library, and expand the Aquatic Center through a dedicated funding source.

We saved money and reduced our environmental impact by continuing the greening of our fleet, migrating to lower cost propane for mowers, vehicles, even police cruisers. The City of Kingsport won the Tennessee Sustainable Transportation Award for our efforts.

To offset rising expenses and unexpected external factors, the City has become more efficient by investing in technology, vehicles, and resources to allow employees to work smarter. Customer demands continue to grow, but they expect to pay the same. It happens in every business in America and we are no different. So we must innovate.

The City of Kingsport is using technology like never before. We've increased efficiencies and contained costs. At a recent International City-County Management meeting in Baltimore, the City was recognized on a national stage as a High Performance Government.

We now have robotic collection garbage and recycling, automated meter reading, remote monitoring of sewer lift stations and water tank levels, online payments for city services, automated pothole repair, 24/7 citizen reporting via YourGOV, mobile data for Police and Fire, and point of sale software and management apps for Bays Mountain, Farmers Market, and Aquatic Center

In the past 5 years, we reduced employee overhead by \$2.3 million through turnover, redeployed resources, and modified retirement and health insurance

At the same time, we've been able to increase employee pay at a competitive rate. Our employees continue to thrive and excel. They continually find new ways to do a better job.

- We have 4% more miles of waterline, but 8% fewer employees.
- Unlike many cities where water is in crisis, Kingsport operates at 55% of capacity.
- We have 15% more miles of sewer line, but the number of sewer employees remained flat.
- Our sewer plant operates at 65.6% capacity.
- We collected 24% more tonnage of garbage and recyclables, but with fewer employees.
- We have 15% more street miles to maintain and 24 additional acres of parks.
- We had 40% more police calls and 27% more fire & medical calls
- Bays Mountain Park attendance is up 22.5% while library circulation is up 21% and Senior Center membership is up 68%.

At every turn, our employees have risen to the occasion with innovative new ways to serve our customers.

The City's commitment to innovation puts us well positioned for the future.

Each year, the City of Kingsport receives a financial review from Moody's and S&P. Their comments included:

- Strong organizational management with good financial policies and practices.
- Strong budgetary performance with a slight operating surplus in the general fund.
- Very strong budgetary flexibility with an available fund balance.
- Very strong liquidity with available cash.
- Weak debt and contingent liability, but rapid amortization with 66.4% to be retired in 10 years.

Moody's and S&P continue to reaffirm Kingsport's bond ratings of AA and aa2 respectively.

The City of Kingsport received the GFOA's Certificate of Achievement in Financial Reporting for the 18th year in a row (reflecting the top 6.6% cities & counties in the U.S.) The City received the GFOA's Distinguished Budget Award for the 23rd year in a row.

June 30, 2018 is the 19th year in a row, the City has received a clean audit with an unmodified opinion. The FY 2018 annual audit reported no material weaknesses or significant deficiencies in financial controls and operations.

By any measure, our citizens can rest assured that the Board and staff are safeguarding the assets that have been placed in our care.

Local Economy

Bloomberg declares full employment can have as much as 4.1%-4.7% unemployment, Tri-Cities is currently at 4% unemployment.

Aerospace Park is the most notable community development story of the year. The State, TVA, two counties and three cities came together to create a 160-acre, build-ready site for maintenance and repair of any size aircraft ranging from corporate jets to commercial fleets. At build-out, it could accommodate up to 2,000 jobs.

Anita's Snack Foods opened a manufacturing and distribution facility supporting major contracts with Walmart and Tyson Foods among others. They produce tortilla chips for "On The Border" and "Late July" (which is a fast-growing acquisition of Campbell's brands). Anita's is a well-established California company that needed an additional facility to serve the entire eastern U.S. market. They invested an additional \$3.6 million and plan to add 101 jobs.

In the past few years:

- RMC Advanced Technologies announced its U.S. headquarters. The composite components manufacturer will invest \$7 million and create 54 new jobs.
- Ware Manufacturing, a pet products manufacturer, announced it will create 32 jobs and invest \$1.1 million.
- The Home Shopping Network announced a second round of expansion investing \$10 million and creating 165 jobs.
- Automotive supplier Cooper Standard announced it will invest \$1 million and fill 98 new positions.
- Homeland Vinyl announced the addition of 50,000 square feet and 50 employees.
- Techni-Glass announced a \$1.5 million expansion and 54 new employees.
- Landair announced an expansion, adding 210 jobs to its Kingsport site.
- Bharat Forge, the world's largest metal forging company, bought Walker Forge and invested in significant equipment upgrades and employment opportunities.
- AGC made substantial investments in its Hawkins County plant.
- Miyake announced a \$13.7 million plant and 60 jobs.
- The Inventor Center is an exciting new initiative downtown to encourage entrepreneurs, makers and artists.

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 (\$19M), improvements to General Government and Educational facilities (\$21M), improvements to the Water System (\$14M), improvements and expansion of the Wastewater System (\$18M), and improvements to the Aquatic Center facility (\$1.8M). 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 Board of Mayor and Aldermen has focused on infrastructure for several years now: water, sewer, and roads. An initiative called, "PaveKingsport" is in the second year of a multi-phase plan to get all local roads on an industry-standard 25 year paving cycle. The plan is data-driven, based on need, and is divided into three broad categories: (1) neighborhoods, (2) main roads, and (3) spot repairs.

Another major initiative is ONEKingsport, which includes projects to distinguish Kingsport as a great place to live, work, play and for businesses to grow and prosper. The initiatives include: (1) upgrades and enhancements to Bays Mountain Park's nature center and outdoor amenities, (2) creation of a downtown recreational facility, green space, and outdoor venue at Brickyard Park, (3) establishment of a Product Creation Center to encourage collaboration, creativity, and entrepreneurial activity surrounding the maker movement, (4) development of a master plan for Riverfront Park including fishing, boating, kayaking and active lifestyles, and (5) formation of a Neighborhood Commission to encourage citizens to interact with each other and with their government to build an even stronger sense of community. Three of the five initiatives (1, 3, 5) are well underway and decision-making is in progress for the remaining two (2, 4).

Downtown continues to be a major focus. Since Kingsport's downtown was planned in advance, it has an extraordinarily large footprint. Downtown Kingsport contains 367 acres (excluding any land at Brickyard Park/General Shale). By comparison, Downtown Johnson City has 169 acres and Downtown Bristol, TN-VA has 79 acres. This gives Kingsport ample opportunity to create a vibrant, mixed-use community in the heart of the city. Property values in Downtown Kingsport total \$144,000,000 – almost doubling from \$73,000,000 in 2000. The transformation has drawn the attention of current and former residents alike. It's hard not to notice how many buildings all over downtown have been adaptively reused, while others have been replaced with new buildings that complement our city's heart.

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, 2017. This was the 18th 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.

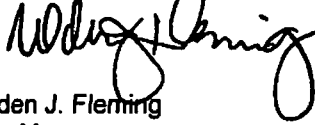
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2017. The annual budget document dated July 1, 2018 has been submitted to the GFOA

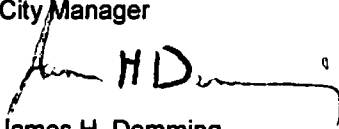
for review and it is anticipated that it will also receive this award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications 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**

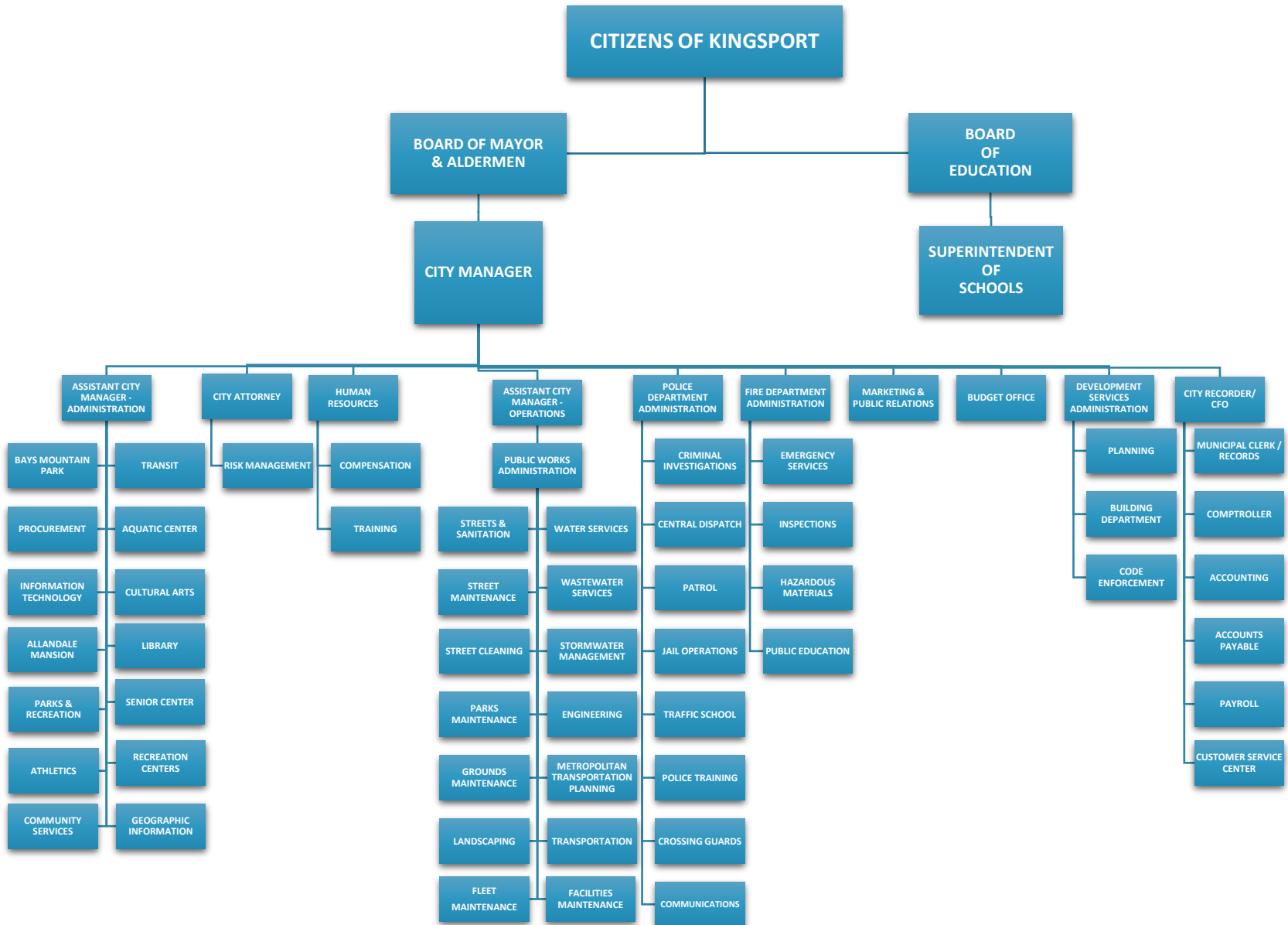
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF KINGSPORT 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.

In 2017 Kingsport celebrated its Centennial, taking a retrospective look at and celebrating the business and people that have made Kingsport a great place to live, work and play for 100 Years. The Kingsport spirit is alive and well as the Board of Mayor and Aldermen strive to plan and prepare for the next 100 years. Kingsport is proud to boast that after 100 years there is still only one Kingsport.

In 2018 Kingsport established a Neighborhood Commission composed of twelve Kingsport citizens to advise the Board of Mayor and Alderman on initiatives to strengthen neighborhoods and to promote City programs in local neighborhoods.

CITY OF KINGSPORT, TENNESSEE

PRINCIPAL OFFICIALS

AS OF

June 30, 2018

BOARD OF MAYOR AND ALDERMEN

John Clark	Mayor
Mike McIntire	Vice-Mayor
Jennifer Adler	Alderman
Joe Begley	Alderman
Betsy Cooper	Alderman
Colette George	Alderman
Tommy Olterman	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
Jeffrey Moorhouse	Superintendent of Schools

DEPARTMENT HEADS

Christopher W. McCartt	Assistant City Manager Administration
Ryan O. McReynolds	Assistant City Manager Operations
Scott A. Boyd	Fire Chief
Judy A. Smith	Budget Officer

**CITY OF KINGSFORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

II. FINANCIAL SECTION





CITY OF KINGSPORT, TENNESSEE

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2018



INDEPENDENT AUDITOR'S REPORT

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

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, 2018, 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 20 percent, 48 percent, and 18 percent, respectively, of the assets, net positions, and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the Phipps Bend Joint Venture, a joint venture with the Industrial Development Board of Kingsport, a discretely presented component unit, which represents 3 percent and 8 percent, respectively, of the assets and net positions 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 20 percent, 48 percent, and 18 percent, respectively, of the assets, net positions, and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the Phipps Bend Joint Venture, a joint venture with the Industrial Development Board of Kingsport, a discretely presented component unit, which represents 3 percent and 8 percent, respectively, of the assets and net positions of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the ECD, is based solely on the reports 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.

Auditor's Responsibility (Continued)

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

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

Opinions

In our opinion, based on our audit and the reports 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, 2018, 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, in 2018 the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 the other required supplementary information, as listed in the table of contents, 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 and other auditors 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 Matters (Continued)

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, supplemental information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, included in the supplemental information section, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules, 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, the combining and individual non-major fund financial statements and schedules, 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 28, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
December 28, 2018

A. MANAGEMENT'S DISCUSSION AND ANALYSIS



**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(amounts expressed in thousands)**

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, 2018. 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 6 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$411,105 (net position).
- The City's total net position increased by \$7,409 for the fiscal year ended June 30, 2018.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$73,980, an increase of \$6,338.
- The increase primarily relates to increases in intergovernmental revenue
- Approximately 21% of this total fund balance, \$15,585, 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 \$15,585 or approximately 19% of total general fund expenditures including transfers out.
- The City's total gross debt increased by \$9,485 (4%) during the current fiscal year. The increase is the result of new bonds issued in fiscal year 2018 as well as current year draws on the state revolving loan. On September 8, 2017, the City issued \$14,855 General Obligation Public Improvement Bonds, Series 2017A and \$11,250 General Obligation Public Improvement Bonds, Series 2017B. During the fiscal year the City drew funds from the state revolving loan totaling \$685.
- During fiscal year 2018, the City implemented GASB Statement No. 75 regarding Post-Employment Benefits. The adoption is explained in Note D to the financial statements. The implementation resulted in a restatement of net position of (\$14,662) for governmental activities and (\$2,187) for business-type activities at the beginning of the fiscal year.

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.

CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(amounts expressed in thousands)

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 27 and 28 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 government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a 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-four (24) individual governmental funds. Twenty (20) 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 29-39 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.

**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(amounts expressed in thousands)**

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. Kingsport City Schools went back to the State insurance plan effective January 1, 2017. When the run off claims incurred during the period of self-insurance are finalized, the 2 school related insurance internal service funds will be closed out and any remaining assets returned to the General Purpose School Fund.

Proprietary fund financial statements 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 40-44 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 45-171 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 189-222 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 \$411,105 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, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(amounts expressed in thousands)

City of Kingsport's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 157,473	\$ 146,034	\$ 40,636	\$ 41,159	\$ 198,109	\$ 187,193
Capital Assets	345,059	342,418	306,786	302,375	651,845	644,793
Total Assets	<u>502,532</u>	<u>488,452</u>	<u>347,422</u>	<u>343,534</u>	<u>849,954</u>	<u>831,986</u>
Total Deferred Outflows of Resources	18,926	23,662	3,244	3,820	22,170	27,482
Long-term Liabilities Outstanding	213,956	205,755	146,795	142,687	360,751	348,442
Other Liabilities	20,397	17,869	4,578	6,755	24,975	24,624
Total Liabilities	<u>234,353</u>	<u>223,624</u>	<u>151,373</u>	<u>149,442</u>	<u>385,726</u>	<u>373,066</u>
Total Deferred Inflows of Resources	73,694	65,295	1,599	562	75,293	65,857
Net Position:						
Net Investment in Capital Assets	236,836	232,739	192,494	193,031	429,330	425,770
Restricted	23,105	25,660	1,236	858	24,341	26,518
Unrestricted	(46,530)	(35,204)	3,964	3,461	(42,566)	(31,743)
Total Net Position	<u>\$ 213,411</u>	<u>\$ 223,195</u>	<u>\$ 197,694</u>	<u>\$ 197,350</u>	<u>\$ 411,105</u>	<u>\$ 420,545</u>

A portion of the City's net position, \$24,341 (less than 6%) represents resources that are subject to external restrictions on how they may be used.

During the current fiscal year, the government's net position increased by \$7,409. Net position for governmental activities increased by \$4,878 while net position for business-type activities increased by \$2,531.

The \$4,878 current year increase in net position for governmental activities was primarily a result of increases in intergovernmental revenue from state shared revenue and state and federal grants.

The primary reason for the increase in net position in the business-type activities seems due to management maintaining expenses in line with revenue.

CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(amounts expressed in thousands)

The following is a summary of activities for the City during the fiscal year ended June 30, 2018:

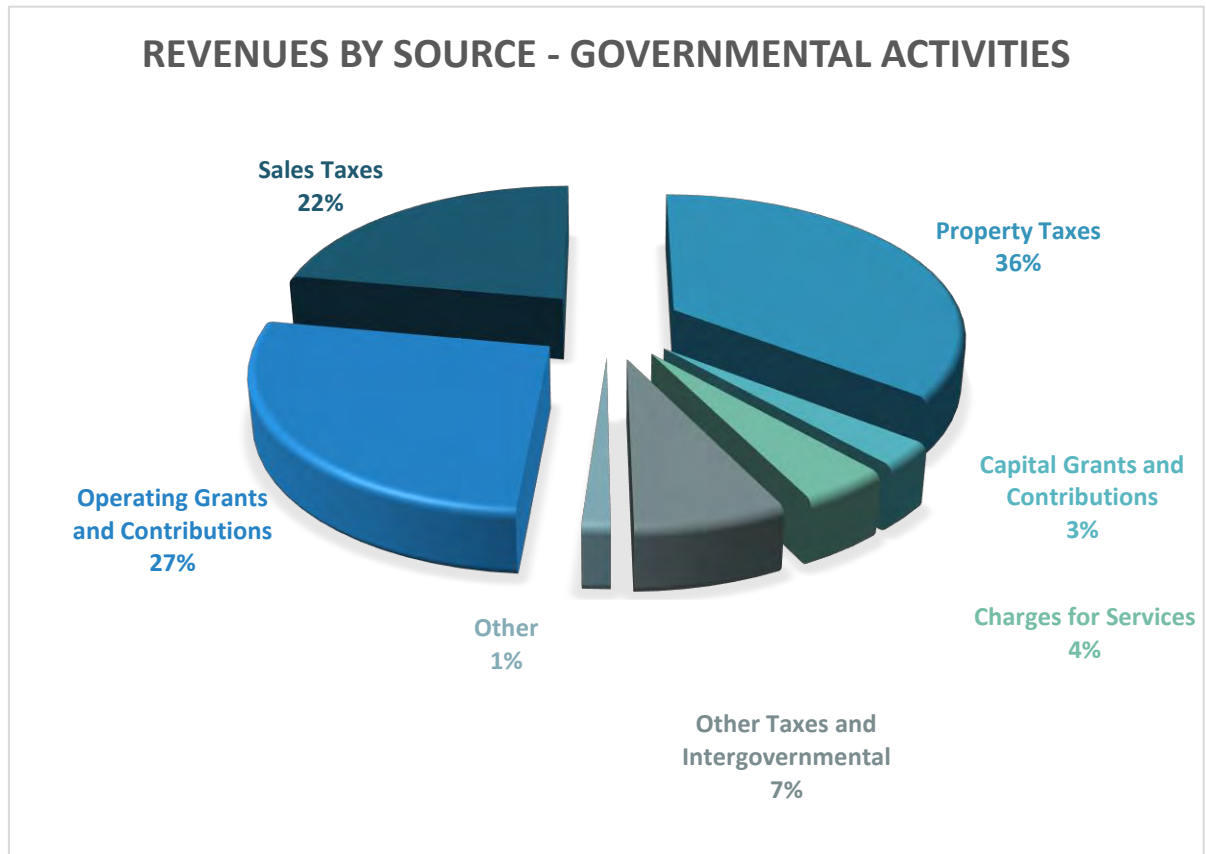
City of Kingsport's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,857	\$ 7,441	\$ 35,039	\$ 35,392	\$ 41,896	\$ 42,833
Operating Grants and Contributions	43,384	42,103	160	168	43,544	42,271
Capital Grants and Contributions	4,566	47,444	259	1,710	4,825	49,154
General Revenues						
Property Taxes	57,622	59,355	0	0	57,622	59,355
Sales Taxes	35,891	34,602	0	0	35,891	34,602
Other Taxes and Intergovernmental	11,777	11,138	0	0	11,777	11,138
Unrestricted Investment Earnings	851	332	404	277	1,255	609
Grants and Contributions Not						
Restricted to Specific Programs	1,111	1,121	0	0	1,111	1,121
Other	232	183	0	0	232	183
Total Revenues	<u>162,291</u>	<u>203,719</u>	<u>35,862</u>	<u>37,547</u>	<u>198,153</u>	<u>241,266</u>
Expenses:						
General Government	11,655	11,673	0	0	11,655	11,673
Public Safety	23,574	23,373	0	0	23,574	23,373
Public Works	17,996	18,087	0	0	17,996	18,087
Highway Transportation Planning	4,309	4,382	0	0	4,309	4,382
Economic and Physical Development	2,004	2,023	0	0	2,004	2,023
Culture and Recreation	8,539	8,323	0	0	8,539	8,323
Education	82,062	81,496	0	0	82,062	81,496
Interest on Long-term Debt	4,078	3,847	0	0	4,078	3,847
Water	0	0	11,683	11,389	11,683	11,389
Sewer	0	0	12,020	11,727	12,020	11,727
Solid Waste Management	0	0	4,606	4,638	4,606	4,638
Storm Water Management	0	0	1,464	1,477	1,464	1,477
Aquatic Center	0	0	3,096	3,063	3,096	3,063
MeadowView Conference Resort						
and Convention Center	0	0	2,377	2,638	2,377	2,638
Cattails at MeadowView Golf Course	0	0	1,281	1,274	1,281	1,274
Total Expenses	<u>154,217</u>	<u>153,204</u>	<u>36,527</u>	<u>36,206</u>	<u>190,744</u>	<u>189,410</u>
Increase (Decrease) in Net Position						
before Transfers	8,074	50,515	(665)	1,341	7,409	51,856
Transfers	(3,196)	(3,345)	3,196	3,345	0	0
Change in Net Position	<u>4,878</u>	<u>47,170</u>	<u>2,531</u>	<u>4,686</u>	<u>7,409</u>	<u>51,856</u>
Net Position, beginning of period	223,195	176,025	197,350	192,664	420,545	368,689
Implementation of GASB 75 OPEB Liability	(14,662)	0	(2,187)	0	(16,849)	0
Net Position, beginning of period (as restated)	<u>208,533</u>	<u>176,025</u>	<u>195,163</u>	<u>192,664</u>	<u>403,696</u>	<u>368,689</u>
Net Position, end of period	<u>\$ 213,411</u>	<u>\$ 223,195</u>	<u>\$ 197,694</u>	<u>\$ 197,350</u>	<u>\$ 411,105</u>	<u>\$ 420,545</u>

**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(amounts expressed in thousands)**

Governmental Activities – Revenue

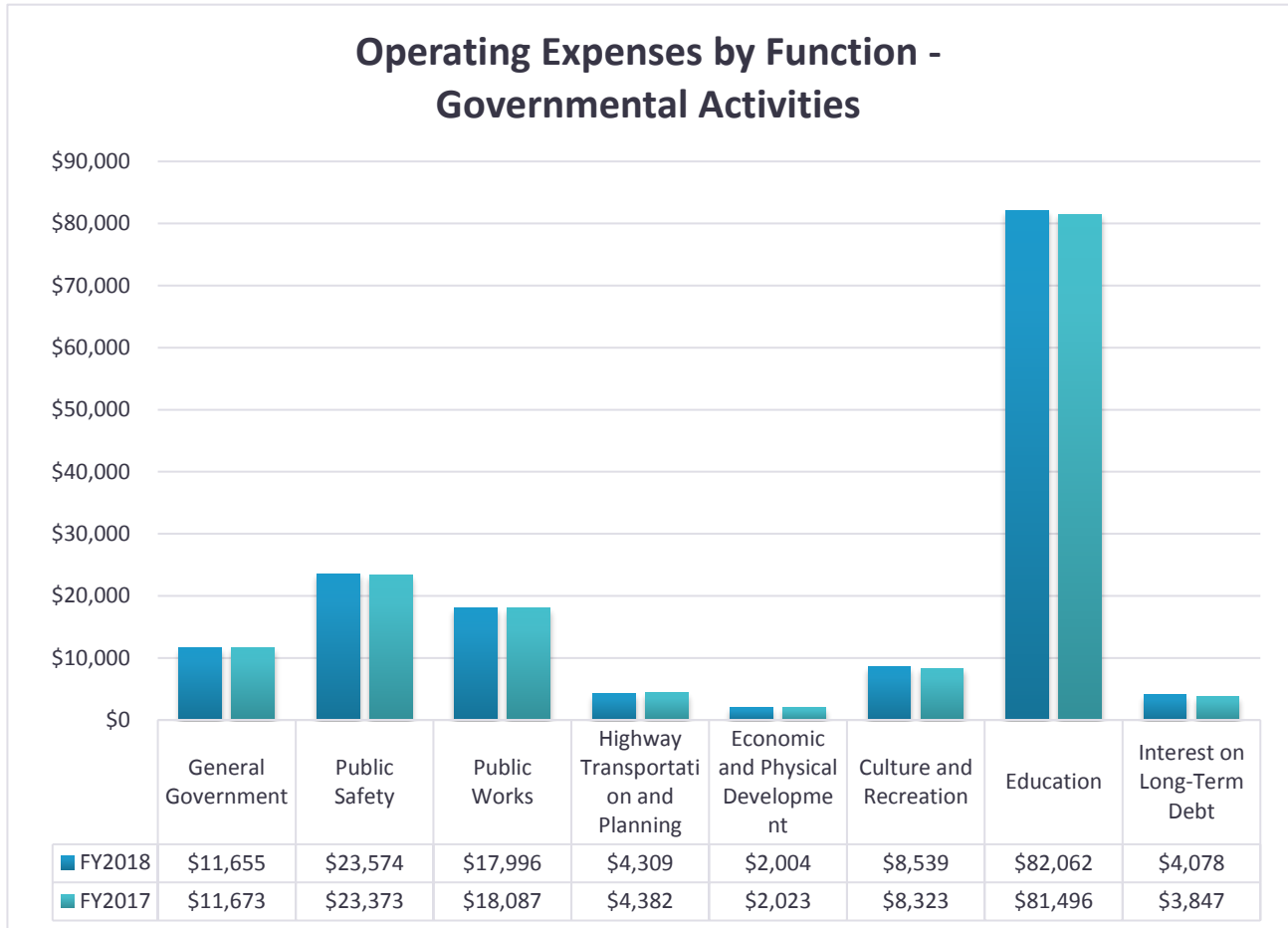
The City's governmental revenues totaling \$162,291 were less than the prior year by \$41,428. This is due to the unusual receipt of City School's share of Sullivan County School Bonds totaling \$45,281 that was received in fiscal year 2017.



**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(amounts expressed in thousands)**

Governmental Activities – Operating Expenses

Operating expenses for governmental activities were more than the prior year by \$1,013. Operating expenses for the public safety function were more than the prior year by \$201 while operating expenses for the education function were more than the prior year by \$566.

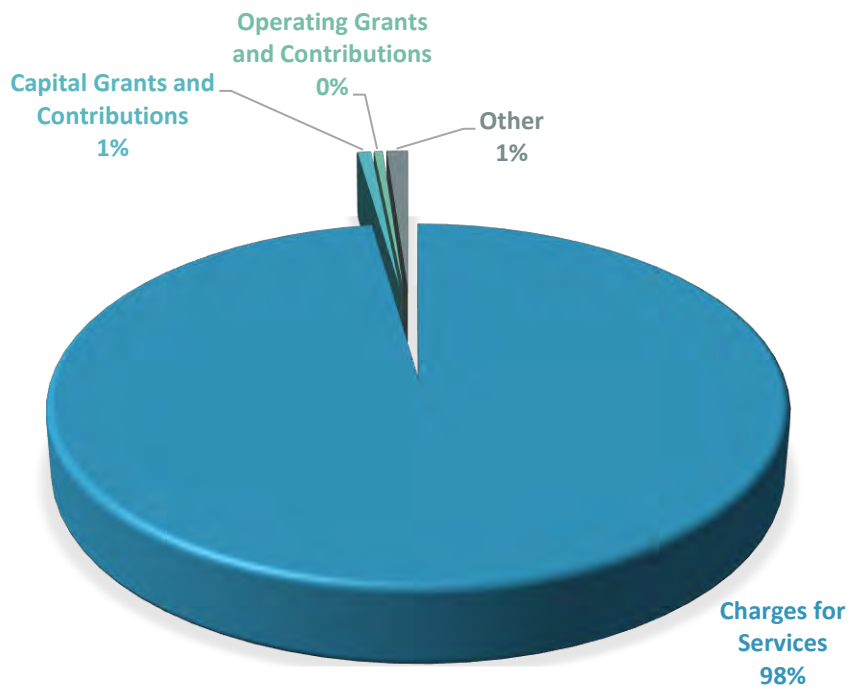


**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(amounts expressed in thousands)**

Business-Type Activities - Revenue

The City's business-type revenues totaling \$35,862 were less than the prior year by \$1,685. A primary factor in the decreased revenue was the reduction of capital grants and contributions totaling \$1,451. This reduction included a reduction of developer installed lines and a reduction of grant money which was specifically for the raw water intake project completed in early FY2018.

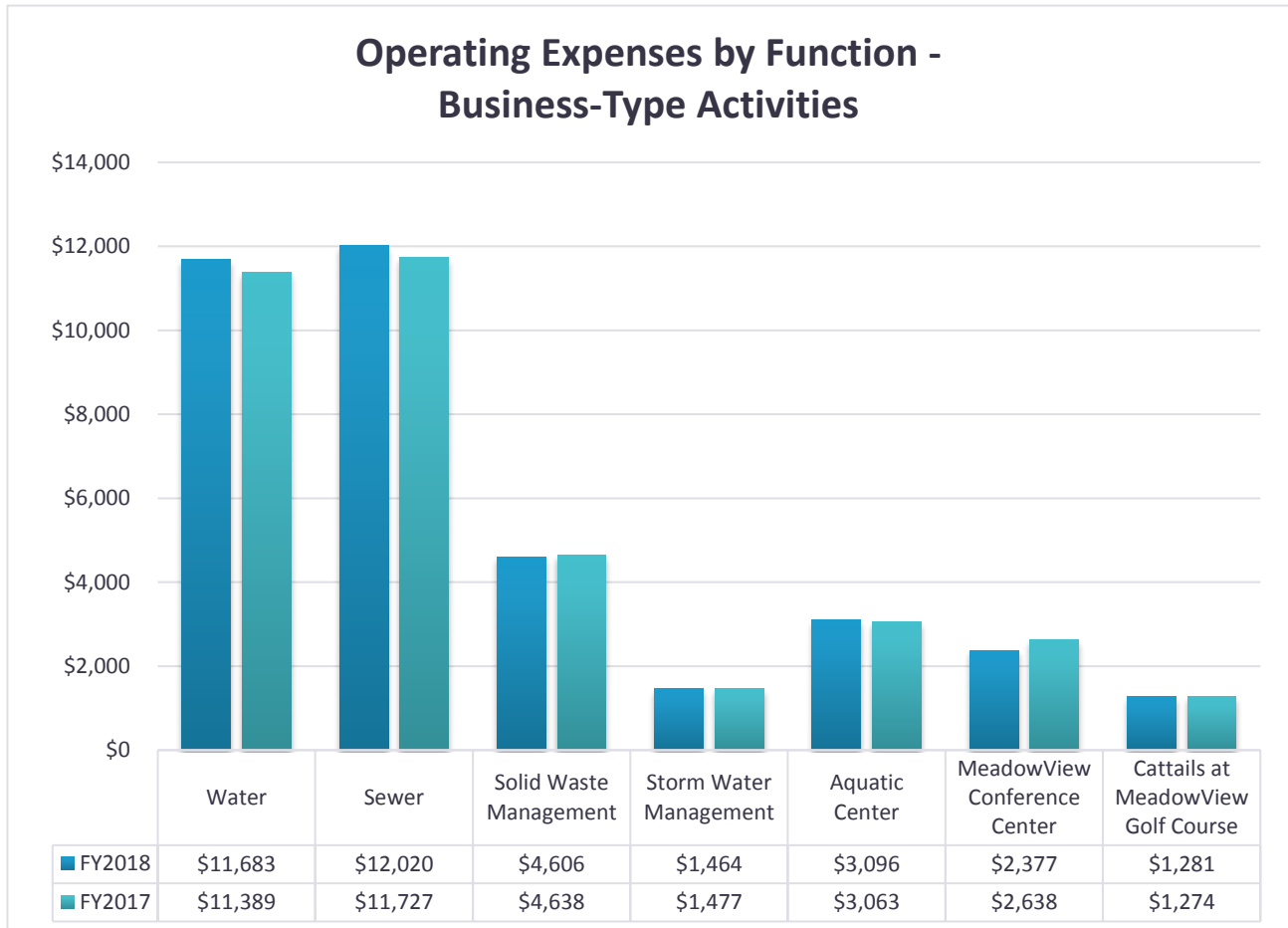
REVENUE BY SOURCE - BUSINESS-TYPE ACTIVITIES



**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(amounts expressed in thousands)**

Business-Type Activities – Operating Expenses

Operating expenses for business-type activities were more than the prior year by \$321. The water fund expenses increased by \$294 while sewer fund expenses increased \$293. Meadowview Conference Center expenses decreased by \$261.



**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(amounts expressed in thousands)**

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 \$73,980 an increase of \$6,338 in comparison with the prior year. Approximately 21% of this total amount, \$15,585 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance consists of \$367 nonspendable primarily attributed to inventories and a perpetual care trust, \$41,611 restricted primarily for capital projects, and \$16,417 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 \$15,585 while total fund balance was \$15,778. Of the total fund balance \$32 is considered nonspendable while \$160 is considered assigned. The majority of the assigned fund balance represents encumbrance carryovers from fiscal year 2018 to fiscal year 2019. 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 19% of total general fund expenditures and transfers out, while total fund balance represents 20% of that same amount. During fiscal year 2018, the fund balance of the City's General Fund increased by \$1663.

The general purpose school fund has a total fund balance of \$6,817, of which most is uncommitted. The net increase in fund balance during the current year in the general purpose school fund was \$243.

The capital project fund has a total fund balance of \$44,261. Of this amount, \$41,314 represents unspent bond proceeds restricted for capital projects. This amount includes unspent proceeds from the Sullivan County School Bonds that are not a liability of the City but have been treated in the same manner as the City's own bond proceeds. The remainder of \$2,947 is assigned to the capital project fund. The net increase in this fund balance of \$3,221 was primarily due to the issuance of debt that remained unspent at yearend.

The debt service fund has a total fund balance of \$363. Debt service expenditures (principal and interest) totaled \$12,893 for fiscal year 2018. This was \$935 more than the debt service expenditures paid in fiscal year 2017.

Nonmajor (other) governmental funds have a fund balance of \$6,762. The net increase in fund balance during the current year in nonmajor governmental funds was \$981.

**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(amounts expressed in thousands)**

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 \$4,031 and \$1,998 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 revenue budget and the final amended revenue budget represent a \$96 increase and are detailed as follows:

\$	80	Appropriate additional income from Emergency Communications District
	10	Appropriate additional grant money and contributions
	6	Appropriate additional charges for services
	<u>96</u>	
<u>\$</u>	<u>96</u>	

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, 2018, amounts to \$651,845 (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 on going during fiscal year 2018 was the \$7,161 Reedy Creek Trunk Line Sewer Project. The \$15,057 Raw Water Intake Project was completed and capitalized in fiscal year 2018. Business-type construction in progress at the close of the fiscal year was \$24,063.
- Construction continued and/or began on a variety of general governmental projects including various road improvement projects. The most significant capital project for fiscal year 2018 was the DB Science and Technology Center which is a \$23,175 budgeted addition to the City's High School. Governmental construction in progress at the close of the fiscal year was \$40,534.

**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(amounts expressed in thousands)**

Additional information on the City's capital assets can be found in Note 4.C on pages 65-70 of this report.

City of Kingsport's Capital Assets

(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 33,878	\$ 32,271	\$ 8,065	\$ 8,065	\$ 41,943	\$ 40,336
Buildings and Systems	90,486	93,256	268,047	245,745	358,533	339,001
Improvements other than Buildings	18,797	17,763	3,797	4,134	22,594	21,897
Machinery and Equipment	18,787	18,780	2,711	2,282	21,498	21,062
Software	306	293	103	152	409	445
Infrastructure	142,271	144,800	0	0	142,271	144,800
Construction in Progress	40,534	35,255	24,063	41,997	64,597	77,252
Total Capital Assets	<u>\$ 345,059</u>	<u>\$ 342,418</u>	<u>\$ 306,786</u>	<u>\$ 302,375</u>	<u>\$ 651,845</u>	<u>\$ 644,793</u>

Long-term debt

At the end of the current fiscal year, the City had total gross debt outstanding of \$250,639. 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	
	2018	2017	2018	2017	2018	2017
Notes Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Obligation Bonds	115,126	108,242	117,552	114,306	232,678	222,548
Loans from Other Governments	4,872	5,734	13,089	12,872	17,961	18,606
Total Long-term Debt	<u>\$ 119,998</u>	<u>\$ 113,976</u>	<u>\$ 130,641</u>	<u>\$ 127,178</u>	<u>\$ 250,639</u>	<u>\$ 241,154</u>

During the current fiscal year, the City's total gross debt increased by \$9,485 (4%). The governmental activities long-term debt increased by \$6,022 while business-type activities long-term debt increased by \$3,463.

On September 8, 2017, the City issued \$14,855 General Obligation Public Improvement Bonds, Series 2017A and \$11,250 General Obligation Public Improvement Bonds, Series 2017B. During the fiscal year the City drew funds from the state revolving loan totaling \$685.

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 September 2018 in conjunction with a recent bond sale.

**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(amounts expressed in thousands)**

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 73-129 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City's 2017 unemployment rate of 4.2% is down from a high of 10.9% during the recession of 2009.
- Inflationary trends in the region are comparable to national indices.
- 518 building permits with an estimated value of \$125,319 were issued during this fiscal year, compared to 551 building permits with an estimated value of \$115,441 for the previous year.

Short term interest rates on investments for the City's operating funds increased to approximately 2.0% by the end of fiscal year 2018. The City's most recent investment bid was awarded at a rate of 2.58% for 268 days.

All of these factors were considered in preparing the City's budget for the 2019 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$15,585. The City has assigned fund balance of \$139 to cover encumbrances remaining from FY2018.

Due to the increase in the general fund's fund balance for the year ended June 30, 2018 of \$1,663, the City's Board of Mayor and Alderman decided to appropriate general fund balance of \$1,491 to various capital projects effective November 6, 2018.

For the FY2019 budget year, both water rates and inside sewer rates were increased by 2%. Outside sewer rates remained unchanged.

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, 2018

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	Industrial Development Board	Emergency Communications District
ASSETS:					
Cash	\$ 1,569,148	\$ 37,860	\$ 1,607,008	\$ 1,145,116	\$ 1,965,626
Equity in Pooled Cash and Investments	32,234,238	11,976,828	44,211,066	0	0
Long Term Certificates of Deposit	250,692	0	250,692	0	0
Investments	446,610	0	446,610	0	0
Accounts Receivable, Net	40,584,762	5,013,565	45,598,327	50,045	0
Accrued Interest Receivable	280,265	99,364	379,629	0	0
Due from Other Governments	32,221,107	20,219	32,241,326	518,711	0
Internal Balances	2,116,854	(2,116,854)	0	0	0
Inventories	571,800	638,228	1,210,028	0	0
Prepays	255,937	52,922	308,859	8,418	16,991
Land Held for Sale or Development	0	0	0	6,526,911	0
Restricted Assets:					
Cash	41,607,234	23,691,140	65,298,374	0	0
Long Term Certificates of Deposit	1,000,000	0	1,000,000	0	0
Investments	3,779,203	1,044,806	4,824,009	214,017	0
Net Pension Asset	478,365	0	478,365	0	0
Receivables	0	0	0	478,162	0
Capital Assets:					
Land	33,878,009	8,065,419	41,943,428	1,200,238	242,010
Buildings and Systems	188,949,158	424,890,952	613,840,110	7,896,063	2,022,110
Improvements Other Than Buildings	36,405,678	10,659,708	47,065,386	584,105	0
Machinery and Equipment	59,846,765	7,922,623	67,769,388	0	829,738
Software	1,090,545	310,517	1,401,062	0	0
Infrastructure	297,613,987	0	297,613,987	0	0
Construction in Progress	40,533,739	24,063,055	64,596,794	0	0
Less: Accumulated Depreciation	(313,259,078)	(169,126,291)	(482,385,369)	(740,183)	(693,269)
Other Assets, Net	76,994	178,245	255,239	0	0
Total Assets	502,532,012	347,422,306	849,954,318	17,881,603	4,383,206
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Outflows Related to Refunding	3,230,256	1,744,252	4,974,508	0	0
Deferred Outflows Related to OPEB	1,222,927	0	1,222,927	0	0
Deferred Outflows Related to Pensions	14,472,773	1,499,781	15,972,554	0	0
Total Deferred Outflows of Resources	18,925,956	3,244,033	22,169,989	0	0
LIABILITIES:					
Accounts Payable and Other Current Liabilities	15,212,942	1,978,497	17,191,439	513,335	2,759
Due to Other Governments	16,945	245,626	262,571	0	0
Compensated Absences Payable	3,712,676	631,783	4,344,459	0	0
Accrued Interest Payable	1,365,434	1,208,607	2,574,041	82,602	0
Unearned Revenue	88,389	39,422	127,811	78,464	0
Liabilities Payable from Restricted Assets	0	473,686	473,686	0	0
Noncurrent Liabilities:					
Due Within One Year	8,572,859	8,775,088	17,347,947	502,236	0
Due in More Than One Year	118,786,424	128,535,517	247,321,941	11,909,083	0
Pension Liability	24,428,930	4,465,957	28,894,887	0	0
OPEB Liability	62,168,114	5,018,466	67,186,580	0	0
Total Liabilities	234,352,713	151,372,649	385,725,362	13,085,720	2,759
DEFERRED INFLOWS OF RESOURCES:					
Deferred Inflows Related to Property Taxes	55,649,110	0	55,649,110	0	0
Deferred Inflows Related to Other Taxes	394,855	0	394,855	0	0
Deferred Inflows Related to OPEB	6,028,687	636,270	6,664,957	0	0
Deferred Inflows Related to Pensions	11,621,719	962,949	12,584,668	0	0
Total Deferred Inflows of Resources	73,694,371	1,599,219	75,293,590	0	0
NET POSITION:					
Net Investment in Capital Assets	236,836,283	192,493,822	429,330,105	1,265,223	2,400,589
Restricted for Debt Service	0	774,135	774,135	0	0
Restricted for Capital Improvements	22,177,404	461,925	22,639,329	0	0
Restricted for Federal Forfeitures	80,565	0	80,565	0	0
Restricted for Hotel Tax	215,966	0	215,966	0	0
Restricted for Net Pension Asset	478,365	0	478,365	0	0
Restricted for Perpetual Care (Nonexpendable)	152,692	0	152,692	0	0
Unrestricted	(46,530,391)	3,964,589	(42,565,802)	3,530,660	1,979,858
Total Net Position	\$ 213,410,884	\$ 197,694,471	\$ 411,105,355	\$ 4,795,883	\$ 4,380,447

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business - Type Activities	Total	Industrial Development Board	Emergency Communications District
Primary Government:									
Governmental Activities:									
General Government	\$ 11,654,457	\$ 873,420	\$ 476,855	\$ 2,919,144	\$ (7,385,038)	\$ 0	\$ (7,385,038)		
Public Safety	23,574,401	1,497,607	325,878	0	(21,750,916)	0	(21,750,916)		
Public Works	17,995,836	694,464	0	0	(17,301,372)	0	(17,301,372)		
Highways and Transportation	4,309,081	131,331	3,026,771	1,646,939	495,960	0	495,960		
Economic and Physical Development	2,003,996	0	328,141	0	(1,675,855)	0	(1,675,855)		
Culture and Recreation	8,539,135	1,430,394	192,536	0	(6,916,205)	0	(6,916,205)		
Education	82,061,934	2,229,939	39,033,410	0	(40,798,585)	0	(40,798,585)		
Interest on Long Term Debt	4,077,838	0	0	0	(4,077,838)	0	(4,077,838)		
Total Governmental Activities	154,216,678	6,857,155	43,383,591	4,566,083	(99,409,849)	0	(99,409,849)		
Business - Type Activities:									
Water	11,682,737	13,561,961	51,431	258,915	0	2,189,570	2,189,570		
Sewer	12,020,168	14,129,069	77,172	0	0	2,186,073	2,186,073		
Solid Waste Management	4,606,197	2,860,951	3,866	0	0	(1,741,380)	(1,741,380)		
Storm Water Management	1,464,050	1,844,224	7,718	0	0	387,892	387,892		
Aquatic Center	3,095,614	1,382,559	7,059	0	0	(1,705,996)	(1,705,996)		
MeadowView Conference Resort and Convention Center	2,376,920	380,866	12,941	0	0	(1,983,113)	(1,983,113)		
Cattails at MeadowView Golf Course	1,281,058	879,919	0	0	0	(401,139)	(401,139)		
Total Business - Type Activities	36,526,744	35,039,549	160,187	258,915	0	(1,068,093)	(1,068,093)		
Total Primary Government	\$ 190,743,422	\$ 41,896,704	\$ 43,543,778	\$ 4,824,998	(99,409,849)	(1,068,093)	(100,477,942)		
Component Units:									
Industrial Development Board	\$ 4,232,685	\$ 2,177,087	\$ 1,491,530	\$ 0				\$ (564,068)	\$ 0
Emergency Communications District	628,388	769,230	37,795	0				0	178,637
Total Component Units	\$ 4,861,073	\$ 2,946,317	\$ 1,529,325	\$ 0				(564,068)	178,637
General Revenues:									
Property Taxes					57,621,560	0	57,621,560	0	0
Sales Taxes					35,891,135	0	35,891,135	0	0
Alcoholic Beverage Taxes					1,973,277	0	1,973,277	0	0
Occupational Licenses and Business Taxes					7,187,326	0	7,187,326	0	0
Hotel / Motel Taxes					1,826,324	0	1,826,324	0	0
Income Taxes					789,709	0	789,709	0	0
Grants and Contributions Not Restricted to Specific Programs					1,111,256	0	1,111,256	0	5,994
Unrestricted Investment Earnings					850,735	403,815	1,254,550	11,704	160
Miscellaneous					232,232	0	232,232	0	0
Transfers					(3,195,912)	3,195,912	0	0	0
Total General Revenues and Transfers					104,287,642	3,599,727	107,887,369	11,704	6,154
Change in Net Position					4,877,793	2,531,634	7,409,427	(552,364)	184,791
Net Position, July 1, 2017					223,195,522	197,349,851	420,545,373	5,348,247	4,195,656
Implementation of GASB 75 OPEB Liability					(14,662,431)	(2,187,014)	(16,849,445)	0	0
Net Position, July 1, 2017 (as restated)					208,533,091	195,162,837	403,695,928	5,348,247	4,195,656
Net Position, June 30, 2018					\$ 213,410,884	\$ 197,694,471	\$ 411,105,355	\$ 4,795,883	\$ 4,380,447

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash	\$ 18,942	\$ 34,443	\$ 0	\$ 6	\$ 1,515,757	\$ 1,569,148
Equity in Pooled Cash and Investments	7,775,015	7,365,402	233,618	4,415,098	3,223,160	23,012,293
Long-Term Certificates of Deposit	0	0	0	0	250,692	250,692
Investments	0	0	0	0	446,610	446,610
Taxes Receivable, net	39,028,856	0	0	0	0	39,028,856
Accounts Receivable, net	1,103,265	71,821	0	0	45,280	1,220,366
Accrued Interest Receivable	0	0	115,038	164,831	76	279,945
Due from Other Governments	7,018,089	21,728,656	0	728,443	2,745,919	32,221,107
Due from Other Funds	3,354,399	634,844	0	0	0	3,989,243
Due from Component Units	0	0	0	0	0	0
Inventories	1,982	2,453	0	0	171,714	176,149
Prepays	30,036	7,700	0	0	638	38,374
Cash - Restricted	0	0	14,223	41,562,308	30,703	41,607,234
Investments - Restricted	0	0	0	31,310	88,202	119,512
Total Assets	\$ 58,330,584	\$ 29,845,319	\$ 362,879	\$ 46,901,996	\$ 8,518,751	\$ 143,959,529
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 577,696	\$ 644,305	\$ 0	\$ 2,343,800	\$ 486,216	\$ 4,052,017
Compensated Absences Payable	27,895	311,721	0	0	0	339,616
Due to Other Governments	16,939	0	0	0	6	16,945
Due to Other Funds	0	1,996	0	0	1,055,341	1,057,337
Due to Component Units	0	0	0	0	0	0
Contracts Payable	0	0	0	297,375	31,758	329,133
Other Liabilities	2,554,700	4,269,916	0	0	95,745	6,920,361
Unearned Revenue	20	525	0	0	87,844	88,389
Total Liabilities	3,177,250	5,228,463	0	2,641,175	1,756,910	12,803,798

(continued)

CITY OF KINGSPORT, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Deferred Inflows of Resources:						
Unavailable Revenue - Property Taxes	38,980,708	17,800,000	0	0	0	56,780,708
Unavailable Revenue Other	394,855	0	0	0	0	394,855
Total Deferred Inflows of Resources	39,375,563	17,800,000	0	0	0	57,175,563
Fund Balances:						
Nonspendable:						
Inventory	1,982	2,453	0	0	171,714	176,149
Prepays	30,036	7,700	0	0	638	38,374
Allandale Trust Principal	0	0	0	0	152,692	152,692
Restricted for:						
Unspent Bond Proceeds	0	0	0	41,314,167	0	41,314,167
Unspent Federal Forfeitures	0	0	0	0	80,565	80,565
Unspent Hotel Tax	0	0	0	0	215,966	215,966
Assigned to:						
Fund Balance Allocations	139,437	0	0	0	0	139,437
Future Industrial Park	20,927	0	0	0	0	20,927
Education	0	6,806,703	0	0	2,646,623	9,453,326
Debt Service	0	0	362,879	0	0	362,879
Capital Projects	0	0	0	2,946,654	0	2,946,654
Community Development	0	0	0	0	16,471	16,471
Other Projects	0	0	0	0	1,442,261	1,442,261
Public Safety	0	0	0	0	435,696	435,696
Transportation	0	0	0	0	650,235	650,235
Culture and Recreation	0	0	0	0	899,358	899,358
Allandale	0	0	0	0	49,622	49,622
Unassigned	15,585,389	0	0	0	0	15,585,389
Total Fund Balances	15,777,771	6,816,856	362,879	44,260,821	6,761,841	73,980,168
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 58,330,584</u>	<u>\$ 29,845,319</u>	<u>\$ 362,879</u>	<u>\$ 46,901,996</u>	<u>\$ 8,518,751</u>	<u>\$ 143,959,529</u>

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, 2018

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

Total Fund Balance of Governmental Funds	\$ 73,980,168
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	334,502,795
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.	1,131,598
Net pension asset related to the teacher retirement plan is reported on statement of net position.	478,365
Deferred outflows related to refunding is reported is on statement of net position.	3,230,256
Deferred outflows related to OPEB is reported on the statement of net position.	1,222,927
Deferred outflows related to pensions is reported on the statement of net position.	14,472,773
Deferred inflows related to OPEB is reported on the statement of net position.	(6,028,687)
Deferred inflows related to pensions is reported on the statement of net position.	(11,621,719)
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.	20,639,432
Long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(218,597,024)</u>
Net Position of Governmental Activities	<u><u>\$ 213,410,884</u></u>

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, 2018

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 48,507,601	\$ 28,628,141	\$ 0	\$ 0	\$ 4,329,051	\$ 81,464,793
Licenses and Permits	547,907	0	0	0	0	547,907
Intergovernmental	25,178,011	30,278,580	175,797	2,373,231	12,841,225	70,846,844
Charges for Services	2,150,796	1,412,002	0	0	1,204,732	4,767,530
Fines and Forfeitures	988,350	0	0	0	198,570	1,186,920
Investment Earnings	124,419	0	327,312	296,061	10,018	757,810
Contributions and Donations	202,454	0	0	53,409	329,196	585,059
Miscellaneous	185,674	704,301	0	6,500	0	896,475
Total Revenues	77,885,212	61,023,024	503,109	2,729,201	18,912,792	161,053,338
EXPENDITURES:						
Current:						
General Government	9,233,769	0	0	0	1,505,038	10,738,807
Public Safety	21,830,277	0	0	0	95,179	21,925,456
Public Works	10,327,076	0	0	0	0	10,327,076
Economic and Physical Development	1,517,582	0	0	0	328,141	1,845,723
Transportation	0	0	0	0	4,309,081	4,309,081
Culture and Recreation	5,726,987	0	0	0	381,443	6,108,430
Education	0	70,092,798	0	0	8,450,867	78,543,665
Miscellaneous	963,700	0	0	0	0	963,700
Debt Service:						
Principal	0	0	8,624,257	0	0	8,624,257
Interest	0	0	4,268,268	0	0	4,268,268
Bond Issuance Costs	0	0	0	199,766	0	199,766
Other Costs	0	0	20,531	0	0	20,531
Capital Outlay	93,395	289,168	0	16,851,835	1,761,695	18,996,093
Total Expenditures	49,692,786	70,381,966	12,913,056	17,051,601	16,831,444	166,870,853
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,192,426	(9,358,942)	(12,409,947)	(14,322,400)	2,081,348	(5,817,515)

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):						
Transfers In	3,470,598	13,696,267	12,641,144	2,181,641	3,023,793	35,013,443
Transfers Out	(30,000,409)	(4,094,520)	0	0	(4,124,468)	(38,219,397)
Issuance of Debt	0	0	0	14,690,288	0	14,690,288
Premiums on Debt Issued	0	0	0	671,390	0	671,390
Total Other Financing Sources (Uses)	(26,529,811)	9,601,747	12,641,144	17,543,319	(1,100,675)	12,155,724
Net Change in Fund Balances	1,662,615	242,805	231,197	3,220,919	980,673	6,338,209
Fund Balances, July 1, 2017	14,115,156	6,574,051	131,682	41,039,902	5,781,168	67,641,959
Fund Balances, June 30, 2018	<u>\$ 15,777,771</u>	<u>\$ 6,816,856</u>	<u>\$ 362,879</u>	<u>\$ 44,260,821</u>	<u>\$ 6,761,841</u>	<u>\$ 73,980,168</u>

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, 2018

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

Net Change in Fund Balance of Governmental Funds	\$ 6,338,209
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.	4,296,746
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is a decrease to net position.	(2,193,822)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	35,375
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.	2,057,079
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	(27,684)
Increase in Accrued Interest	(103,241)
Increase in OPEB Liabilities and Deferrals	(3,523,854)
Decrease in Pension Liabilities and Deferrals net of pension asset	4,399,735
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 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.	<u>(6,400,750)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 4,877,793</u></u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes:				
General Property	\$ 39,374,800	\$ 38,783,739	\$ 38,812,876	\$ 29,137
Gross Receipts	9,227,400	9,478,728	9,694,725	215,997
Licenses and Permits	519,000	519,000	547,907	28,907
Intergovernmental:				
Federal	5,000	5,000	0	(5,000)
State	6,114,500	6,416,808	6,611,136	194,328
County	17,410,800	17,558,073	18,274,325	716,252
Local	216,900	293,343	292,550	(793)
Charges for Services	2,414,100	2,113,772	2,150,796	37,024
Fines and Forfeitures	895,700	940,700	988,350	47,650
Investment Earnings	35,000	124,409	124,419	10
Contributions and Donations	200,000	200,242	202,454	2,212
Miscellaneous	83,800	159,638	185,674	26,036
	<u>76,497,000</u>	<u>76,593,452</u>	<u>77,885,212</u>	<u>1,291,760</u>
Total Revenues				
EXPENDITURES:				
General Government:				
Board of Mayor and Aldermen	147,250	140,364	140,303	61
Judicial	30,950	27,379	27,378	1
City Attorney	444,900	430,190	430,083	107
City Manager	433,900	431,052	430,885	167
Assistant City Manager	136,800	139,848	139,799	49
Budget Office	205,300	198,767	198,758	9
Special Programs	3,180,900	3,011,231	2,963,865	47,366
Public Information Office	362,250	375,173	375,160	13
Personnel	1,204,000	1,202,519	1,200,608	1,911
Purchasing	298,850	280,329	280,210	119
Finance Administration	1,771,900	1,689,870	1,689,620	250
Records Administration	96,500	95,277	93,420	1,857
Information Technology	1,114,950	1,084,576	1,084,408	168
Community Services Office	226,600	179,281	179,272	9
	<u>9,655,050</u>	<u>9,285,856</u>	<u>9,233,769</u>	<u>52,087</u>
Total General Government				

(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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public Safety:				
Police Administration	1,803,200	1,818,411	1,816,303	2,108
Jail Operations	488,950	435,565	431,930	3,635
Training	409,700	360,036	358,271	1,765
Traffic School	13,500	16,461	16,282	179
Investigations	1,404,100	1,675,504	1,674,342	1,162
Patrol Division	6,327,000	5,873,466	5,848,538	24,928
Central Dispatch	1,225,500	1,265,711	1,257,616	8,095
Communications	383,600	277,653	275,923	1,730
Fire Control and Prevention	9,754,050	10,155,834	10,151,072	4,762
Total Public Safety	<u>21,809,600</u>	<u>21,878,641</u>	<u>21,830,277</u>	<u>48,364</u>
Public Works:				
Administration	190,700	187,727	187,721	6
Engineering	1,191,900	1,119,769	1,116,682	3,087
Transportation	1,315,800	1,339,312	1,332,727	6,585
Streets and Sanitation Administration	312,100	308,861	307,339	1,522
Street Cleaning	481,200	485,677	483,970	1,707
Street Maintenance	2,202,000	2,169,975	2,163,628	6,347
Building Maintenance	1,849,300	1,925,552	1,919,188	6,364
Grounds Maintenance	1,441,300	1,395,365	1,394,453	912
Park Maintenance	796,600	805,581	805,081	500
Landscaping	661,600	617,113	616,287	826
Inter Local Agreements	1,000	1,000	0	1,000
Total Public Works	<u>10,443,500</u>	<u>10,355,932</u>	<u>10,327,076</u>	<u>28,856</u>
Economic and Physical Development:				
Administration	502,300	379,717	378,245	1,472
Planning	305,500	310,945	310,550	395
Geographic Information	381,400	427,159	426,790	369
Code Enforcement	381,800	402,425	401,997	428
Total Economic and Physical Development	<u>1,571,000</u>	<u>1,520,246</u>	<u>1,517,582</u>	<u>2,664</u>

(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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Culture and Recreation:				
Administration	418,000	402,161	397,743	4,418
Adult Education	4,800	2,355	2,354	1
Charter Bus Service	8,300	10,128	8,253	1,875
Parks and Recreation Centers	394,000	431,713	430,098	1,615
Lynn View	54,600	40,036	37,964	2,072
Farmers Market	20,400	20,055	19,232	823
Carousel	81,800	67,026	65,818	1,208
Splash Pad	19,300	20,056	19,412	644
Athletics	1,082,800	1,038,210	1,033,990	4,220
Cultural Arts	210,200	222,090	220,949	1,141
Allandale	259,500	258,533	258,143	390
Senior Citizens Center	727,200	687,978	678,653	9,325
Bays Mountain Park	1,255,700	1,223,123	1,217,181	5,942
Library	1,328,900	1,337,895	1,337,197	698
Total Culture and Recreation	<u>5,865,500</u>	<u>5,761,359</u>	<u>5,726,987</u>	<u>34,372</u>
Miscellaneous	<u>874,888</u>	<u>1,023,514</u>	<u>963,700</u>	<u>59,814</u>
Capital Outlay	<u>159,500</u>	<u>122,203</u>	<u>93,395</u>	<u>28,808</u>
Total Expenditures	<u>50,379,038</u>	<u>49,947,751</u>	<u>49,692,786</u>	<u>254,965</u>
Excess of Revenues Over Expenditures	<u>26,117,962</u>	<u>26,645,701</u>	<u>28,192,426</u>	<u>1,546,725</u>
Other Financing Sources (Uses):				
Transfers In	3,538,300	3,538,300	3,470,598	(67,702)
Transfers Out	<u>(29,577,862)</u>	<u>(30,267,806)</u>	<u>(30,000,409)</u>	<u>267,397</u>
Net Other Financing Sources (Uses)	<u>(26,039,562)</u>	<u>(26,729,506)</u>	<u>(26,529,811)</u>	<u>199,695</u>
Net Change in Fund Balances	78,400	(83,805)	1,662,615	1,746,420
Fund Balances, July 1, 2017	<u>(78,400)</u>	<u>83,805</u>	<u>14,115,156</u>	<u>14,031,351</u>
Fund Balances, June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,777,771</u>	<u>\$ 15,777,771</u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
County Taxes:				
Property Taxes	\$ 20,325,000	\$ 20,325,000	\$ 18,773,309	\$ (1,551,691)
Gross Receipts Taxes	9,770,000	9,770,000	9,814,774	44,774
Other Taxes	42,000	42,000	40,058	(1,942)
Intergovernmental:				
Federal	107,500	107,500	54,892	(52,608)
State	30,166,000	30,172,218	30,223,688	51,470
County	0	0	0	0
Charges for Services	1,535,000	1,535,000	1,412,002	(122,998)
Miscellaneous	752,500	752,500	704,301	(48,199)
Total Revenues	<u>62,698,000</u>	<u>62,704,218</u>	<u>61,023,024</u>	<u>(1,681,194)</u>
EXPENDITURES:				
Instruction:				
Regular	36,885,242	37,890,647	37,475,111	415,536
Special Education	5,601,300	5,617,133	5,357,082	260,051
Vocational	1,601,900	1,552,542	1,523,789	28,753
Total Instruction	<u>44,088,442</u>	<u>45,060,322</u>	<u>44,355,982</u>	<u>704,340</u>
Student Support Services:				
Attendance	72,800	74,013	65,372	8,641
Health Services	926,375	932,725	918,353	14,372
Other	2,514,300	2,575,740	2,501,771	73,969
Total Student Support Services	<u>3,513,475</u>	<u>3,582,478</u>	<u>3,485,496</u>	<u>96,982</u>
Instructional Staff Support Services:				
Regular	3,167,193	3,178,940	3,080,115	98,825
Special Education	542,900	542,900	532,741	10,159
Vocational	187,800	187,800	178,439	9,361
Technology	2,157,150	2,244,386	2,149,136	95,250
Total Instructional Staff Support Services	<u>6,055,043</u>	<u>6,154,026</u>	<u>5,940,431</u>	<u>213,595</u>
General Administrative Support Services:				
Board of Education	1,242,100	1,212,900	1,157,257	55,643
Office of Superintendent	930,150	894,773	648,846	245,927
Total General Administrative Support Services	<u>2,172,250</u>	<u>2,107,673</u>	<u>1,806,103</u>	<u>301,570</u>

(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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
School Administrative Support Services	<u>3,734,209</u>	<u>3,806,645</u>	<u>3,789,014</u>	<u>17,631</u>
Business Administrative Support Services:				
Fiscal Services	<u>433,300</u>	<u>443,018</u>	<u>441,531</u>	<u>1,487</u>
Human Resources	<u>397,200</u>	<u>396,612</u>	<u>396,077</u>	<u>535</u>
Total Business Administrative Support Services	<u>830,500</u>	<u>839,630</u>	<u>837,608</u>	<u>2,022</u>
Operations and Maintenance Support Services:				
Operations	<u>4,722,507</u>	<u>4,750,487</u>	<u>4,537,570</u>	<u>212,917</u>
Plant Maintenance	<u>2,241,000</u>	<u>2,500,503</u>	<u>2,413,731</u>	<u>86,772</u>
Total Operations and Maintenance Support Services	<u>6,963,507</u>	<u>7,250,990</u>	<u>6,951,301</u>	<u>299,689</u>
Student Transportation Support Services	<u>1,961,950</u>	<u>1,966,200</u>	<u>1,876,502</u>	<u>89,698</u>
Noninstructional Services:				
After School Programs	<u>539,000</u>	<u>548,645</u>	<u>508,211</u>	<u>40,434</u>
Community Service	<u>595,500</u>	<u>597,723</u>	<u>542,150</u>	<u>55,573</u>
Total Noninstructional Services	<u>1,134,500</u>	<u>1,146,368</u>	<u>1,050,361</u>	<u>96,007</u>
Capital Outlay	<u>1,911,824</u>	<u>813,624</u>	<u>289,168</u>	<u>524,456</u>
Total Expenditures	<u>72,365,700</u>	<u>72,727,956</u>	<u>70,381,966</u>	<u>2,345,990</u>
Deficiency of Revenues Under Expenditures	<u>(9,667,700)</u>	<u>(10,023,738)</u>	<u>(9,358,942)</u>	<u>664,796</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>13,753,800</u>	<u>13,753,800</u>	<u>13,696,267</u>	<u>(57,533)</u>
Transfers Out	<u>(4,086,100)</u>	<u>(4,171,100)</u>	<u>(4,094,520)</u>	<u>76,580</u>
Total Other Financing Sources (Uses)	<u>9,667,700</u>	<u>9,582,700</u>	<u>9,601,747</u>	<u>19,047</u>
Net Change in Fund Balances	<u>0</u>	<u>(441,038)</u>	<u>242,805</u>	<u>683,843</u>
Fund Balances, July 1, 2017	<u>0</u>	<u>441,038</u>	<u>6,574,051</u>	<u>6,133,013</u>
Fund Balances, June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,816,856</u>	<u>\$ 6,816,856</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	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	\$ 0	\$ 0	\$ 34,392	\$ 0	\$ 3,468	\$ 37,860	\$ 0
Equity in Pooled Cash and Investments	6,988,384	4,113,702	140,800	40,000	693,942	11,976,828	9,221,945
Accounts Receivable, Net	2,012,847	2,041,529	84,907	213,611	660,671	5,013,565	335,540
Accrued Interest Receivable	13,268	83,604	1,245	35	1,212	99,364	320
Due from Other Governments	20,219	0	0	0	0	20,219	0
Due from Other Funds	0	0	0	0	0	0	1,996
Inventories	512,677	0	12,058	0	113,493	638,228	395,651
Prepays	39,322	0	13,600	0	0	52,922	217,563
Total Current Assets	9,586,717	6,238,835	287,002	253,646	1,472,786	17,838,986	10,173,015
Noncurrent Assets:							
Restricted Assets:							
Cash	71,179	431,523	0	85,000	84,994	672,696	0
Cash from Unspent Bonds	5,195,936	16,633,523	144,658	21,930	1,022,397	23,018,444	0
Long Term Certificates of Deposit	0	0	0	0	0	0	1,000,000
Investments	262,901	463,994	906	281,644	35,361	1,044,806	3,659,691
Total Restricted Assets	5,530,016	17,529,040	145,564	388,574	1,142,752	24,735,946	4,659,691
Capital Assets:							
Land	853,388	1,167,851	845,711	1,515,497	3,682,972	8,065,419	14,695
Buildings and Systems	141,039,834	222,290,677	19,273,633	39,645,068	2,641,740	424,890,952	14,897
Improvements Other Than Buildings	0	0	0	2,914,257	7,745,451	10,659,708	0
Software	141,493	88,304	0	0	80,720	310,517	0
Machinery and Equipment	1,404,424	1,757,580	188,264	1,336,049	3,236,306	7,922,623	31,804,218
Construction in Progress	4,689,198	12,775,537	83,027	3,493,131	3,022,162	24,063,055	0
Less: Accumulated Depreciation	(53,105,991)	(87,820,285)	(3,340,598)	(16,437,952)	(8,421,465)	(169,126,291)	(21,277,802)
Total Capital Assets	95,022,346	150,259,664	17,050,037	32,466,050	11,987,886	306,785,983	10,556,008
Other Assets:							
Deposits	0	0	0	0	178,245	178,245	76,994
Total Other Assets	0	0	0	0	178,245	178,245	76,994
Total Noncurrent Assets	100,552,362	167,788,704	17,195,601	32,854,624	13,308,883	331,700,174	15,292,693
Total Assets	110,139,079	174,027,539	17,482,603	33,108,270	14,781,669	349,539,160	25,465,708
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows Related to Refunding	92,370	171,629	651,791	784,111	44,351	1,744,252	0
Deferred Outflows Related to Pensions	676,848	438,984	16,536	0	367,413	1,499,781	0
Total Deferred Outflows of Resources	769,218	610,613	668,327	784,111	411,764	3,244,033	0

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	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	228,819	807,985	179,278	27,764	261,372	1,505,218	385,684
Due to Other Governments	141,014	97,473	7,139	0	0	245,626	0
Due to Other Funds	0	0	1,207,225	158,919	750,710	2,116,854	817,048
Compensated Absences Payable	242,881	207,103	20,689	0	161,110	631,783	97,797
Retainages Payable	71,179	390,057	0	0	12,450	473,686	0
Accrued Interest Payable	224,232	589,555	166,807	168,382	59,631	1,208,607	0
General Obligation Bonds - Current	1,874,307	4,077,957	946,628	913,427	384,561	8,196,880	0
State Revolving Loan - Current	578,208	0	0	0	0	578,208	0
Unearned Revenue	0	0	39,422	0	0	39,422	0
Other Payables	473,279	0	0	0	0	473,279	3,525,747
Total Current Liabilities	3,833,919	6,170,130	2,567,188	1,268,492	1,629,834	15,469,563	4,826,276
Noncurrent Liabilities:							
General Obligation Bonds Payable (Net of Discounts and Premiums)	23,147,576	58,820,193	14,976,596	14,175,222	4,905,557	116,025,144	0
State Revolving Loan Payable	12,510,373	0	0	0	0	12,510,373	0
Advances from Other Funds	0	0	0	0	0	0	0
OPEB Liability	2,291,213	1,441,217	81,193	0	1,204,843	5,018,466	0
Post Closure Liability	0	0	0	0	0	0	0
Pension Liability	2,012,002	1,296,818	61,209	0	1,095,928	4,465,957	0
Total Noncurrent Liabilities	39,961,164	61,558,228	15,118,998	14,175,222	7,206,328	138,019,940	0
Total Liabilities	43,795,083	67,728,358	17,686,186	15,443,714	8,836,162	153,489,503	4,826,276
DEFERRED INFLOWS OF RESOURCES:							
Deferred Inflows Related to Pensions	433,932	269,416	9,000	0	250,601	962,949	0
Deferred Inflows Related to OPEB	277,776	183,714	12,606	0	162,174	636,270	0
Total Deferred Inflows of Resources	711,708	453,130	21,606	0	412,775	1,599,219	0
NET POSITION:							
Net Investment in Capital Assets	62,107,818	103,995,037	1,271,471	17,399,331	7,720,165	192,493,822	10,556,008
Restricted for Debt Service	262,901	463,994	906	14,008	32,326	774,135	0
Restricted for Capital Improvements	0	0	0	372,491	89,434	461,925	0
Unrestricted	4,030,787	1,997,633	(829,239)	662,837	(1,897,429)	3,964,589	10,083,424
Total Net Position	\$ 66,401,506	\$ 106,456,664	\$ 443,138	\$ 18,448,667	\$ 5,944,496	\$ 197,694,471	\$ 20,639,432

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, 2018

	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	\$ 13,021,742	\$ 13,974,321	\$ 1,329,127	\$ 380,866	\$ 5,584,984	\$ 34,291,040	\$ 18,754,706
Penalties and Fines	476,047	146,908	0	0	0	622,955	0
Miscellaneous	64,172	7,840	53,432	0	110	125,554	785,135
Total Operating Revenue	<u>13,561,961</u>	<u>14,129,069</u>	<u>1,382,559</u>	<u>380,866</u>	<u>5,585,094</u>	<u>35,039,549</u>	<u>19,539,841</u>
OPERATING EXPENSES:							
Operating Costs	7,518,917	5,100,880	1,933,285	653,528	6,608,927	21,815,537	15,447,885
Depreciation	3,465,613	5,257,359	683,069	1,352,432	609,248	11,367,721	2,138,346
Total Operating Expenses	<u>10,984,530</u>	<u>10,358,239</u>	<u>2,616,354</u>	<u>2,005,960</u>	<u>7,218,175</u>	<u>33,183,258</u>	<u>17,586,231</u>
Operating Income (Loss)	<u>2,577,431</u>	<u>3,770,830</u>	<u>(1,233,795)</u>	<u>(1,625,094)</u>	<u>(1,633,081)</u>	<u>1,856,291</u>	<u>1,953,610</u>
NONOPERATING REVENUES (EXPENSES):							
Investment Earnings	109,837	270,271	1,698	4,561	17,448	403,815	92,925
Federal Interest Subsidy	51,431	77,172	7,059	12,941	11,584	160,187	0
Interest Expense	(682,478)	(1,526,042)	(477,020)	(370,960)	(133,130)	(3,189,630)	0
Gain (Loss) on Disposal of Capital Assets	0	0	0	0	0	0	502
Bond Issue Cost	(15,729)	(135,887)	(2,240)	0	0	(153,856)	0
Total Nonoperating Revenues (Expenses)	<u>(536,939)</u>	<u>(1,314,486)</u>	<u>(470,503)</u>	<u>(353,458)</u>	<u>(104,098)</u>	<u>(2,779,484)</u>	<u>93,427</u>
Income (Loss) Before Capital Contributions and Transfers	<u>2,040,492</u>	<u>2,456,344</u>	<u>(1,704,298)</u>	<u>(1,978,552)</u>	<u>(1,737,179)</u>	<u>(923,193)</u>	<u>2,047,037</u>
Capital Contributions	258,915	0	0	0	0	258,915	0
Transfers In	167,823	0	1,931,934	1,920,887	2,406,982	6,427,626	10,042
Transfers Out	<u>(1,552,239)</u>	<u>(1,538,806)</u>	<u>(41,804)</u>	<u>0</u>	<u>(98,865)</u>	<u>(3,231,714)</u>	<u>0</u>
Change in Net Position	914,991	917,538	185,832	(57,665)	570,938	2,531,634	2,057,079
Net Position, July 1, 2017	66,441,297	106,170,596	300,636	18,506,332	5,930,990	197,349,851	18,582,353
Implementation of GASB 75 OPEB Liability	<u>(954,782)</u>	<u>(631,470)</u>	<u>(43,330)</u>	<u>0</u>	<u>(557,432)</u>	<u>(2,187,014)</u>	<u>0</u>
Net Position, July 1, 2017 (as restated)	<u>65,486,515</u>	<u>105,539,126</u>	<u>257,306</u>	<u>18,506,332</u>	<u>5,373,558</u>	<u>195,162,837</u>	<u>18,582,353</u>
Net Position, June 30, 2018	<u>\$ 66,401,506</u>	<u>\$ 106,456,664</u>	<u>\$ 443,138</u>	<u>\$ 18,448,667</u>	<u>\$ 5,944,496</u>	<u>\$ 197,694,471</u>	<u>\$ 20,639,432</u>

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, 2018

	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	\$ 13,359,908	\$ 13,596,246	\$ 1,368,857	\$ 256,131	\$ 5,413,175	\$ 33,994,317	\$ 0
Receipts from Interfund Services Provided	168,493	315,887	9,292	0	120,253	613,925	19,440,084
Payments to Suppliers	(4,414,975)	(3,042,651)	(1,329,756)	(823,771)	(4,132,723)	(13,743,876)	(13,204,441)
Payments to Employees	(4,156,946)	(2,794,426)	(539,600)	0	(2,763,306)	(10,254,278)	(1,617,983)
Net Cash Provided (Used) by Operating Activities	<u>4,956,480</u>	<u>8,075,056</u>	<u>(491,207)</u>	<u>(567,640)</u>	<u>(1,362,601)</u>	<u>10,610,088</u>	<u>4,617,660</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers from Other Funds	167,823	0	1,931,934	1,920,887	2,406,982	6,427,626	10,042
Transfers to Other Funds	(1,552,239)	(1,538,806)	(41,804)	0	(98,865)	(3,231,714)	0
Advances From Other Funds	0	0	294,733	(575,618)	(773,428)	(1,054,313)	219,089
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,384,416)</u>	<u>(1,538,806)</u>	<u>2,184,863</u>	<u>1,345,269</u>	<u>1,534,689</u>	<u>2,141,599</u>	<u>229,131</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Proceeds from Capital Debt	1,884,920	10,367,183	170,000	0	0	12,422,103	0
Capital Transfers from Other Funds	0	0	0	0	0	0	0
Intergovernmental Revenue for Capital Projects	444,910	65,587	0	0	0	510,497	0
Acquisition and Construction of Capital Assets	(3,818,282)	(10,955,001)	(109,027)	(368,661)	(386,927)	(15,637,898)	(2,675,924)
Principal Paid on Capital Debt	(2,352,886)	(4,123,815)	(905,646)	(883,261)	(371,746)	(8,637,354)	0
Interest Paid on Capital Debt	(685,538)	(1,526,012)	(539,187)	(413,573)	(143,773)	(3,308,083)	0
Proceeds from Sales of Capital Assets	0	0	0	0	0	0	502
Net Cash Used by Capital and Related Financing Activities	<u>(4,526,876)</u>	<u>(6,172,058)</u>	<u>(1,383,860)</u>	<u>(1,665,495)</u>	<u>(902,446)</u>	<u>(14,650,735)</u>	<u>(2,675,422)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from Sales and Maturities of Investments	0	0	0	0	0	0	0
Purchase of Investments	(60,696)	(151,865)	(906)	(145,667)	(14,337)	(373,471)	(584,599)
Interest Received	100,293	196,685	453	6,123	17,166	320,720	92,782
Net Cash Provided (Used) by Investing Activities	<u>39,597</u>	<u>44,820</u>	<u>(453)</u>	<u>(139,544)</u>	<u>2,829</u>	<u>(52,751)</u>	<u>(491,817)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(915,215)	409,012	309,343	(1,027,410)	(727,529)	(1,951,799)	1,679,552
Cash and Cash Equivalents, July 1, 2017	<u>13,170,714</u>	<u>20,769,736</u>	<u>10,507</u>	<u>1,174,340</u>	<u>2,532,330</u>	<u>37,657,627</u>	<u>7,542,393</u>
Cash and Cash Equivalents, June 30, 2018	<u>\$ 12,255,499</u>	<u>\$ 21,178,748</u>	<u>\$ 319,850</u>	<u>\$ 146,930</u>	<u>\$ 1,804,801</u>	<u>\$ 35,705,828</u>	<u>\$ 9,221,945</u>

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

	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)	\$ 2,577,431	\$ 3,770,830	\$ (1,233,795)	\$ (1,625,094)	\$ (1,633,081)	\$ 1,856,291	\$ 1,953,610
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	3,465,613	5,257,359	683,069	1,352,432	609,248	11,367,721	2,138,346
(Increase) Decrease in Assets:							
Accounts Receivable	(80,793)	(216,937)	(12,674)	(124,735)	(51,666)	(486,805)	(99,576)
Inventory	(22,725)	0	(667)	0	(4,344)	(27,736)	13,730
Prepays	96,449	46,843	(6,260)	0	67,089	204,121	559,771
Increase (Decrease) in Liabilities:							
Accounts Payable	(219,502)	(731,319)	65,876	(24,316)	(304,479)	(1,213,740)	180,485
Benefits Payable	0	0	0	0	0	0	(77,780)
Pension Liabilities and Deferrals	(122,188)	(80,409)	(3,216)	0	(69,649)	(275,462)	0
Compensated Absences Payable	(38,027)	19,143	4,959	0	14,149	224	(10,905)
OPEB Liability and Deferrals	88,110	58,274	3,999	0	51,441	201,824	0
Other Payables	26,454	(21,262)	0	0	0	5,192	(40,021)
Unearned Revenue	0	0	7,502	0	0	7,502	0
Retainages Payable	(814,342)	(27,466)	0	(145,927)	(41,309)	(1,029,044)	0
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,956,480</u>	<u>\$ 8,075,056</u>	<u>\$ (491,207)</u>	<u>\$ (567,640)</u>	<u>\$ (1,362,601)</u>	<u>\$ 10,610,088</u>	<u>\$ 4,617,660</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:							
Cash	\$ 0	\$ 0	\$ 34,392	\$ 0	\$ 3,468	\$ 37,860	\$ 0
Equity in Pooled Cash and Investments	6,988,384	4,113,702	140,800	40,000	693,942	11,976,828	9,221,945
Restricted Cash from Unspent Bonds	5,195,936	16,633,523	144,658	21,930	1,022,397	23,018,444	0
Restricted Cash	71,179	431,523	0	85,000	84,994	672,696	0
Cash and Cash Equivalents, June 30, 2018	<u>\$ 12,255,499</u>	<u>\$ 21,178,748</u>	<u>\$ 319,850</u>	<u>\$ 146,930</u>	<u>\$ 1,804,801</u>	<u>\$ 35,705,828</u>	<u>\$ 9,221,945</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:							
Capital Assets Contributed by Developers	\$ 140,712	\$ 0	\$ 0	\$ 0	\$ 0	\$ 140,712	\$ 0
Federal Interest Subsidy Paid Directly to Bank	\$ 51,431	\$ 77,172	\$ 7,059	\$ 12,941	\$ 11,584	\$ 160,187	\$ 0

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (OPEB)*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, as amended*, and No. 57, *OPEB Measurements by Agents Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this new standard and its effect on the financial statements are more fully explained in Note 5 D. The change resulted in the restatement of the government-wide governmental activities beginning net position of (\$14,662,431) and the government wide business-type activities beginning net position of (\$2,187,014). The adoption had no effects on the beginning fund balance of governmental funds.

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting entity (continued)

Discretely Presented Component Units

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 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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 *library governing board fund* is a special revenue fund used to account for intergovernmental financial resources, as well as user fees for the specific activities associated with the operation of the City Library.

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.).

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 shown are net of an allowance for un-collectibles. 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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 \$4,053,978. The amount expensed was \$3,189,630 and the amount capitalized was \$864,348. 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	\$ 682,478	\$ 1,526,042	\$ 70,231	\$ 49,704	\$ 477,020	\$ 370,960	\$ 13,195	\$ 3,189,630
Capitalized Interest	317,976	386,032	44,815	0	1,303	114,222	0	864,348
Debt Service Interest	<u>\$ 1,000,454</u>	<u>\$ 1,912,074</u>	<u>\$ 115,046</u>	<u>\$ 49,704</u>	<u>\$ 478,323</u>	<u>\$ 485,182</u>	<u>\$ 13,195</u>	<u>\$ 4,053,978</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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:

<u>Assets</u>	<u>Years</u>
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, 2018 are as follows:

Compensated Absences, July 1, 2017	\$ 4,291,209
Compensated Absences Earned - FY 2018	3,557,257
Compensated Absences Used - FY 2018	<u>(3,504,007)</u>
Compensated Absences, June 30, 2018	<u>\$ 4,344,459</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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).

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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. Fund Balance Policy

An appropriate level of Unassigned Fund Balance shall be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls. Such fund balance shall serve cash flow needs, protect against unforeseen emergencies and enhance the credit worthiness of the City. The Fund Balance Policy establishes a minimum General Fund Unassigned Fund Balance equal to 15% of General Fund expenditures.

11. Deferred outflows and inflows of resources

In addition to assets, the statement of net 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 three items that qualify for reporting in this category; deferred outflows related to refunding, deferred outflows related to pensions and deferred outflows related to OPEB. All three are reported in the government-wide statement of net position and the statement of net position for proprietary funds.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Deferred outflows and inflows of resources (continued)

These items result from the differences in the carrying value of refunded debt and its reacquisition price as well as from the requirements recognized under GASB 68 for pensions and GASB 75 for OPEB. 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 reflect payments made by the City not currently recognized by the pension plans and the deferred outflows related to OPEB reflect the present value of projected future benefits.

In addition to liabilities, the statement of net 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 four 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 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 and fourth items are related to the recognition of employee pensions and OPEB as required under GASB 68 and GASB 75 respectively. These items are deferred inflows found in the entity wide statement of net position.

	Entity- Wide Statements Governmental	Governmental Funds Statements
Property Taxes Receivable - General Fund (unavailable)	\$ 0	\$ 1,131,598
Property Taxes Receivable - General Fund (unearned / unavailable)	37,849,110	37,849,110
Hall Income Taxes Receivable - General Fund (unearned / unavailable)	394,855	394,855
Property Taxes Receivable - School Fund (unearned / unavailable)	17,800,000	17,800,000
	<u>\$ 56,043,965</u>	<u>\$ 57,175,563</u>

12. 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 the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan, Teacher Legacy Pension Plan, and Teacher Retirement Plan. Investments are reported at fair value.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. 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 \$334,502,795 difference are as follows:

Governmental funds capital assets	\$ 626,484,071
Less: accumulated depreciation	<u>(291,981,276)</u>
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 334,502,795</u>

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 \$(218,597,024) difference are as follows:

Bonds payable, net of premiums and discounts	\$ (122,487,064)
Notes payable	(4,872,219)
Compensated absences	(3,275,263)
OPEB liability	(62,168,114)
Accrued interest payable	(1,365,434)
Pension liability	<u>(24,428,930)</u>
Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (218,597,024)</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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

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 were exceeded by depreciation of general capital assets. The details of this \$4,296,746 difference are as follows:

Capital outlays	\$ 18,996,092
Depreciation expense	<u>(14,699,346)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 4,296,746</u>

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 \$(2,193,822) difference are as follows:

Capital asset donations reported in statement of activities	\$ 323,687
Capital asset roads annexed reported in statement of activities	0
Forfeited vehicles reported in statement of activities	0
Capital project expenditures not meeting capitalization requirements	(2,372,959)
Asset disposals	<u>(144,550)</u>
Net adjustment to reduce <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (2,193,822)</u>

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 \$35,375 difference are as follows:

Unearned property taxes as of June 30, 2018	\$ 1,131,598
Prior years' unearned property taxes	<u>(1,096,223)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 35,375</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 revenue of certain activities of internal service funds is reported with governmental activities". The details of this \$2,057,079 difference are as follows:

Investment earnings	\$ 92,925
Gain on disposal of capital assets	502
Operating gain	1,953,610
Net transfers in	<u>10,042</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 2,057,079</u></u>

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 \$(6,400,750) difference are as follows:

Principal payments	\$ 8,624,257
Principal payments on HUD Loan	43,000
Issuance of general obligation bonds and notes payable	(14,690,288)
Premium on issuance of general obligation bonds	(671,390)
Amortization of premiums, discounts and refunding costs	<u>293,671</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (6,400,750)</u></u>

CITY OF KINGSFORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018 are as follows:

	Major Governmental Funds				Other	Total
	General Fund	General Purpose Schools Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds	Governmental Funds
Fund Balances:						
<i>Non-spendable:</i>						
Inventory	\$ 1,982	\$ 2,453	\$ 0	\$ 0	\$ 171,714	\$ 176,149
Prepays	30,036	7,700	0	0	638	38,374
Allandale Trust Principal	0	0	0	0	152,692	152,692
Total Non-spendable	32,018	10,153	0	0	325,044	367,215
<i>Restricted for:</i>						
Unspent Bond Proceeds	0	0	0	41,314,167	0	41,314,167
Unspent Federal Forfeitures	0	0	0	0	80,565	80,565
Unspent Hotel Tax	0	0	0	0	215,966	215,966
Total Restricted	0	0	0	41,314,167	296,531	41,610,698
<i>Assigned to:</i>						
Fund Balance Allocations	139,437	0	0	0	0	139,437
Future Industrial Park	20,927	0	0	0	0	20,927
Debt Service	0	0	362,879	0	0	362,879
Capital Projects	0	0	0	2,946,654	0	2,946,654
Other Projects	0	0	0	0	1,442,261	1,442,261
Community Development	0	0	0	0	16,471	16,471
Allandale Fund	0	0	0	0	49,622	49,622
<i>Education:</i>						
General Purpose School Fund	0	6,806,703	0	0	0	6,806,703
School Nutrition Fund	0	0	0	0	2,572,381	2,572,381
School Projects Fund	0	0	0	0	6,980	6,980
Palmer Center Fund	0	0	0	0	67,262	67,262
<i>Public Safety:</i>						
Criminal Forfeiture Fund	0	0	0	0	108,929	108,929
Drug Fund	0	0	0	0	326,767	326,767
Justice Assistance Grant Fund	0	0	0	0	0	0
<i>Transportation:</i>						
Federal Transit Fund	0	0	0	0	602,078	602,078
MPO Fund	0	0	0	0	45,475	45,475
State Street Aid Fund	0	0	0	0	2,682	2,682
<i>Culture and Recreation:</i>						
Regional Sales Tax Fund	0	0	0	0	427,641	427,641
Visitors Enhancement Fund	0	0	0	0	0	0
Steadman Cemetery Fund	0	0	0	0	8,957	8,957
Library Commission Fund	0	0	0	0	4,326	4,326
Library Governing Board Fund	0	0	0	0	47,154	47,154
Bays Mountain Park Fund	0	0	0	0	222,857	222,857
Senior Citizens Fund	0	0	0	0	188,423	188,423
Total Assigned	160,364	6,806,703	362,879	2,946,654	6,140,266	16,416,866
<i>Unassigned:</i>	15,585,389	0	0	0	0	15,585,389
Total Fund Balances	\$ 15,777,771	\$ 6,816,856	\$ 362,879	\$ 44,260,821	\$ 6,761,841	\$ 73,980,168

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018, there were no instances of expenditures exceeding appropriations in any funds.

C. Deficit fund equity

For the fiscal year ended June 30 2018, the Solid Waste Management Fund reports a deficit total net position in the amount of, \$(229,000). For the fiscal year ended June 30, 2018 the Solid Waste Management Fund had a positive change in net position of \$180,923, compared to the restated fiscal year 2017 net position of \$(409,923) after implementation of GASB 75. This positive change is a result of the City implemented monthly sanitation fee and continued transfers from the General Fund

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

There were no instances of deficit fund equity in any additional funds of the City at June 30, 2018.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018, 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, 2018, the City's carrying amount of deposits was \$111,024,777 and the bank balance was \$114,065,089.

The carrying amount of deposits at June 30, 2018 for the IDBK, a discretely presented component unit, was \$1,145,116 and the bank balance was \$1,132,266. The IDBK's deposits in financial institutions were entirely insured through FDIC or collateralized through the Tennessee Bank Collateral Pool at June 30, 2018.

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, 2018.

The carrying amount of deposits at June 30, 2018 for the ECD was \$1,965,626 and the deposits in financial institutions were \$2,020,090.

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).

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and investments (continued)

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 invests 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.

At June 30, 2018, the City's carrying amount for investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in Years)</u>
Certificate of Deposit	\$ 1,250,692	1.04
Tennessee Local Government Investment Pool	<u>5,270,619</u>	0.12
Total	<u>\$ 6,521,311</u>	

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, 2018.

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

Receivables as of June 30, 2018 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	MeadowView Conference Resort and Convention Center	Non-Major Governmental	Non-Major Business-Type	Internal Service	Total Primary Government	Component Units
Receivables:												
Taxes	\$ 39,658,882	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,658,882	\$ 0
Accounts	1,459,829	106,566	0	2,097,802	2,353,955	84,907	213,611	45,280	880,135	335,540	7,577,625	50,045
Intergovernmental	7,018,089	21,728,656	728,443	20,219	0	0	0	2,745,919	0	0	32,241,326	518,711
Gross receivables	48,136,800	21,835,222	728,443	2,118,021	2,353,955	84,907	213,611	2,791,199	880,135	335,540	79,477,833	568,756
Less: Allowances for uncollectibles	(986,590)	(34,745)	0	(84,955)	(312,426)	0	0	0	(219,464)	0	(1,638,180)	0
Net total receivables	<u>\$ 47,150,210</u>	<u>\$ 21,800,477</u>	<u>\$ 728,443</u>	<u>\$ 2,033,066</u>	<u>\$ 2,041,529</u>	<u>\$ 84,907</u>	<u>\$ 213,611</u>	<u>\$ 2,791,199</u>	<u>\$ 660,671</u>	<u>\$ 335,540</u>	<u>\$ 77,839,653</u>	<u>\$ 568,756</u>

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	\$ (23,008)
Uncollectibles related to general activities	(17,164)
Uncollectibles related to school activities	23,793
Uncollectibles related to water sales	(7,636)
Uncollectibles related to sewer charges	(31,498)
Uncollectibles related to solid waste charges	(70,705)
Uncollectibles related to storm water management fees	(14,824)
Uncollectibles related to internal service funds activities	-
Total uncollectibles of the current fiscal year	<u>\$ (141,042)</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets

Capital asset activity for the year ended June 30, 2018, was as follows:

Primary government

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 32,271,141	\$ 1,656,868	\$ (50,000)	\$ 0	\$ 33,878,009
Construction in Progress	35,254,924	16,321,036	(10,733,481)	(308,740)	40,533,739
Total capital assets, not being depreciated	67,526,065	17,977,904	(10,783,481)	(308,740)	74,411,748
Capital assets, being depreciated:					
Buildings	186,630,956	2,318,202	0	0	188,949,158
Improvements other than buildings	34,024,798	2,483,456	(102,576)	0	36,405,678
Equipment	57,221,051	4,207,923	(1,582,209)	0	59,846,765
Software	978,806	121,639	(9,900)	0	1,090,545
Infrastructure	294,046,497	3,567,490	0	0	297,613,987
Total capital assets, being depreciated	572,902,108	12,698,710	(1,694,685)	0	583,906,133
Less accumulated depreciation for:					
Buildings	(93,375,290)	(5,088,194)	0	0	(98,463,484)
Improvements other than buildings	(16,261,825)	(1,369,324)	23,080	0	(17,608,069)
Equipment	(38,440,741)	(4,174,842)	1,555,505	0	(41,060,078)
Software	(685,949)	(108,328)	9,900	0	(784,377)
Infrastructure	(149,246,066)	(6,097,004)	0	0	(155,343,070)
Total accumulated depreciation	(298,009,871)	(16,837,692)	1,588,485	0	(313,259,078)
Total capital assets, being depreciated, net	274,892,237	(4,138,982)	(106,200)	0	270,647,055
Governmental activities capital assets, net	<u>\$ 342,418,302</u>	<u>\$ 13,838,922</u>	<u>\$ (10,889,681)</u>	<u>\$ (308,740)</u>	<u>\$ 345,058,803</u>

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

Governmental activities:	
General government	\$ 1,478,513
Economic and physical development	21,684
Public safety	1,734,533
Public works	7,382,611
Culture and recreation	2,237,416
Education	3,982,935
Total depreciation expense - governmental activities	<u>\$ 16,837,692</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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:					
<u>Water</u>					
Land	\$ 853,388	\$ 0	\$ 0	\$ 0	\$ 853,388
Construction in Progress	22,099,477	3,195,357	(20,605,636)	0	4,689,198
<u>Sewer</u>					
Land	1,167,851	0	0	0	1,167,851
Construction in Progress	13,647,348	10,473,370	(11,345,181)	0	12,775,537
<u>Solid waste management</u>					
Land	1,716,309	0	0	0	1,716,309
Construction in Progress	1,597,594	210,081	(273,260)	0	1,534,415
<u>Storm Water</u>					
Land	985,063	0	0	0	985,063
Construction in Progress	1,365,023	256,653	(158,500)	0	1,463,176
<u>Aquatic Center</u>					
Land	845,711	0	0	0	845,711
Construction in Progress	0	83,027	0	0	83,027
<u>Meadowview Conference Resort and Convention Center</u>					
Land	1,515,497	0	0	0	1,515,497
Construction in Progress	3,287,692	205,439	0	0	3,493,131
<u>Cattails at Meadowview Golf Course</u>					
Land	981,600	0	0	0	981,600
Construction in Progress	0	24,571	0	0	24,571
Total capital assets, not being depreciated	50,062,553	14,448,498	(32,382,577)	0	32,128,474
Capital assets, being depreciated:					
<u>Water</u>					
Buildings and system	119,944,077	21,095,757	0	0	141,039,834
Equipment and machinery	1,130,908	273,516	0	0	1,404,424
Software	141,493	0	0	0	141,493
<u>Sewer</u>					
Buildings and system	210,939,481	11,351,196	0	0	222,290,677
Equipment and machinery	1,421,527	477,116	(141,063)	0	1,757,580
Software	88,304	0	0	0	88,304
<u>Solid waste management</u>					
Buildings and system	364,806	44,815	0	0	409,621
Improvements other than Buildings	1,177,264	0	0	0	1,177,264
Equipment and machinery	2,141,516	273,760	0	0	2,415,276
Software	6,750	0	0	0	6,750
<u>Storm Water</u>					
Buildings and system	790,732	2,242	0	0	792,974
Improvements other than Buildings	534,297	0	0	0	534,297
Equipment and machinery	312,934	6,565	0	0	319,499
Software	73,970	0	0	0	73,970
<u>Aquatic Center</u>					
Buildings and system	19,272,330	1,303	0	0	19,273,633
Equipment and machinery	163,567	24,697	0	0	188,264
<u>MeadowView Conference Resort and Convention Center</u>					
Buildings	39,530,846	114,222	0	0	39,645,068
Improvements other than Buildings	2,865,257	49,000	0	0	2,914,257
Equipment	1,336,049	0	0	0	1,336,049
<u>Cattails at MeadowView Golf Course</u>					
Buildings	1,439,145	0	0	0	1,439,145
Improvements other than Buildings	6,033,890	0	0	0	6,033,890
Equipment	501,531	0	0	0	501,531
Total capital assets, being depreciated	410,210,674	33,714,189	(141,063)	0	443,783,800

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets (continued)

Primary government (continued)

	Amount	Additions	Deletions	Adjustments	Amount
Less accumulated depreciation for:					
<u>Water</u>					
Buildings and system	(48,617,570)	(3,335,593)	0	5	(51,953,158)
Equipment and machinery	(929,853)	(115,001)	0	(5)	(1,044,859)
Software	(92,955)	(15,019)	0	0	(107,974)
<u>Sewer</u>					
Buildings and system	(81,831,577)	(5,110,900)	0	0	(86,942,477)
Equipment and machinery	(838,534)	(128,798)	139,563	0	(827,769)
Software	(32,378)	(17,661)	0	0	(50,039)
<u>Solid waste management</u>					
Buildings and system	(141,455)	(13,252)	0	0	(154,707)
Improvements other than Buildings	(1,177,264)	0	0	0	(1,177,264)
Equipment and machinery	(1,159,384)	(241,669)	0	0	(1,401,053)
Software	(4,163)	(1,350)	0	0	(5,513)
<u>Storm Water</u>					
Buildings and system	(42,179)	(20,758)	0	0	(62,937)
Improvements other than Buildings	(178,099)	(35,620)	0	0	(213,719)
Equipment and machinery	(98,556)	(45,748)	0	0	(144,304)
Software	(28,898)	(14,794)	0	0	(43,692)
<u>Aquatic Center</u>					
Buildings and system	(2,572,228)	(646,947)	0	0	(3,219,175)
Equipment and machinery	(85,301)	(36,122)	0	0	(121,423)
<u>MeadowView Conference Resort and Convention Center</u>					
Buildings	(12,860,473)	(1,138,664)	0	0	(13,999,137)
Improvements other than Buildings	(1,052,528)	(169,883)	0	0	(1,222,411)
Equipment	(1,172,519)	(43,885)	0	0	(1,216,404)
<u>Cattails at MeadowView Golf Course</u>					
Buildings	(471,174)	(41,102)	0	0	(512,276)
Improvements other than Buildings	(4,068,633)	(181,336)	0	0	(4,249,969)
Equipment	(442,412)	(13,619)	0	0	(456,031)
Total accumulated depreciation	(157,898,133)	(11,367,721)	139,563	0	(169,126,291)
Total capital assets, being depreciated, net	252,312,541	22,346,468	(1,500)	0	274,657,509
Business-type activities capital assets, net	\$ 302,375,094	\$ 36,794,966	\$ (32,384,077)	\$ 0	\$ 306,785,983

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

Business-type activities:	
Water	\$ 3,465,613
Sewer	5,257,359
Solid waste management	256,271
Storm Water	116,920
Aquatic Center	683,069
MeadowView Conference Resort and Convention Center	1,352,432
Cattails at MeadowView Golf Course	236,057
Total depreciation expense - business-type activities	<u>\$ 11,367,721</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets (continued)

Primary government (continued)

Construction commitments

The City has active construction projects as of June 30, 2018. 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, \$19,136,763 through city bonded debt and \$22,177,404 through county bonded debt for school projects. In the proprietary funds, funding for construction projects has been provided and is in segregated deposit and investment accounts totaling \$23,018,444. 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, 2018:

	Business-Type						
	Governmental	Water	Sewer	Aquatic Center	MeadowView Conference Center	Other Enterprise Funds	Total Business-Type
Capital Assets	\$ 658,317,881	\$ 148,128,337	\$ 238,079,949	\$ 20,390,635	\$ 48,904,002	\$ 20,409,351	\$ 475,912,274
Less Accumulated Depreciation	(313,259,078)	(53,105,991)	(87,820,285)	(3,340,598)	(16,437,952)	(8,421,465)	(169,126,291)
Net Capital Assets	<u>345,058,803</u>	<u>95,022,346</u>	<u>150,259,664</u>	<u>17,050,037</u>	<u>32,466,050</u>	<u>11,987,886</u>	<u>306,785,983</u>
Total Debt	127,359,283	38,110,464	62,898,150	15,923,224	15,088,649	5,290,118	137,310,605
Less Debt not related to Capital Assets	0	0	0	0	0	0	0
Less Capital related unspent debt proceeds	(19,136,763)	(5,195,936)	(16,633,523)	(144,658)	(21,930)	(1,022,397)	(23,018,444)
Total Capital Debt	<u>108,222,520</u>	<u>32,914,528</u>	<u>46,264,627</u>	<u>15,778,566</u>	<u>15,066,719</u>	<u>4,267,721</u>	<u>114,292,161</u>
Net Investment in Capital Assets	<u>\$ 236,836,283</u>	<u>\$ 62,107,818</u>	<u>\$ 103,995,037</u>	<u>\$ 1,271,471</u>	<u>\$ 17,399,331</u>	<u>\$ 7,720,165</u>	<u>\$ 192,493,822</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,200,238	\$ 0	\$ 0	\$ 1,200,238
Construction in Progress	0	0	0	0
Total capital assets, not being depreciated	1,200,238	0	0	1,200,238
Capital assets, being depreciated:				
Buildings	7,896,063	0	0	7,896,063
Improvements other than buildings	528,683	0	0	528,683
Signs	55,422	0	0	55,422
Total capital assets, being depreciated	8,480,168	0	0	8,480,168
Less accumulated depreciation for:				
Buildings	(366,373)	(197,402)	0	(563,775)
Improvements other than buildings	(94,192)	(26,794)	0	(120,986)
Signs	(55,422)	0	0	(55,422)
Total accumulated depreciation	(515,987)	(224,196)	0	(740,183)
Total capital assets, being depreciated, net	7,964,181	(224,196)	0	7,739,985
IDBK capital assets, net	\$ 9,164,419	\$ (224,196)	\$ 0	\$ 8,940,223

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 242,010	\$ 0	\$ 0	\$ 242,010
Construction in Progress	0	0	0	0
Total capital assets, not being depreciated	242,010	0	0	242,010
Capital assets, being depreciated:				
Building	2,022,110	0	0	2,022,110
Furniture and Fixtures	211,978	0	0	211,978
Office Equipment	71,894	0	(62,562)	9,332
Communications Equipment	733,044	0	(212,730)	520,314
Other Fixed Assets	116,894	0	(28,780)	88,114
Total capital assets, being depreciated	3,155,920	0	(304,072)	2,851,848
Less accumulated depreciation for:				
Building	(88,467)	(50,553)	0	(139,020)
Furniture and Fixtures	(38,722)	(21,198)	0	(59,920)
Office Equipment	(63,768)	(2,504)	62,300	(3,972)
Communications Equipment	(580,909)	(105,728)	212,093	(474,544)
Other Fixed Assets	(38,670)	(5,923)	28,780	(15,813)
Total accumulated depreciation	(810,536)	(185,906)	303,173	(693,269)
Total capital assets, being depreciated, net	2,345,384	(185,906)	(899)	2,158,579
ECD capital assets, net	<u>\$2,587,394</u>	<u>\$ (185,906)</u>	<u>\$ (899)</u>	<u>\$2,400,589</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Inter-fund receivables, payables, and transfers

The composition of Interfund balances as of June 30, 2018, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund (major)	Aquatic Center Fund (major)	\$ 1,207,225
	Cattails Golf Course Fund (nonmajor)	26,016
	Community Development Fund (nonmajor)	3,675
	Fleet Maintenance Fund (internal service)	817,048
	M P O Fund (nonmajor)	42,762
	MeadowView Convention Center Fund (major)	158,919
	Regional Sales Tax Fund (nonmajor)	244,128
	Solid Waste Fund (nonmajor)	724,694
	State Street Aid Fund (nonmajor)	93,542
	Urban Mass Transit Fund (nonmajor)	<u>36,390</u>
		<u>3,354,399</u>
General Purpose School Fund (major)	Public Law 93-380 Fund (nonmajor)	519,165
	Special School Projects Fund (nonmajor)	<u>115,679</u>
		<u>634,844</u>
Insurance Reserve Fund (internal service)	School Fund (major)	<u>1,996</u>
Total		<u><u>\$ 3,991,239</u></u>

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

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

Inter-fund transfers (continued)

	Transfers in:												
		General Purpose School	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental	Water	Aquatic Center	MeadowView Conference Resort and Convention Center	Nonmajor Proprietary	Total Proprietary	Total Internal Service	Total
Transfers out:	General												
General	\$ 0	\$ 13,670,376	\$ 8,996,316	\$ 2,069,141	\$ 2,921,374	\$ 27,657,207	\$ 0	\$ 140,800	\$ 0	\$ 2,192,360	\$ 2,333,160	\$ 10,042	\$ 30,000,409
General Purpose School	262,273	0	3,644,828	85,000	102,419	4,094,520	0	0	0	0	0	0	4,094,520
Capital Projects	0	0	0	0	0	0	0	0	0	0	0	0	0
Nonmajor Governmental	144,434	25,891	0	27,500	0	197,825	0	1,791,134	1,920,887	214,622	3,926,643	0	4,124,468
Total Governmental	406,707	13,696,267	12,641,144	2,181,641	3,023,793	31,949,552	0	1,931,934	1,920,887	2,406,982	6,259,803	10,042	38,219,397
Water	1,552,239	0	0	0	0	1,552,239	0	0	0	0	0	0	1,552,239
Sewer	1,391,203	0	0	0	0	1,391,203	147,603	0	0	0	147,603	0	1,538,806
Aquatic Center	41,804	0	0	0	0	41,804	0	0	0	0	0	0	41,804
Non Major Proprietary	78,645	0	0	0	0	78,645	20,220	0	0	0	20,220	0	98,865
Total Proprietary	3,063,891	0	0	0	0	3,063,891	167,823	0	0	0	167,823	0	3,231,714
Total Internal Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	\$ 3,470,598	\$ 13,696,267	\$ 12,641,144	\$ 2,181,641	\$ 3,023,793	\$ 35,013,443	\$ 167,823	\$ 1,931,934	\$ 1,920,887	\$ 2,406,982	\$ 6,427,626	\$ 10,042	\$ 41,451,111

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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.

Issued Debt

On September 8, 2017, the City issued General Obligation Public Improvement Bonds, Series 2017A with a par value of \$14,855,000 and an average interest rate of 3.53% and Series 2017B with a par value of \$11,250,000 and an average interest rate of 3.36%. 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; road, street, parking, and sidewalk construction, improvement and expansion, including Greenbelt improvements; the acquisition, construction, renovation, improvement and equipping of public buildings within the Municipality, including renovations to the library and improvements to fire facilities and court facilities; acquisition of public works equipment, including playground equipment and improvements to technology infrastructure, grounds maintenance equipment, street lights, and traffic light systems; acquisition, construction, and improvement of public parks and recreational facilities, including Bays Mountain Park, Preston Forest Park, and aquatic center pool expansion; the acquisition of all property real and personal, appurtenant thereto or connected with such work; and paying legal, fiscal, administrative, and engineering costs, reimbursing the Municipality for the costs of any of the above projects, paying capitalized interest, and paying costs incident to the issuance and sale of the bonds.

The net proceeds of \$14,855,000 consisted of the par amount of the General Obligation Bonds, plus a net premium of \$678,918, less an underwriter's discount and other issuance costs of \$202,004. The net proceeds of \$11,250,000 consisted of the par amount of the General Obligation Bonds, plus a net premium of \$468,799, less an underwriter's discount and other issuance costs of \$151,616. With the implementation of GASB 65, bond issuance costs are expensed in the year incurred.

Defeased Debt

In prior years, the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in an escrow account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2018 the following bonds outstanding are considered to be defeased:

<u>Issue</u>	<u>Date Refunded</u>	<u>Amount Defeased</u>	<u>Call Date</u>
General Obligation Bonds, Series 2009A	6/3/2016	\$ 7,430,000	3/1/2019
General Obligation Bonds, Series 2009B	6/3/2016	4,335,000	3/1/2019
General Obligation Bonds, Series 2009E	6/3/2016	9,040,000	3/1/2020
Local Option Sales Tax Revenue and Tax Bonds, Series 2009C	6/3/2016	9,310,000	3/1/2019
		<u>\$ 30,115,000</u>	

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities:

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, 2018, \$660,878 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, 2018, \$309,800 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, 2018, \$627,456 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, 2018, \$555,000 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, 2018, \$2,719,085 is outstanding.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities

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
2019	\$ 220,292	\$ 103,267	\$ 77,374	\$ 43,000	\$ 420,804
2020	220,293	103,266	77,374	43,000	423,973
2021	220,293	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
2033	0	0	0	0	0
	<u>\$ 660,878</u>	<u>\$ 309,800</u>	<u>\$ 627,456</u>	<u>\$ 555,000</u>	<u>\$ 2,719,085</u>

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, 2018, the City issued General Obligation Public Improvement Bonds, Series 2017A and Series 2017B at par value of \$26,105,000. The portion of these bonds related to general governmental activities totals \$14,690,288 while \$164,712 related to Aquatic Center activities and carry an average coupon rate of 3.53%.

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:

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (Continued)

Debt Service Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2018
2008A General Obligation Public Improvement and Refunding	03/01, 09/01	06/12/08	\$ 7,480,000	3.500%-4.375%	\$ 380,000
2008B General Obligation	03/01, 09/01	06/12/08	11,165,000	3.500%-4.375%	570,000
2009A General Obligation Public Improvement	03/01, 09/01	01/22/09	11,507,548	2.000%-5.000%	555,520
2009B General Obligation	03/01, 09/01	01/22/09	7,100,000	2.000%-5.000%	345,000
2009D General Obligation Public Improvement (BABS)	03/01, 09/01	12/08/09	13,821,065	2.000%-5.000%	9,844,532
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	10,742,779	2.000%-4.000%	8,795,899
2012B General Obligation Refunding	04/01, 10/01	06/22/12	4,357,887	3.00%	378,092
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	4,790,338	2.000%-5.000%	3,574,259
2013 General Obligation Refunding	02/01, 05/01	02/08/13	12,177,052	2.000%-5.000%	8,551,634
2013B General Obligation Public Improvement	03/01, 09/01	10/21/13	13,406,846	2.000%-5.000%	11,367,309
2014A General Obligation Public Improvement	03/01, 09/01	10/31/14	14,596,848	2.000%-5.000%	12,296,793
2015 General Obligation Refunding	03/01, 09/01	02/06/15	17,695,000	2.000%-4.000%	17,400,000
2015A General Obligation Refunding and Improvement	03/01, 09/01	10/27/15	8,054,686	2.000%-4.000%	7,588,095
2016A General Obligation Refunding	03/01, 09/01	06/03/16	6,928,926	2.000%-4.000%	6,928,927
2016B General Obligation Refunding	03/01, 09/01	06/03/16	4,330,138	2.000%-4.000%	4,330,138
2016 General Obligation Public Improvement	03/01, 09/01	11/04/16	7,821,325	3.000%-4.000%	7,529,881
2017A General Obligation Public Improvement	03/01, 09/01	09/08/17	14,690,288	2.000%-5.000%	14,690,288
Total General Obligation Bonds (before net premiums and discounts of \$7,360,697)					<u>\$ 115,126,367</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 380,000	\$ 15,200	\$ 395,200
	<u>\$ 380,000</u>	<u>\$ 15,200</u>	<u>\$ 395,200</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 570,000	\$ 22,800	\$ 592,800
	<u>\$ 570,000</u>	<u>\$ 22,800</u>	<u>\$ 592,800</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 555,520	\$ 22,221	\$ 577,741
	<u>\$ 555,520</u>	<u>\$ 22,221</u>	<u>\$ 577,741</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 345,000	\$ 13,800	\$ 358,800
	<u>\$ 345,000</u>	<u>\$ 13,800</u>	<u>\$ 358,800</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	931,345	106,837	1,038,182
2030	967,970	54,449	1,022,419
	<u>\$ 9,844,532</u>	<u>\$ 3,593,499</u>	<u>\$ 13,438,031</u>

The GOB, Series 2009D Build America Bonds (BABS) carry an interest rate of 2.000% to 5.625%. During fiscal year 2018 the City's Debt Service Fund paid \$362,838 and the Federal government paid \$175,797 in interest, respectively.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
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
	<u>\$ 8,795,899</u>	<u>\$ 2,451,743</u>	<u>\$ 11,247,642</u>

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
2019	\$ 378,092	\$ 11,343	\$ 389,435
	<u>\$ 378,092</u>	<u>\$ 11,343</u>	<u>\$ 389,435</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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
2019	\$ 327,934	\$ 106,512	\$ 434,446
2020	338,229	96,674	434,903
2021	348,560	89,064	437,624
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	251,356	8,169	259,525
	<u>\$ 3,574,259</u>	<u>\$ 766,166</u>	<u>\$ 4,340,425</u>

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
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
	<u>\$ 8,551,634</u>	<u>\$ 1,232,320</u>	<u>\$ 9,783,954</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	916,207	37,565	953,772
	<u>\$ 11,367,309</u>	<u>\$ 4,335,504</u>	<u>\$ 15,702,813</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 508,833	\$ 464,183	\$ 973,016
2020	525,794	445,950	971,744
2021	551,236	419,024	970,260
2022	580,917	390,720	971,637
2023	602,119	370,176	972,295
2024	623,320	348,572	971,892
2025	653,002	316,664	969,666
2026	686,925	283,165	970,090
2027	720,847	251,575	972,422
2028	750,528	222,148	972,676
2029	780,210	191,533	971,743
2030	809,892	159,731	969,623
2031	843,814	126,657	970,471
2032	873,496	96,678	970,174
2033	898,938	70,092	969,030
2034	928,620	42,678	971,298
2035	958,302	14,374	972,676
	<u>\$ 12,296,793</u>	<u>\$ 4,213,920</u>	<u>\$ 16,510,713</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
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
	<u>\$ 17,400,000</u>	<u>\$ 4,097,750</u>	<u>\$ 21,497,750</u>

General Obligation Refunding and Improvement Bonds, Series 2015A, issued October 27, 2015 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 863,859	\$ 220,337	\$ 1,084,196
2020	805,202	211,699	1,016,901
2021	837,197	179,491	1,016,688
2022	853,194	162,747	1,015,941
2023	290,619	128,619	419,238
2024	250,626	119,900	370,526
2025	258,625	112,382	371,007
2026	266,623	104,623	371,246
2027	277,288	96,624	373,912
2028	285,287	88,306	373,593
2029	293,286	79,747	373,033
2030	301,284	70,948	372,232
2031	309,283	61,910	371,193
2032	319,948	52,631	372,579
2033	327,947	43,033	370,980
2034	338,611	33,195	371,806
2035	349,276	22,613	371,889
2036	359,940	11,698	371,638
	<u>\$ 7,588,095</u>	<u>\$ 1,800,503</u>	<u>\$ 9,388,598</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Refunding Bonds, Series 2016A, issued June 03, 2016 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 0	\$ 245,814	\$ 245,814
2020	578,803	245,814	824,617
2021	603,878	222,662	826,540
2022	626,863	198,507	825,370
2023	651,937	173,432	825,369
2024	679,102	147,354	826,456
2025	706,266	120,190	826,456
2026	733,430	91,940	825,370
2027	760,594	62,603	823,197
2028	785,668	39,785	825,453
2029	802,386	24,071	826,457
	<u>\$ 6,928,927</u>	<u>\$ 1,572,172</u>	<u>\$ 8,501,099</u>

General Obligation Refunding Bonds, Series 2016B, issued June 03, 2016 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 0	\$ 150,777	\$ 150,777
2020	118,301	150,777	269,078
2021	369,488	146,045	515,533
2022	384,073	131,265	515,338
2023	398,658	115,903	514,561
2024	416,484	99,956	516,440
2025	431,069	83,297	514,366
2026	448,895	66,054	514,949
2027	466,721	48,098	514,819
2028	479,686	34,097	513,783
2029	491,030	24,503	515,533
2030	325,733	9,772	335,505
	<u>\$ 4,330,138</u>	<u>\$ 1,060,544</u>	<u>\$ 5,390,682</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Public Improvement Bonds, Series 2016, issued November 04, 2016 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 304,275	\$ 266,515	\$ 570,790
2020	317,106	254,344	571,450
2021	328,103	241,660	569,763
2022	342,767	228,536	571,303
2023	355,598	214,825	570,423
2024	372,095	200,601	572,696
2025	386,759	185,718	572,477
2026	401,423	170,247	571,670
2027	401,423	154,190	555,613
2028	417,919	138,133	556,052
2029	434,416	121,417	555,833
2030	452,746	104,040	556,786
2031	467,410	90,458	557,868
2032	482,074	76,435	558,509
2033	493,072	61,973	555,045
2034	509,568	47,181	556,749
2035	524,232	31,894	556,126
2036	538,895	16,167	555,062
	<u>\$ 7,529,881</u>	<u>\$ 2,604,334</u>	<u>\$ 10,134,215</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Public Improvement Bonds, Series 2017A, issued September 08, 2017 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 534,013	\$ 496,421	\$ 1,030,434
2020	558,735	469,721	1,028,456
2021	588,403	441,784	1,030,187
2022	618,070	412,364	1,030,434
2023	647,737	381,460	1,029,197
2024	682,349	349,074	1,031,423
2025	716,961	314,956	1,031,917
2026	751,573	279,108	1,030,681
2027	766,407	264,077	1,030,484
2028	786,185	246,832	1,033,017
2029	801,019	231,109	1,032,128
2030	815,852	213,086	1,028,938
2031	840,575	192,690	1,033,265
2032	865,298	167,472	1,032,770
2033	890,021	141,513	1,031,534
2034	914,744	114,813	1,029,557
2035	944,411	87,370	1,031,781
2036	969,134	59,038	1,028,172
2037	998,801	29,964	1,028,765
	<u>\$ 14,690,288</u>	<u>\$ 4,892,852</u>	<u>\$ 19,583,140</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 7,708,122	\$ 4,216,938	\$ 11,925,060
2020	7,320,412	3,962,423	11,282,835
2021	7,675,936	3,669,580	11,345,516
2022	7,677,596	3,381,766	11,059,362
2023	8,306,026	3,073,691	11,379,717
Next Five Years	43,393,451	10,228,008	53,621,459
Next Five Years	23,794,083	3,625,715	27,419,798
Next Five Years	9,250,741	548,550	9,799,291
	<u>\$ 115,126,367</u>	<u>\$ 32,706,671</u>	<u>\$ 147,833,038</u>

The total on the statement of net assets has been adjusted by net premiums and discounts of \$7,360,697.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2014, 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 plan. The total draws on the loan were \$13,556,601. At June 30, 2018 the outstanding principal balance was \$13,088,581. Principal and interest is paid monthly.

State Revolving Fund, DWF 2014-140, issued September 2017 debt service requirements to maturity for the Water Fund are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 578,208	\$ 228,276	\$ 806,484
2020	588,588	217,896	806,484
2021	599,148	207,336	806,484
2022	609,900	196,584	806,484
2023	620,844	185,640	806,484
2024	631,980	174,504	806,484
2025	643,332	163,152	806,484
2026	654,876	151,608	806,484
2027	666,624	139,860	806,484
2028	678,588	127,896	806,484
2029	690,768	115,716	806,484
2030	703,164	103,320	806,484
2031	715,788	90,696	806,484
2032	728,628	77,856	806,484
2033	741,708	64,776	806,484
2034	755,016	51,468	806,484
2035	768,564	37,920	806,484
2036	782,352	24,132	806,484
2037	796,392	10,092	806,484
2039	134,113	299	134,412
	<u>\$ 13,088,581</u>	<u>\$ 2,369,027</u>	<u>\$ 15,457,608</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

As previously mentioned, during the fiscal year ended June 30, 2018, the City issued General Obligation Bonds Series 2017A and Series 2017B at par value of \$14,855,000 and \$11,250,000 respectively with an average interest rate of 3.36%. Of the 2017A issue, \$164,712 was used to fund Aquatic Center projects. The 2017B total of \$11,250,000 was used to fund capital projects for business type activities. These projects consist of \$1,167,095 for water upgrades, improvements and replacement projects; and \$10,082,905 for sewer projects including line replacements and expansions.

The vast majority of the City of Kingsport's bonds payable including those supporting business-type activities are general obligation bonds with the City's full faith and credit pledge.

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

<u>Solid Waste Management Fund</u>	<u>Interest Payable Dates</u>	<u>Issue Date</u>	<u>Amount Authorized and Issued</u>	<u>Interest Rates</u>	<u>Outstanding June 30, 2018</u>
2009D BABS General Obligation Public Improvement	03/01, 09/01	12/08/09	\$ 303,404	2.250%-5.625%	\$ 216,110
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	1,141,983	2.000%-3.750%	606,979
2013 General Obligation Refunding	05/01, 11/01	02/08/13	132,948	2.000%-3.750%	93,366
2013B General Obligation Public Improvement	03/01, 09/01	10/21/13	289,856	2.000%-5.000%	245,761
2014A General Obligation Public Improvement	03/01, 09/01	10/31/14	1,008,152	2.000%-5.000%	<u>2,203,207</u>
Total Solid Waste Management Fund (before net premiums and discounts of \$223,006)					<u><u>\$ 3,365,423</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

<u>MeadowView Conference Resort and Convention Center Fund</u>	<u>Interest Payable Dates</u>	<u>Issue Date</u>	<u>Amount Authorized and Issued</u>	<u>Interest Rates</u>	<u>Outstanding June 30, 2018</u>
2009C Local Option Sales Tax Revenue and Tax Bonds	03/01, 09/01	01/22/09	\$ 15,180,000	2.000%-5.000%	\$ 735,000
2009D BABS General Obligation Public Improvement	03/01, 09/01	12/08/09	1,016,085	2.250%-5.625%	723,742
2016A General Obligation Refunding	03/01, 09/01	06/03/16	9,221,015	2.000%-4.000%	9,221,015
2016 General Obligation Public Improvement	03/01, 09/01	11/04/17	3,266,427	3.000%-4.000%	<u>3,144,711</u>
Total MeadowView Conference Resort and Convention Center Fund (before net premiums and discounts of \$1,264,181)					<u><u>\$ 13,824,468</u></u>
<u>Cattails at MeadowView Golf Course Fund</u>					
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	\$ 517,721	2.000%-3.750%	<u>\$ 425,017</u>
Total Cattails at MeadowView Golf Course Fund (before net premiums and discounts of \$4,781)					<u><u>\$ 425,017</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

<u>Storm Water Fund</u>	<u>Interest Payable Dates</u>	<u>Issue Date</u>	<u>Amount Authorized and Issued</u>	<u>Interest Rates</u>	<u>Outstanding June 30, 2018</u>
2009A General Obligation	03/01, 09/01	01/22/09	\$ 652,452	2.000%-5.000%	\$ 34,480
2009D BABS General Obligation	03/01, 09/01	12/08/09	606,808	2.250%-5.625%	432,220
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	395,414	2.000%-4.000%	323,754
2016A General Obligation Refunding	03/01, 09/01	06/03/16	430,058	2.000%-4.000%	<u>430,058</u>
Total Storm Water Fund (before net premiums and discounts of \$51,379)					<u><u>\$ 1,220,512</u></u>
<u>Aquatic Center Fund</u>					
2009D BABS General Obligation	03/01, 09/01	12/08/09	\$ 554,170	2.250%-5.625%	\$ 394,726
2009E General Obligation	03/01, 09/01	12/08/09	14,225,000	2.500%-5.000%	1,415,000
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	160,000	2.000%-4.000%	131,004
2012A General Obligation Public Improvement	04/01, 10/01	06/22/12	3,110,000	2.000%-5.000%	2,565,000
2013A General Obligation Public Improvement	03/01, 09/01	10/21/13	1,310,000	3.000%-4.000%	1,115,000
2016B General Obligation Refunding	03/01, 09/01	06/03/16	9,029,862	2.000%-4.000%	9,029,862
2017A General Obligation Public Improvement	03/01, 09/01	09/08/17	164,712	2.000%-5.000%	<u>164,712</u>
Total Aquatic Center Fund (before net premiums and discounts of \$1,107,920)					<u><u>\$ 14,815,304</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

<u>Water Fund</u>	<u>Interest Payable Dates</u>	<u>Issue Date</u>	<u>Amount Authorized and Issued</u>	<u>Interest Rates</u>	<u>Outstanding June 30, 2018</u>
2008 Tennessee Municipal Bond Fund	Monthly	10/15/08	\$ 9,698,196	Variable	\$ 5,383,196
2009D BABS General Obligation Public Improvement	03/01, 09/01	12/08/09	4,045,387	2.250%-5.625%	2,881,467
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	2,430,991	2.000%-3.750%	1,990,430
2012B General Obligation Refunding	04/01, 10/01	06/22/12	1,194,406	3.000%	103,627
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	1,181,362	2.000%-3.750%	969,826
2013 General Obligation Refunding	05/01, 11/01	02/08/13	3,025,000	2.000%-3.750%	310,000
2013B General Obligation Public Improvement	03/01, 09/01	10/21/13	4,262,308	2.000%-5.000%	3,613,898
2014B General Obligation Public Improvement	03/01, 09/01	10/31/14	2,717,899	2.000%-5.000%	2,488,485
2015A General Obligation Refunding and Improvement	03/01, 09/01	10/27/15	2,226,419	1.000%-4.000%	2,097,448
2016 General Obligation Public Improvement	03/01, 09/01	11/04/17	3,294,425	3.000%-4.000%	3,171,666
2017B General Obligation Public Improvement	03/01, 09/01	09/08/17	1,167,095	2.000%-5.000%	<u>1,167,095</u>
Total Water Fund (before net premiums and discounts of \$844,745)					<u><u>\$ 24,177,138</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

<u>Sewer Fund</u>	<u>Interest Payable Dates</u>	<u>Issue Date</u>	<u>Amount Authorized and Issued</u>	<u>Interest Rates</u>	<u>Outstanding June 30, 2018</u>
2009D BABS General Obligation Public Improvement	03/01, 09/01	12/08/09	\$ 6,068,081	2.250%-5.625%	\$ 4,322,202
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	2,410,816	2.000%-3.750%	1,973,912
2012B General Obligation Refunding	04/01, 10/01	06/22/12	4,417,707	3.000%	383,282
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	1,673,596	2.000%-3.750%	1,373,920
2013 General Obligation Refunding	05/01, 11/01	02/08/13	27,760,000	2.000%-5.000%	16,225,000
2013B General Obligation Public Improvement	03/01, 09/01	10/21/13	9,550,990	2.000%-5.000%	8,098,032
2014B General Obligation Public Improvement	03/01, 09/01	10/31/14	6,582,101	2.000%-5.000%	6,026,515
2015A General Obligation Refunding and Improvement	03/01, 09/01	10/27/15	4,823,895	1.000%-4.000%	4,544,457
2016 General Obligation Public Improvement	03/01, 09/01	11/04/17	6,952,823	3.000%-4.000%	6,693,742
2017B General Obligation Public Improvement	03/01, 09/01	09/08/17	10,082,905	2.000%-5.000%	<u>10,082,905</u>
Total Sewer Fund (before net premiums and discounts of \$3,174,183)					<u><u>\$ 59,723,967</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 2009D (BABS), issued December 08, 2009 debt service requirements to maturity for the Solid Waste Management Fund are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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
	<u>\$ 216,110</u>	<u>\$ 78,981</u>	<u>\$ 295,091</u>

GOBPI, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. During fiscal year 2018, the Solid Waste Management Fund paid \$7,973 while the Federal government paid \$3,866 in interest, respectively.

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

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 146,347	\$ 17,094	\$ 163,441
2020	148,746	12,703	161,449
2021	153,544	9,357	162,901
2022	158,342	4,750	163,092
	<u>\$ 606,979</u>	<u>\$ 43,904</u>	<u>\$ 650,883</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 Solid Waste Management Fund are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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
	<u>\$ 93,366</u>	<u>\$ 13,455</u>	<u>\$ 106,821</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	6,871	20,674
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	2,310	20,696
2033	19,071	1,575	20,646
2034	19,808	813	20,621
	<u>\$ 245,761</u>	<u>\$ 93,733</u>	<u>\$ 339,494</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 91,167	\$ 83,167	\$ 174,334
2020	94,206	79,900	174,106
2021	98,764	75,076	173,840
2022	104,082	70,005	174,087
2023	107,881	66,324	174,205
2024	111,680	62,453	174,133
2025	116,998	56,736	173,734
2026	123,076	50,735	173,811
2027	129,153	45,075	174,228
2028	134,472	39,802	174,274
2029	139,790	34,317	174,107
2030	145,108	28,619	173,727
2031	151,186	22,693	173,879
2032	156,504	17,322	173,826
2033	161,062	12,558	173,620
2034	166,380	7,647	174,027
2035	171,698	2,576	174,274
	<u>\$ 2,203,207</u>	<u>\$ 755,005</u>	<u>\$ 2,958,212</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, Series 2009C, 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
2019	\$ 735,000	\$ 29,400	\$ 764,400
	<u>\$ 735,000</u>	<u>\$ 29,400</u>	<u>\$ 764,400</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	71,164	4,006	75,170
	<u>\$ 723,742</u>	<u>\$ 264,415</u>	<u>\$ 988,157</u>

The GOBPI, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. During fiscal year 2018, the MeadowView Conference Resort and Convention Center Fund paid \$26,692 while the Federal government paid \$12,941 in interest, respectively.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Refunding Bonds, Series 2016A, issued June 03, 2016 debt service requirements to maturity for the MeadowView Conference Resort and Convention Center Fund portion are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 0	\$ 327,129	\$ 327,129
2020	770,272	327,129	1,097,401
2021	803,641	296,318	1,099,959
2022	834,229	264,173	1,098,402
2023	867,599	230,803	1,098,402
2024	903,749	196,100	1,099,849
2025	939,898	159,950	1,099,848
2026	976,048	122,354	1,098,402
2027	1,012,198	83,312	1,095,510
2028	1,045,567	52,946	1,098,513
2029	1,067,814	32,034	1,099,848
	<u>\$ 9,221,015</u>	<u>\$ 2,092,248</u>	<u>\$ 11,313,263</u>

General Obligation Public Improvement Bonds, Series 2016, issued November 04, 2016 debt service requirements to maturity for the MeadowView Conference Resort and Convention Center Fund portion are as

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 127,075	\$ 111,305	\$ 238,380
2020	132,433	106,222	238,655
2021	137,026	100,925	237,951
2022	143,150	95,444	238,594
2023	148,509	89,718	238,227
2024	155,398	83,777	239,175
2025	161,522	77,561	239,083
2026	167,646	71,100	238,746
2027	167,646	64,395	232,041
2028	174,536	57,689	232,225
2029	181,426	50,707	232,133
2030	189,081	43,450	232,531
2031	195,205	37,778	232,983
2032	201,329	31,922	233,251
2033	205,922	25,882	231,804
2034	212,812	19,704	232,516
2035	218,936	13,320	232,256
2036	225,059	6,752	231,811
	<u>\$ 3,144,711</u>	<u>\$ 1,087,651</u>	<u>\$ 4,232,362</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	7,286	37,938
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
	<u>\$ 425,017</u>	<u>\$ 104,726</u>	<u>\$ 529,743</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 34,480	\$ 1,379	\$ 35,859
	<u>\$ 34,480</u>	<u>\$ 1,379</u>	<u>\$ 35,859</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	10,892	47,762
2027	38,134	8,956	47,090
2028	39,397	6,906	46,303
2029	40,890	4,690	45,580
2030	42,499	2,390	44,889
	<u>\$ 432,220</u>	<u>\$ 157,762</u>	<u>\$ 589,982</u>

GOBPI, Series 2009D Build America Bonds (BABS) issued by the City carry an interest rate from 2.000% to 5.625%. During fiscal year 2018, the Storm Water Fund paid \$15,929 while the Federal government paid \$7,718 in interest, respectively.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 2011, issued December 16, 2011 debt service requirements to maturity for the Storm Water Fund are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	28,540	1,070	29,610
	<u>\$ 323,754</u>	<u>\$ 90,242</u>	<u>\$ 413,996</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Refunding Bonds, Series 2016A, issued June 03, 2016 debt service requirements to maturity for the Storm Water Fund are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 0	\$ 15,257	\$ 15,257
2020	35,924	15,257	51,181
2021	37,481	13,820	51,301
2022	38,908	12,321	51,229
2023	40,464	10,764	51,228
2024	42,150	9,146	51,296
2025	43,836	7,460	51,296
2026	45,522	5,706	51,228
2027	47,208	3,886	51,094
2028	48,764	2,469	51,233
2029	49,801	1,494	51,295
	<u>\$ 430,058</u>	<u>\$ 97,580</u>	<u>\$ 527,638</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	38,811	2,185	40,996
	<u>\$ 394,726</u>	<u>\$ 144,227</u>	<u>\$ 538,953</u>

GOBPI, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. During fiscal year 2018, the Aquatic Center Fund paid \$14,559 while the Federal government paid \$7,059 in interest.

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

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 695,000	\$ 60,325	\$ 755,325
2020	720,000	36,000	756,000
	<u>\$ 1,415,000</u>	<u>\$ 96,325</u>	<u>\$ 1,511,325</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 2011, issued December 16, 2011 debt service requirements to maturity for the Aquatic Center Fund are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 131,004</u>	<u>\$ 36,515</u>	<u>\$ 167,519</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation, Series 2012A, issued June 22, 2012 debt service requirements to maturity for the Aquatic Center Fund are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 2,565,000</u>	<u>\$ 610,676</u>	<u>\$ 3,175,676</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
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
	<u>\$ 1,115,000</u>	<u>\$ 395,819</u>	<u>\$ 1,510,819</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Refunding Bonds, Series 2016B, issued June 03, 2016 debt service requirements to maturity for the Aquatic Center Fund are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 0	\$ 314,423	\$ 314,423
2020	246,699	314,423	561,122
2021	770,512	304,555	1,075,067
2022	800,927	273,735	1,074,662
2023	831,342	241,698	1,073,040
2024	868,516	208,444	1,076,960
2025	898,931	173,703	1,072,634
2026	936,105	137,746	1,073,851
2027	973,279	100,302	1,073,581
2028	1,000,314	71,103	1,071,417
2029	1,023,970	51,097	1,075,067
2030	679,267	20,378	699,645
	<u>\$ 9,029,862</u>	<u>\$ 2,211,607</u>	<u>\$ 11,241,469</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation, Series 2017A, issued September 08, 2017 debt service requirements to maturity for the Aquatic Center Fund are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 5,988	\$ 5,566	\$ 11,554
2020	6,265	5,267	11,532
2021	6,597	4,953	11,550
2022	6,930	4,624	11,554
2023	7,263	4,277	11,540
2024	7,651	3,914	11,565
2025	8,039	3,531	11,570
2026	8,427	3,129	11,556
2027	8,593	2,961	11,554
2028	8,815	2,768	11,583
2029	8,981	2,591	11,572
2030	9,148	2,389	11,537
2031	9,425	2,160	11,585
2032	9,702	1,878	11,580
2033	9,979	1,587	11,566
2034	10,256	1,287	11,543
2035	10,589	980	11,569
2036	10,866	662	11,528
2037	11,198	336	11,534
	<u>\$ 164,712</u>	<u>\$ 54,860</u>	<u>\$ 219,572</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest *</u>	<u>Total</u>
2019	\$ 605,000	\$ 102,459	\$ 707,459
2020	630,000	90,944	720,944
2021	655,000	78,953	733,953
2022	655,000	66,486	721,486
2023	710,000	54,020	764,020
2024	735,000	40,506	775,506
2025	735,000	26,517	761,517
2026	658,196	12,527	670,723
	<u>\$ 5,383,196</u>	<u>\$ 472,412</u>	<u>\$ 5,855,608</u>

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, 2018, to calculate an estimated annual effective interest rate of 1.903%.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 2009D (BABS), issued December 08, 2009 debt service requirements to maturity for the Water Fund are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	46,030	308,678
2029	272,602	31,261	303,863
2030	283,322	15,932	299,254
	<u>\$ 2,881,467</u>	<u>\$ 1,051,479</u>	<u>\$ 3,932,946</u>

GOBPI, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. During fiscal year 2018, the Water Fund paid \$106,177 while the Federal government paid \$51,431 in interest, respectively.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 2011, issued December 16, 2011 debt service requirements to maturity for the Water Fund are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	138,570	43,611	182,181
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	175,470	6,580	182,050
	<u>\$ 1,990,430</u>	<u>\$ 554,806</u>	<u>\$ 2,545,236</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 Water Fund are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 103,627	\$ 3,109	\$ 106,736
	<u>\$ 103,627</u>	<u>\$ 3,109</u>	<u>\$ 106,736</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
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
	<u>\$ 969,826</u>	<u>\$ 238,967</u>	<u>\$ 1,208,793</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 Water Fund are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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
	<u>\$ 310,000</u>	<u>\$ 26,450</u>	<u>\$ 336,450</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
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
	<u>\$ 3,613,898</u>	<u>\$ 1,378,344</u>	<u>\$ 4,992,242</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 2,488,485</u>	<u>\$ 662,261</u>	<u>\$ 3,150,746</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Refunding & Improvement Bonds, Series 2015A, issued October 27, 2015 debt service requirements to maturity for the Water Fund are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 238,782	\$ 60,904	\$ 299,686
2020	222,568	58,516	281,084
2021	231,412	49,614	281,026
2022	235,834	44,985	280,819
2023	80,331	35,552	115,883
2024	69,276	33,142	102,418
2025	71,487	31,064	102,551
2026	73,698	28,919	102,617
2027	76,646	26,708	103,354
2028	78,857	24,409	103,266
2029	81,068	22,043	103,111
2030	83,279	19,611	102,890
2031	85,490	17,113	102,603
2032	88,438	14,548	102,986
2033	90,649	11,895	102,544
2034	93,597	9,175	102,772
2035	96,545	6,250	102,795
2036	99,491	3,234	102,725
	<u>\$ 2,097,448</u>	<u>\$ 497,682</u>	<u>\$ 2,595,130</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 2016, issued November 04, 2016 debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 128,164	\$ 112,259	\$ 240,423
2020	133,568	107,133	240,701
2021	138,201	101,790	239,991
2022	144,377	96,262	240,639
2023	149,782	90,487	240,269
2024	156,730	84,495	241,225
2025	162,907	78,226	241,133
2026	169,083	71,710	240,793
2027	169,083	64,947	234,030
2028	176,032	58,183	234,215
2029	182,981	51,142	234,123
2030	190,701	43,823	234,524
2031	196,878	38,102	234,980
2032	203,055	32,195	235,250
2033	207,687	26,104	233,791
2034	214,636	19,873	234,509
2035	220,812	13,434	234,246
2036	226,989	6,810	233,799
	<u>\$ 3,171,666</u>	<u>\$ 1,096,975</u>	<u>\$ 4,268,641</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation, Series 2017B, issued September 08, 2017 debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 43,571	\$ 38,059	\$ 81,630
2020	45,646	35,880	81,526
2021	48,240	33,598	81,838
2022	48,759	32,633	81,392
2023	51,352	30,195	81,547
2024	53,946	27,628	81,574
2025	56,539	24,930	81,469
2026	59,652	22,103	81,755
2027	60,689	20,910	81,599
2028	61,726	19,545	81,271
2029	63,283	18,310	81,593
2030	64,839	16,887	81,726
2031	66,395	15,266	81,661
2032	68,470	13,274	81,744
2033	70,544	11,220	81,764
2034	72,619	9,103	81,722
2035	74,694	6,925	81,619
2036	76,769	4,684	81,453
2037	79,362	2,381	81,743
	<u>\$ 1,167,095</u>	<u>\$ 383,531</u>	<u>\$ 1,550,626</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 2009D (BABS), issued December 08, 2009 debt service requirements to maturity for the Sewer Fund are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 4,322,202</u>	<u>\$ 1,577,563</u>	<u>\$ 5,899,765</u>

GOBPI, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. During fiscal year 2018, the Sewer Fund paid \$159,291 while the Federal government paid \$77,172 in interest, respectively.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 2011, issued December 16, 2011 debt service requirements to maturity for the Sewer Fund are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	174,014	6,526	180,540
	<u>\$ 1,973,912</u>	<u>\$ 550,202</u>	<u>\$ 2,524,114</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 383,282	\$ 11,499	\$ 394,781
	<u>\$ 383,282</u>	<u>\$ 11,499</u>	<u>\$ 394,781</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	3,849	122,270
	<u>\$ 1,373,920</u>	<u>\$ 338,538</u>	<u>\$ 1,712,458</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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
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
	<u>\$ 16,225,000</u>	<u>\$ 3,336,401</u>	<u>\$ 19,561,401</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 392,316	\$ 335,523	\$ 727,839
2020	404,468	323,754	728,222
2021	425,299	303,530	728,829
2022	439,186	290,771	729,957
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	99,391	680,922
2032	605,833	76,130	681,963
2033	628,400	51,897	680,297
2034	652,703	26,763	679,466
	<u>\$ 8,098,032</u>	<u>\$ 3,088,598</u>	<u>\$ 11,186,630</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 6,026,515</u>	<u>\$ 1,603,839</u>	<u>\$ 7,630,354</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Refunding & Improvement Bonds, Series 2015A, issued October 27, 2015 debt service requirements to maturity for the Sewer Fund are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 517,359	\$ 131,958	\$ 649,317
2020	482,230	126,785	609,015
2021	501,391	107,496	608,887
2022	510,972	97,468	608,440
2023	174,050	77,029	251,079
2024	150,098	71,807	221,905
2025	154,888	67,305	222,193
2026	159,679	62,658	222,337
2027	166,066	57,868	223,934
2028	170,856	52,886	223,742
2029	175,647	47,760	223,407
2030	180,437	42,490	222,927
2031	185,227	37,077	222,304
2032	191,615	31,521	223,136
2033	196,405	25,772	222,177
2034	202,792	19,880	222,672
2035	209,179	13,543	222,722
2036	215,566	7,006	222,572
	<u>\$ 4,544,457</u>	<u>\$ 1,078,309</u>	<u>\$ 5,622,766</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 2016, issued November 04, 2016 debt service requirements to maturity for the Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 270,487	\$ 236,921	\$ 507,408
2020	281,893	226,101	507,994
2021	291,670	214,825	506,495
2022	304,705	203,159	507,864
2023	316,111	190,970	507,081
2024	330,776	178,326	509,102
2025	343,812	165,095	508,907
2026	356,848	151,342	508,190
2027	356,848	137,069	493,917
2028	371,512	122,795	494,307
2029	386,177	107,934	494,111
2030	402,472	92,487	494,959
2031	415,507	80,413	495,920
2032	428,543	67,948	496,491
2033	438,320	55,091	493,411
2034	452,985	41,942	494,927
2035	466,020	28,352	494,372
2036	479,056	14,372	493,428
	<u>\$ 6,693,742</u>	<u>\$ 2,315,142</u>	<u>\$ 9,008,884</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation, Series 2017B, issued September 08, 2017 debt service requirements to maturity for the Sewer Fund portion are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 376,428	\$ 328,804	\$ 705,232
2020	394,354	309,982	704,336
2021	416,760	290,264	707,024
2022	421,241	281,929	703,170
2023	443,648	260,867	704,515
2024	466,054	238,685	704,739
2025	488,461	215,382	703,843
2026	515,348	190,959	706,307
2027	524,311	180,652	704,963
2028	533,274	168,855	702,129
2029	546,718	158,190	704,908
2030	560,161	145,888	706,049
2031	573,605	131,884	705,489
2032	591,530	114,676	706,206
2033	609,456	96,930	706,386
2034	627,381	78,647	706,028
2035	645,306	59,825	705,131
2036	663,231	40,466	703,697
2037	685,638	20,569	706,207
	<u>\$ 10,082,905</u>	<u>\$ 3,313,454</u>	<u>\$ 13,396,359</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018, was as follows:

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 8,196,880	\$ 4,018,160	\$ 12,215,040
2020	8,124,590	3,764,985	11,889,575
2021	8,184,064	3,462,583	11,646,647
2022	7,967,403	3,202,508	11,169,911
2023	7,608,974	2,904,693	10,513,667
Next Five Years	39,719,748	10,269,088	49,988,836
Next Five Years	28,525,916	3,878,001	32,403,917
Next Five Years	<u>9,224,254</u>	<u>540,053</u>	<u>9,764,307</u>
	<u>\$ 117,551,829</u>	<u>\$ 32,040,071</u>	<u>\$ 149,591,900</u>

The total on the statement of net position has been adjusted by net premiums and discounts of \$6,670,195.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
General Obligation Debt	\$ 108,241,746	\$ 14,690,288	\$ (7,805,667)	\$ 115,126,367	\$ 7,708,122
Plus: Net Premiums and discounts	7,304,176	671,390	(614,869)	7,360,697	0
Total Bonds Payable	115,545,922	15,361,678	(8,420,536)	122,487,064	7,708,122
Notes Payable-State	1,999,067	0	(400,933)	1,598,134	400,933
School Energy Efficiency Note	3,136,743	0	(417,658)	2,719,085	420,804
Hud 108 Note	598,000	0	(43,000)	555,000	43,000
Total Governmental Activities	<u>\$ 121,279,732</u>	<u>\$ 15,361,678</u>	<u>\$ (9,282,127)</u>	<u>\$ 127,359,283</u>	<u>\$ 8,572,859</u>
Business-type activities:					
General Obligation Debt	\$ 112,771,453	\$ 11,414,712	\$ (7,369,336)	\$ 116,816,829	\$ 7,461,880
Local Option Sales Tax					
Revenue and Tax Bonds	1,445,000	0	(710,000)	735,000	735,000
Water and Sewer Revenue					
and Tax Bonds	90,000	0	(90,000)	0	0
Plus: Net Premiums and discounts	6,731,069	476,327	(537,201)	6,670,195	0
Total Bonds Payable	121,037,522	11,891,039	(8,706,537)	124,222,024	8,196,880
State Revolving Note	12,871,681	684,920	(468,020)	13,088,581	578,208
Total Business-type Activities	<u>\$ 133,909,203</u>	<u>\$ 12,575,959</u>	<u>\$ (9,174,557)</u>	<u>\$ 137,310,605</u>	<u>\$ 8,775,088</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018.

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 with an annual interest rate of 4.68%. On January 17, 2017 the property used as collateral for this loan was sold to LeClerc and net proceeds from that sale totaling \$2,350,000 were used to reduce the principal balance due. On February 22, 2017, the terms of the original loan were modified to allow the outstanding principal balance of \$740,804 to be paid in 48 consecutive monthly installments of \$16,357 beginning March 2017. At June 30, 2018, the outstanding principal balance on the loan was \$503,183. The fixed interest rate is 2.84%

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 on a semi-annual basis. At June 30, 2018, the outstanding principal balance on the loan was \$3,289,320.

In May 2014, a bank loan known as the Heritage Glass Property Loan, was issued in the amount of \$2,600,000, with a 16 year maturity. The annual rate of interest is 3.95%, compounded monthly. The loan draw amount was subsequently, increased up to a maximum of \$2,675,000, with an extended maturity date of 20 years. At June 30, 2018, the outstanding principal balance on the loan was \$2,483,503.

On May 15, 2015, the IDBK closed on a loan totaling \$6,540,000 in order to purchase 33.75 acres and to construct an industrial building for lease to Pure Foods, Inc. Effective November 15, 2017 through the maturity date of May 15, 2025, interest will accrue at a fixed rate of 3.89% per annum. At June 30, 2018, the principal balance outstanding on the loan was \$5,191,499.

On October 5th, 2016 the IDBK established a draw-down closed-ended line of credit up to \$1,000,000, known as the Brooks Property Loan. The line of credit will mature in two years and has a balloon feature at maturity. Annual payments of accrued interest will be due beginning October 2017. The interest rate will be 1.370% and will be subject to change at the beginning of each subsequent monthly calendar period by adding 1.100% to the current index. Under no circumstances will the interest rate be more than 3.37% per annum. At June 30, 2018, the principal balance outstanding on the loan was \$943,814.

Emergency Communications District (ECD)

The ECD, a discretely presented component unit of the City, reports no long-term liabilities at June 30, 2018.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018, the estimated remaining useful life is 28 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 2017 financial assurance amount of, \$2,036,079, was adjusted for inflation by 1.77%, resulting in an amended amount of \$2,072,729 at June 30, 2018.

The City's actual closure costs for the 30-year period through June 30, 2018 exceeded the liability amount by \$178,245. The City has recorded this \$178,245 in pre-paid landfill closing costs as of June 30, 2018, which will be offset as future closure costs are accrued.

	Ending June 30, 2018	Ending June 30, 2017	Ending June 30, 2016	Ending June 30, 2015	Ending June 30, 2014
Landfill closure costs paid	\$ 1,398,655	\$ 1,398,655	\$ 1,384,655	\$ 1,384,655	\$ 1,384,655
Landfill closure costs accrued	<u>1,220,410</u>	<u>1,153,321</u>	<u>1,096,753</u>	<u>1,042,480</u>	<u>981,726</u>
Pre-paid landfill closure costs	<u>\$ 178,245</u>	<u>\$ 245,334</u>	<u>\$ 287,902</u>	<u>\$ 342,175</u>	<u>\$ 402,929</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018. The estimated reserve requirements were as follows:

ESTIMATED REQUIRED RESERVES

	<u>Low</u>	<u>Expected</u>	<u>High</u>
Workers Compensation *	\$ 2,041,997	\$ 2,268,885	\$ 2,495,774
Public Liability *	722,072	802,303	882,533

* Calculation utilizes U.S. Treasury yields as of June 30, 2018

Liabilities have been accrued to reflect the discounted expected claims of \$2,268,885 for workers compensation and \$802,303 for public liability, at June 30, 2018. The Insurance Reserve Fund has total assets of \$6,650,987 at June 30, 2018. Estimated claims are budgeted and charged to the various departments on an annual basis.

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

	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>
Claims Accrued, Beginning	\$ 2,346,965	\$ 2,255,616	\$ 2,111,500	\$ 2,211,677	\$ 2,557,398
Claims Incurred	318,401	778,042	688,740	380,022	425,333
Claims Paid	<u>(396,481)</u>	<u>(686,693)</u>	<u>(544,624)</u>	<u>(480,199)</u>	<u>(771,054)</u>
Claims Accrued, Ending	<u>\$ 2,268,885</u>	<u>\$ 2,346,965</u>	<u>\$ 2,255,616</u>	<u>\$ 2,111,500</u>	<u>\$ 2,211,677</u>

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

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

A. Risk management (continued)

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

	Year Ended <u>June 30, 2018</u>	Year Ended <u>June 30, 2017</u>	Year Ended <u>June 30, 2016</u>	Year Ended <u>June 30, 2015</u>	Year Ended <u>June 30, 2014</u>
Claims Accrued, Beginning	\$ 842,334	\$ 903,287	\$ 1,186,835	\$ 1,111,388	\$ 1,067,117
Claims Incurred	270,775	285,118	127,873	358,040	256,711
Claims Paid	<u>(310,806)</u>	<u>(346,071)</u>	<u>(411,421)</u>	<u>(282,593)</u>	<u>(212,440)</u>
Claims Accrued, Ending	<u>\$ 802,303</u>	<u>\$ 842,334</u>	<u>\$ 903,287</u>	<u>\$ 1,186,835</u>	<u>\$ 1,111,388</u>

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 Liberty Mutual, Travelers and Western Surety insurance companies and property insurance through Travelers, EMC, Great American, and Hartford 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 is provided through a self-funded health insurance program. Effective January 1, 2017, the City's program is administered by Blue Cross Blue Shield of Tennessee. Run-off claims incurred prior to January 1, 2017 will continue to be administered by the City's previous administrator, Humana, Inc. until June 30, 2018. 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 carries stop-loss insurance.

Effective January 1, 2017, health insurance coverage for school system employees is provided through the State of Tennessee Local Education Program. From January 1, 2015 through January 1, 2017 Health insurance for the Kingsport City School employees was self-funded and administered through Meritain Health Inc. Claims incurred while self-insured will continue to be administered by Meritain Health Inc., through June 30, 2018.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018 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, 2018, 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. The related debt liabilities for SCEDP are reflected in the financial statements of Sullivan County, Tennessee government. In April 2005, \$1,995,000 in capital outlay notes was issued, of which, the City is contingently liable for 31%. In July 2007, \$6,500,000 in industrial park revenue bonds was issued, of which the City is contingently liable for 31%. In March 2015, \$6,265,000 in industrial park refunding bonds was issued, of which, the City is contingently liable for 31%. The capital outlay notes and the bonds are secured by the assignment of revenue derived from property sales in the industrial park. The SCEDP is responsible for making the bond payments, funded primarily from the sale of land in the industrial park. In the event that SCEDP is financially unable to repay these debt issues, the City is responsible for a 31% portion of the debt. During fiscal year 2018, total revenue from property sales in the industrial park was \$12,189 with \$3,779 representing the City's 31% proportionate share of the proceeds. The current and prior residual net proceeds from property sales, were not sufficient for the SCEDP to make the total amount of the annual debt service payments at their time of maturity. Therefore, the City recorded an expenditure of \$204,716 for the repayment of the associated debt principal and interest. As of June 30, 2018, a total of \$5,530,000 of principal debt was outstanding, with \$1,714,300 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

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

B. Contingencies (continued)

Primary government (continued)

municipalities on mutual agreeable terms. In February 2016, the Sullivan County Chancery Court dismissed the suit in favor of the City, however Sullivan County voted to appeal the ruling. In an answer to the dismissal, a "motion to alter or amend" was filed by the Sullivan County Attorney in September 2016, with the Court again ruling in favor of the City. A subsequent appeal has been filed by Sullivan County to the Tennessee Eastern Division Court of Appeals. At this time, it is impossible to predict the outcome of this litigation.

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.

In July 2016, the City entered into an agreement with the Kingsport Housing & Redevelopment Authority (KHRA) to provide financial support to redevelop public housing facilities within the City. The estimated \$50,500,000 project will rehabilitate 378 existing public housing units and construct 51 replacement units. To support the financing of this project, the KHRA, applied for and received approximately \$14,900,000 of Low Income Housing Tax Credits. The City has agreed to donate to KHRA up to a total of \$4,493,440, in annual amounts, beginning January 30, 2018, of \$224,672 over a twenty-year period, in support of this project, if needed. The total amount of the donation will be limited to the amount needed to complete the project or \$4,493,440, whichever is less. Funds donated to the KHRA that are not used on the project, will be returned to the City.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

B. Contingencies (continued)

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 lease with C & F Manufacturing. On January 17, 2017 the property used as collateral for this loan was sold and net proceeds from that sale totaling \$2,350,000 were used to reduce the principal balance due. The remaining outstanding principal balance of \$740,804 has a fixed interest rate of 2.84% and is payable in 48 consecutive monthly installments of \$16,357 beginning March 2017. At June 30, 2018, the outstanding principal balance on the loan was \$503,183. 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. Future obligations may be as much as \$98,142 annually for up to 4 years.

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 a seven 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 construct 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 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. At June 30, 2018 the outstanding principal balance was 3,289,320. In the event a principal balance remains outstanding upon final maturity, the City agrees to: (1) purchase the property from the IDBK for a purchase price equal to the outstanding principal and accrued

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

B. Contingencies (continued)

Component Unit – Industrial Development Board (continued)

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 agrees 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 were payable monthly over 15 years. The City became contingently liable for the loan through a contribution agreement with IDBK, previously approved by the BMA in April 2014. The facility was leased to a glass manufacturer, Heritage Glass, which in the spring of 2015 suspended operations and defaulted under the lease. The monthly lease payments covered the principal and interest on the loan. As a result of the lease default by Heritage Glass, IDBK modified the terms of the loan whereby the lender agreed to accept interest only payments through December 31, 2015. In the spring of 2016, the IDBK successfully recruited and negotiated a lease agreement with a new glass manufacturer, EnviraGlass, LLC, to begin operations at the facility. In May 2016, the City's BMA approved an amendment to the IDBK contribution agreement providing for a maximum contribution amount of \$3,873,839. This allowed IDBK to obtain a subsequent loan, with the proceeds used to retire the existing loan and make improvements to the facility. The new loan amount was for \$2,675,000, with a rate of interest of 3.95% fixed, and payable in monthly installments over 20 years. The new glass manufacturer, EnviraGlass, entered into a lease agreement with IDBK for use of the facility. By the fall of 2016 EnviraGlass, LLC. had suspended operations and defaulted under the lease. In the spring of 2017 the IDBK entered into a lease agreement with Eastman. Monthly rental payments under the agreement with Eastman are sufficient to pay principal and interest on the loan.

On May 15, 2015, the IDBK closed on a loan totaling \$6,540,000 in order to purchase 33.75 acres and to construct an industrial building for lease to Pure Foods, Inc. Interest on the loan accrues 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. On March 18, 2015, the City entered into an agreement with IDBK to provide economic development contributions as needed, during the 10 year term of the loan, in order to: support IDBK's acquisition and improvement of the property; to make the debt service payments under the loan, after application of the net rental income from the lease with Pure Foods, Inc.; and to make debt service payments for any other leases and rental agreements on the property. During FY 2017 Pure Foods, Inc. defaulted on its lease agreement and Brim Foods Company, Inc. entered into a lease agreement for this property. During FY 2018 Brim Foods Company, Inc. defaulted on its lease agreement and Anita's Snack Foods, Inc., entered into a lease agreement for this property. Net rental income during FY 2018 was sufficient to make required debt service payments.

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: (1) purchase the property from IDBK for a purchase price equal to the outstanding loan amount, or (2) provide an economic development contribution to IDBK sufficient to pay the outstanding indebtedness on the loan.

On October 5th, 2016 the IDBK established a draw-down closed-ended line of credit up to \$1,000,000, to purchase real property in downtown Kingsport from the Brooks Family Limited Partnership #3. The line of credit will mature in two years and has a balloon feature at maturity. In September 2016, the City entered into an agreement with IDBK to provide economic development contributions as needed during the two year term. At June 30, 2018, the principal balance outstanding on the loan was \$943,814.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

B. Contingencies (continued)

Jointly Governed – Tri Cities Airport Authority

In March of 2018 the Tri-Cities Airport Authority issued \$8,500,000 Aerospace Park Bonds (Taxable), Series 2018 for the purpose of providing funds to pay for the costs of construction, site development, infrastructure, paving and utilities of Aerospace Park, a 160 acre site that offers direct airfield access on airport property. The bonds are payable solely from and secured solely by a pledge of Aerospace Park net revenues, subject to the prior pledge of net revenues of the Airport (which includes the Aerospace Park net revenues) under the 2013 pledge agreement (with Sullivan County), and from amounts payable by the Tennessee Authority Members under the guaranty agreements. Since no net revenues are anticipated in the foreseeable future, it is expected that the principal of and interest on the series 2018 bonds will be primarily repaid in the near-term future from amounts payable by the Tennessee Authority Members under the Guaranty agreements, pursuant to which each member pledged its full faith and credit and its unlimited taxing power to pay a pro-rate share of the principal and interest on the series 2018 bonds. The City of Kingsport portion is \$1,589,500 and represents 19% of the total bond issue. See amortization below:

Tri-Cities Airport Authority - Aerospace Park Bonds, Series 2018
City of Kingsport Portion

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 54,500	\$ 63,703	\$ 118,203
2020	55,000	56,050	111,050
2021	60,000	53,575	113,575
2022	60,000	50,875	110,875
2023	65,000	48,175	113,175
2024	65,000	45,250	110,250
2025	70,000	42,325	112,325
2026	75,000	39,175	114,175
2027	75,000	36,925	111,925
2028	75,000	34,581	109,581
2029	80,000	32,144	112,144
2030	85,000	29,544	114,544
2031	85,000	26,781	111,781
2032	90,000	24,019	114,019
2033	90,000	20,981	110,981
2034	95,000	17,944	112,944
2035	95,000	14,619	109,619
2036	100,000	11,294	111,294
2037	105,000	7,794	112,794
2038	110,000	3,988	113,988
	<u>\$ 1,589,500</u>	<u>\$ 659,742</u>	<u>\$ 2,249,242</u>

The City expects to make principal and interest payment in accordance with the above debt schedule for a minimum of 5 years while the Aerospace park is under construction.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 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 employee contributions, plus any accumulated interest.

Employees covered by benefit terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	826
Inactive employees entitled to but not yet receiving benefits	823
Active employees	<u>737</u>
	<u><u>2386</u></u>

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

**CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

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, 2018, the Actuarially Determined Contribution (ADC) for the City was \$5,297,089 based on an aggregate employer rate of 17.11 percent of covered payroll. In practice, separate rates are applied to general employees and public safety officers (fire and police). The employer rate for general employees was 16.05 percent and the employer rate for public safety officers was 19.57 percent. 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 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, 2017 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – City of Kingsport (continued)

Actuarial assumptions (continued)

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. The best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.25 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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/16	\$ 206,319,863	\$ 170,588,433	\$ 35,731,430
Changes for the year:			
Service Cost	2,561,651	0	2,561,651
Interest	15,290,619	0	15,290,619
Differences between expected and actual experience	(5,025,737)	0	(5,025,737)
Changes in Assumptions	4,884,302		4,884,302
Contributions by employer	0	5,411,825	(5,411,825)
Contributions by employees	0	125,734	(125,734)
Net Investment income	0	19,072,897	(19,072,897)
Benefit payments, including refunds of employee contributions	(10,013,182)	(10,013,182)	0
Administrative expense	0	(63,078)	63,078
Net Changes	<u>7,697,653</u>	<u>14,534,196</u>	<u>(6,836,543)</u>
Balance at 6/30/17	<u>\$ 214,017,516</u>	<u>\$ 185,122,629</u>	<u>\$ 28,894,887</u>

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 7.25 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 (6.25 percent) or 1 percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's Net Pension Liability	<u>\$ 55,924,773</u>	<u>\$ 28,894,887</u>	<u>\$ 6,259,991</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

Pension expense

For the year ended June 30, 2018, the City recognized pension expense of \$3,496,621.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018, 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	\$ 691,190	\$ 6,532,268
Net difference between projected and actual earning on pension plan investments	39,237	0
Changes in Assumptions	3,663,226	0
Contributions subsequent to the measurement date June 30, 2017	<u>5,297,089</u>	<u>(not applicable)</u>
	<u><u>\$ 9,690,742</u></u>	<u><u>\$ 6,532,268</u></u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017", 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 30th:

2019	(1,669,062)
2020	981,034
2021	(160,790)
2022	(1,289,793)
2023	0
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, 2018, the City reported a payable of \$446,792 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018, \$91,237 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, 2018 were \$1,405,573 and consisted of \$688,100 made by the City and \$717,473 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-

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the 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. 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, 2018 to the Teacher Legacy Pension Plan were \$2,860,912, which is 9.08 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.

Net pension asset

At June 30, 2018, the Kingsport City Schools reported an asset of \$291,014 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. Kingsport City Schools' proportion of the net pension asset was based on Kingsport City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, Kingsport City Schools' proportion was 0.889448 percent. The proportion measured as of June 30, 2016 was 0.8875018 percent.

Pension expense

For the year ended June 30, 2018, Kingsport City Schools recognized pension expense of \$162,320.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2018, Kingsport City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 175,443	\$ 6,008,037
Changes in assumptions	2,464,705	
Net difference between projected and actual earnings on pension plan investments	44,175	0
Changes in proportion of Net Pension Liability (Asset)	454,443	0
Kingsport City Schools contributions subsequent to the measurement date of June 30, 2017	<u>2,860,912</u>	<u>(not applicable)</u>
	<u><u>\$ 5,999,678</u></u>	<u><u>\$ 6,008,037</u></u>

Kingsport City Schools employer contributions of \$2,860,912, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability in the year ended June 30, 2019. 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 30th:

2019	(1,923,385)
2020	1,053,726
2021	(591,021)
2022	(1,408,588)
2023	0
Thereafter	0

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

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. The best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 7.25 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.25 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 applied 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Kingsport City Schools' proportionate share of the net pension liability (asset)	\$ 26,112,099	\$ (291,014)	\$ (22,114,924)

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, 2018, Kingsport City Schools reported a payable of \$527,616 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension 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 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 Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested pursuant to the rule of 80. Members are vested with five 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 the 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 or by automatic cost controls set out in law. 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 in years when the maximum funded level, as established 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 by Kingsport City Schools for the year ended June 30, 2018 to the Teacher Retirement Plan were \$259,108, 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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

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

Net pension asset

At June 30, 2018, Kingsport City Schools reported an asset of \$187,351 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Kingsport City Schools' proportion of the net pension asset was based on Kingsport City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017 Kingsport City Schools' proportion was 0.710112 percent. The proportion measured as of June 30, 2016 was 0.563449 percent.

Pension expense

For the year ended June 30, 2018, Kingsport City Schools recognized pension expense of \$83,283.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2018, Kingsport City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,566	\$ 14,090
Net difference between projected and actual earnings on pension plan investments	0	10,081
Changes in assumptions	16,460	0
Changes in proportion of Net Pension Liability (Asset)	0	20,192
Kingsport City Schools contributions subsequent to the measurement date of June 30, 2017	<u>259,108</u>	<u>(not applicable)</u>
	<u>\$ 282,134</u>	<u>\$ 44,363</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

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

Deferred outflows of resources and deferred inflows of resources (continued)

Kingsport City Schools' employer contributions of \$259,108 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2019. 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 30th:

2019	(2,591)
2020	(2,591)
2021	(3,168)
2022	(5,761)
2023	(1,008)
Thereafter	(6,216)

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

Actuarial assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – Teacher Retirement 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 in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. The best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.25 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 applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

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

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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Kingsport City Schools' proportionate share of the net pension liability (asset)	\$ 37,379	\$ (187,351)	\$ (352,196)

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, 2018, Kingsport City Schools reported a payable of \$48,901 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

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. The teacher participant controls investment decisions on contributions to the plan. 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, 2018 were \$572,277 and consisted of \$318,293 made by the Kingsport City Schools and \$253,984 made by teachers.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB)

Postemployment Health and Life Insurance Plans – City of Kingsport

Plan description and benefits

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 ten years of service with the City or any age with 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 20 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.

Employees covered

The number of active and retired employee participants as of the last full actuarial valuation date of June 30, 2018 was as follows.

Active employees - health & life insurance benefits	606
Active employees - life insurance benefit only	125
Retired employees - health & life insurance benefits	135
Retired employees - life insurance benefit only	<u>197</u>
Total	<u><u>1063</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

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

Total OPEB liability

The City's total OPEB liability of \$26,101,658 was measured as of June 30, 2018 and was determined based on an actuarial valuation performed as of June 30, 2018.

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.

Measurement Date	June 30, 2018
Discount Rate	3.58% as of July 1, 2017 and 3.87% as of June 30, 2018
Payroll Growth	Payroll growth rates are based on the Tennessee Consolidated Retirement System (TCRS) actuarial valuation as of June 30, 2017
Inflation Rate	3.00% per year
Cost Method	<ul style="list-style-type: none"> - Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and - Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth.
Census Data	As of August 2018
Health Care Coverage Election Rate	Active employees with current coverage: 85% Active employees with no coverage: 0% Active employees with and without current coverage electing life insurance: 100% Inactive employees with current coverage: 100% Inactive employees with no coverage: 0% Inactive employees with and without current coverage electing life insurance: 100%
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 cash basis
Mortality	RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017
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 2014
Retirement Rate	Annual rates of retirement are based on the City's Experience Study conducted as of August 2014. Retirees with less than 5 years of service at age 65 are assumed to retire with no benefit

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 Trend Rates	<u>FYE</u>	<u>Rate</u>	<u>FYE</u>	<u>Rate</u>
	2019	9.0%	2024	6.5%
	2020	8.5%	2025	6.0%
	2021	8.0%	2026	5.5%
	2022	7.5%	2027+	5.0%
	2023	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, 2017 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			
Experience Study	Best actuarial practices call for a periodic assumption review and the City completed an actual assumption review (also referred to as an experience study) in 2014. Nyhart recommends the City to complete another experience study prior to the fiscal year ending June 30, 2020 valuation.			

Changes in the total OPEB liability

Balance at June 30, 2017	<u>\$ 28,503,610</u>
Changes for the year:	
Service cost	1,337,168
Interest	1,054,578
Benefit changes	0
Differences between expected and actual experience	(25,242)
Assumption or other input changes	(3,995,091)
Benefit payments	<u>(773,365)</u>
Net changes	<u>(2,401,952)</u>
Balance at June 30, 2018	<u><u>\$ 26,101,658</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

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

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 28,598,570	\$ 26,101,658	\$ 23,881,850

Sensitivity of the total OPEB liability to changes in the healthcare cost trends rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (8.00%) or one percentage point higher (10.00%) than the current healthcare cost trend rates:

	1% Decrease (8.00%)	Current Healthcare Cost Trend Rates (9.00%)	1% Increase (10.00%)
Total OPEB liability	\$ 23,867,840	\$ 26,101,658	\$ 28,867,885

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,889,205. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ (3,495,705)
Changes in Assumptions	0	(22,087)
Contributions subsequent to the measurement date	0	(not applicable)
Net difference between projected and actual earnings in OPEB plan investments	(not applicable)	(not applicable)
	<u>\$ 0</u>	<u>\$ (3,517,792)</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2018", will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

**CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

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

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30th:

2019	(502,541)
2020	(502,541)
2021	(502,541)
2022	(502,541)
2023	(502,541)
Thereafter	(1,005,087)

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

Postemployment Health and Life Insurance Plans – Kingsport City Schools – Pre 65 Plan

Plan description

Employees of the Kingsport City Schools (KCS) who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Plan benefits

KCS offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. Retired employees who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Teachers with 30 years of service are subsidized 45 percent; 20 but less than 30 years, 35 percent; and less than 20 years, 25 percent. The state, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retiree's premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

**Postemployment Health and Life Insurance Plans – Kingsport City Schools – Pre 65 Plan
(continued)**

Employees covered

At July1, 2017, the following employees of KCS were covered by the benefit terms of the TGOP.

Inactive employees currently receiving benefit payments	87
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>880</u>
Total	<u><u>967</u></u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the KCS paid \$885,678 to the TGOP for OPEB benefits as they came due.

Total OPEB liability

The KCS collective total OPEB liability of \$19,866,282 was measured as of June 30, 2017 and was determined based on an actuarial valuation performed as of June 30, 2017, of which \$16,266,651 (81.88%) and \$3,599,631 (18.12%) represented the KCS and non-employer contributor's proportionate share respectively.

Actuarial Methods and Assumptions

The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.5% for 2018, decreasing annually to an ultimate rate of 3.71% for 2050 and later years.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

**Postemployment Health and Life Insurance Plans – Kingsport City Schools – Pre 65 Plan
(continued)**

Actuarial Methods and Assumptions (continued)

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate - The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

Changes in collective total OPEB liability

Balance at June 30, 2016	<u>\$ 19,874,708</u>
Changes for the year:	
Service cost	1,242,765
Interest	602,104
Benefit changes	0
Differences between expected and actual experience	0
Assumption or other input changes	(858,352)
Benefit payments	<u>(994,943)</u>
Net changes	<u>(8,426)</u>
Balance at June 30, 2017	<u><u>\$ 19,866,282</u></u>
Non-employer contributing entities proportionate share of the collective total OPEB liability	<u><u>\$ 3,599,631</u></u>
Employer's proportionate share of the collective total OPEB liability	<u><u>\$ 16,266,651</u></u>
Employer's proportion of the collective total OPEB liability	<u><u>81.88%</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Health and Life Insurance Plans – Kingsport City Schools – Pre 65 Plan (continued)

Special funding situation

KCS has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. KCS's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and non-employer contributing entities, actuarially determined. KCS recognized \$318,407 in revenue for subsidies provided by non-employer contributing entities for benefits paid by the TGOP for KCS retirees.

Changes in Assumptions

The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Proportionate share of collective total OPEB liability	<u>\$ 17,373,054</u>	<u>\$ 16,266,651</u>	<u>\$ 15,210,747</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trends rates

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50% decreasing to 2.71%) or 1-percentage-point higher (8.50% decreasing to 4.71%) than the current healthcare cost trend rate.

	1% Decrease (6.50% to 2.71%)	Current Healthcare Cost Trend Rates (7.50% to 3.71%)	1% Increase (8.50% to 4.71%)
Proportionate share of collective total OPEB liability	<u>\$ 14,546,332</u>	<u>\$ 16,266,651</u>	<u>\$ 18,296,420</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

**Postemployment Health and Life Insurance Plans – Kingsport City Schools – Pre 65 Plan
(continued)**

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the fiscal year ended June, 30, 2018, KCS recognized OPEB expense of \$1,757,282. For the fiscal year ended June, 30, 2018, KCS reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 0
Changes in Assumptions	0	631,108
Changes in proportion and differences between amounts paid as benefits came due and proportionate share of certain amounts paid by the employer and nonemployer contributors as the benefits came due.	0	0
Employer payments subsequent to the measurement date	<u>885,678</u>	<u>(not applicable)</u>
	<u><u>\$ 885,678</u></u>	<u><u>\$ 631,108</u></u>

The amount shown above for "Employer payments subsequent to the measurement date", 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 will be recognized in OPEB expense as follows:

Year Ended June 30th:

2019	(71,717)
2020	(71,717)
2021	(71,717)
2022	(71,717)
2023	(71,717)
Thereafter	(272,524)

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

**CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Health and Life Insurance Plans – Kingsport City Schools – Post 65 Plan

Plan description

Employees of Kingsport City Schools (KCS), who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the state, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Plan benefits

The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TNP does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The Kingsport City Schools cover the premium for the post 65 retiree Medicare supplement plan remaining after the state subsidy. The state, as a governmental non-employer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

At July1, 2017, the following employees of KCS were covered by the benefit terms of the TGOP.

Inactive employees currently receiving benefit payments	277
Inactive employees entitled to but not yet receiving benefit payments	84
Active employees	<u>880</u>
Total	<u><u>1,241</u></u>

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, KCS] paid \$337,249 to the TNP for OPEB benefits as they came due.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

**Postemployment Health and Life Insurance Plans – Kingsport City Schools – Post 65 Plan
(continued)**

Total OPEB liability

The KCS collective total OPEB liability of \$27,543,782 was measured as of June 30, 2017 and was determined based on an actuarial valuation performed as of June 30, 2017, of which \$24,818,271 (90.10%) and \$2,725,511 (9.90%) represented the KCS and non-employer contributor's proportionate share respectively.

Actuarial Methods and Assumptions

The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.5% for 2018, decreasing annually to an ultimate rate of 3.71% for 2050 and later years.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate - The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

**Postemployment Health and Life Insurance Plans – Kingsport City Schools – Post 65 Plan
(continued)**

Changes in collective total OPEB liability

Balance at June 30, 2016	<u>\$ 28,168,327</u>
Changes for the year:	
Service cost	2,165,989
Interest	878,623
Benefit changes	0
Differences between expected and actual experience	0
Assumption or other input changes	(3,180,197)
Benefit payments	<u>(488,960)</u>
Net changes	<u>(624,545)</u>
Balance at June 30, 2017	<u><u>\$ 27,543,782</u></u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	<u><u>\$ 2,725,511</u></u>
Employer's proportionate share of the collective total OPEB liability	<u><u>\$ 24,818,271</u></u>
Employer's proportion of the collective total OPEB liability	<u><u>90.10%</u></u>

Special funding situation

KCS has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. KCS's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefits paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and non-employer contributing entities, actuarially determined. KCS recognized \$262,894 in revenue for support provided by non-employer contributing entities for benefits paid to the TNP for KCS retired employees.

Changes in Assumptions

The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Health and Life Insurance Plans – Kingsport City Schools – Post 65 Plan (continued)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate.

	<u>1% Decrease (2.56%)</u>	<u>Current Discount Rate (3.56%)</u>	<u>1% Increase (4.56%)</u>
Proportionate share of collective total OPEB liability	\$ 29,453,717	\$ 24,818,271	\$ 20,998,476

Sensitivity of the total OPEB liability to changes in the healthcare cost trends rates

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50% decreasing to 2.71%) or 1-percentage-point higher (8.50% decreasing to 4.71%) than the current healthcare cost trend rate.

	<u>1% Decrease (6.50% to 2.71%)</u>	<u>Current Healthcare Cost Trend Rates (7.50% to 3.71%)</u>	<u>1% Increase (8.50% to 4.71%)</u>
Proportionate share of collective total OPEB liability	\$ 20,128,254	\$ 24,818,271	\$ 31,074,607

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the fiscal year ended June, 30, 2018, KCS recognized OPEB expense of \$2,656,783. For the fiscal year ended June, 30, 2018, KCS reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

**Postemployment Health and Life Insurance Plans – Kingsport City Schools – Post 65 Plan
(continued)**

**OPEB expense and deferred outflows of resources and deferred inflows of resources related to
OPEB (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 0
Changes in Assumptions	0	2,516,057
Changes in proportion and differences between amounts paid as benefits came due and proportionate share of certain amounts paid by the employer and nonemployer contributors as the benefits came due.	0	0
Employer payments subsequent to the measurement date	337,249	(not applicable)
	<u>\$ 337,249</u>	<u>\$ 2,516,057</u>

The amount shown above for "Employer payments subsequent to the measurement date", 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 will be recognized in OPEB expense as follows:

Year Ended June 30th:

2019	(349,453)
2020	(349,453)
2021	(349,453)
2022	(349,453)
2023	(349,453)
Thereafter	(768,795)

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

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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 contribution (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 2018 was \$217,008 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. For fiscal year 2018, on-behalf payments made by the State of Tennessee totaled, \$136,291, and have been recorded as revenue and expenditure in the general purpose school fund.

During the year ended June 30, 2018, Kingsport City Schools contributed \$432,450 for the State Teacher Group Plan and \$366,600 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, 2016 and 2017, the taxes assessed on the previously mentioned taxpayer, accounted for approximately 25% and 24% respectively, of the total property taxes assessed for each tax year.

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 party 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 party. No party 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, 2018 is valued as follows:

Note Receivable from Phipps Bend Venture	\$ 478,162
20% interest in capital of Phipps Bend Joint Venture	<u>214,017</u>
Total Investment	<u><u>\$ 692,179</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

G. Joint Ventures (continued)

Audited information for the Phipps Bend joint venture as of June 30, 2018 is as follows:

	<u>Phipps Bend Joint Venture</u>
Operating Revenues	\$ 6,405
Operating Expenses	(41,592)
Non Operating Revenues	28,070
Non Operating Expenses	(506,513)
Capital Transactions	
Return of capital to Hawkins County	(721,249)
Accounting fees paid by Hawkins County	<u>4,000</u>
Change in Net Position	(1,230,879)
Net Position, July 1	<u>2,319,793</u>
Net Postion, June 30	<u>\$ 1,088,914</u>
Total Assets	\$ 2,472,702
Total Liabilities	<u>(1,383,788)</u>
Total Net Position	<u>\$ 1,088,914</u>

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

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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
ATTN: Director of Finance
2525 Highway 75, Suite 301
Blountville, TN 37617

Audited information for the Tri-Cities Regional Airport Authority jointly governed organization as of June 30, 2018 is presented below:

	<u>Tri-Cities Airport Authority</u>
Operating Revenues	\$ 7,077,619
Operating Expenses	(6,460,859)
Depreciation	(5,744,739)
Non Operating Revenues	1,226,826
Non Operating Expenses	(312,917)
Capital Contributions	<u>2,538,212</u>
Change in Net Position	(1,675,858)
Beginning Net Position, July 1	<u>90,553,070</u>
Net Position, June 30	<u><u>\$ 88,877,212</u></u>
 Total Assets	 \$ 101,304,780
Total Deferred Outflows of Resources	549,306
Total Liabilities	(12,870,960)
Total Deferred Inflows of Resources	<u>(105,914)</u>
Total Net Position	<u><u>\$ 88,877,212</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

I. Subsequent Events

On September 28, 2018, the City issued General Obligation Improvement Bonds, Series 2018A, 2018B and 2018C. The Series A bonds were issued at a par value of \$7,040,000, plus a net premium of \$261,366, less an underwriter's discount and other bond issuance costs of \$163,410. The average coupon rate is 3.4855%. Net interest cost is 3.2727% and the true interest cost is 3.2449%. The Series B bonds were issued at a par value of \$5,275,000, plus a net premium of \$169,024, less an underwriter's discount and other bond issuance costs of \$134,474. The average coupon rate is 3.4533%. Net interest cost is 3.2978% and the true interest cost is 3.2790%. The Series C bonds were issued at a par value of \$2,360,000, plus a net premium of \$18,007, less an underwriter's discount and other bond issuance costs of \$46,267. The average coupon rate is 3.2186%. Net interest cost is 3.2771% and the true interest cost is 3.2799%.

The Series A, B and C bonds will mature on March 1 of each year, beginning March 1, 2020 and through March 1, 2038. Moody's Investors Service assigned an Aa2 rating on the bonds and Standard and Poor's Financial Services assigned an AA rating on the bonds. The Series 2018A, B and C Bonds are to be used to finance the City's adopted Capital Improvement Program (CIP), for the fiscal year 2019, as approved by the BMA.

On December 3, 2018 the BMA authorized, if necessary, a contribution to the IDBK, for economic development or industrial development of up to \$2,000,000 for the construction of a warehouse on IDBK property which is currently leased to Anita's Snack Foods, Inc. The warehouse will allow for an expansion of additional product lines which will in turn increase the number of employees at the Kingsport plant. The IDBK will enter into a new lease purchase agreement with Anita's Snack Foods, Inc. to cover all costs. The terms of the new lease purchase agreement is 10 years with two 5 year renewals.

On December 18, 2018 the City purchased the Regions Bank building and nearby parking lot located in downtown Kingsport for a combined total of \$2,820,000. The property will be used to consolidate city services.

On December 6, 2018 the IDBK paid the principal amount of \$943,814 for the closed-ended line of credit related to the purchase of real property in downtown Kingsport from the Brooks Family Limited Partnership #3.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

5. OTHER INFORMATION (CONTINUED)

J. Prior Period Adjustments

Restatement

As previously mentioned, effective for fiscal year 2018 the City implemented GASB Statement Number 75. Implementation of this new accounting standard required a restatement of beginning net position in the Governmental Activities and Business-Type Activities funds for OPEB liabilities. The total effect of implementing GASB Statement Number 75 on the beginning net position of Governmental Activities funds was a reduction of \$14,662,431. The total effect of implementing GASB Statement Number 75 on the beginning net position of Business-Type Activities funds was a reduction of \$2,187,014.

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, 2017, as previously reported	\$ 223,195,522	\$ 197,349,851	420,545,373
Implementation of GASB 75, OPEB Liability	(14,662,431)	(2,187,014)	(16,849,445)
Net Position, July 1, 2017, as restated	<u>\$ 208,533,091</u>	<u>\$ 195,162,837</u>	<u>\$ 403,695,928</u>

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	Water Fund	Sewer Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds
Net Position, July 1, 2017, as previously reported	\$ 66,441,297	\$ 106,170,596	\$ 300,636	\$ 18,506,332	\$ 5,930,990	\$ 197,349,851
Implementation of GASB 75, OPEB Liability	(954,782)	(631,470)	(43,330)	0	(557,432)	(2,187,014)
Net Position, July 1, 2017, as restated	<u>\$ 65,486,515</u>	<u>\$ 105,539,126</u>	<u>\$ 257,306</u>	<u>\$ 18,506,332</u>	<u>\$ 5,373,558</u>	<u>\$ 195,162,837</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Enterprise Funds	Solid Waste Fund	Storm Water Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
Net Position, July 1, 2017, as previously reported	\$ (1,507)	\$ 2,246,899	\$ 3,685,598	\$ 5,930,990
Implementation of GASB 75, OPEB Liability	(408,416)	(149,016)	0	(557,432)
Net Position, July 1, 2017, as restated	<u>\$ (409,923)</u>	<u>\$ 2,097,883</u>	<u>\$ 3,685,598</u>	<u>\$ 5,373,558</u>

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, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

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
Fiscal Year Ended June 30

	2014	2015	2016	2017
Total Pension Liability				
Service Cost	\$ 3,134,841	\$ 2,928,686	\$ 2,641,482	\$ 2,561,651
Interest	13,948,239	14,225,977	14,899,301	15,290,619
Changes in Benefit Terms	0	0	0	0
Differences Between Actual & Expected Experience	(4,085,461)	1,727,975	(2,335,240)	(5,025,737)
Change of Assumptions	0	0	0	4,884,302
Benefit Payments, Including Refunds of Employee Contributions	(8,744,114)	(9,432,488)	(9,803,076)	(10,013,182)
Net Change in Total Pension Liability	4,253,505	9,450,150	5,402,467	7,697,653
Total Pension Liability-Beginning	187,213,741	191,467,246	200,917,396	206,319,863
Total Pension Liability-Ending (a)	\$ 191,467,246	\$ 200,917,396	\$ 206,319,863	\$ 214,017,516
Plan Fiduciary Net Position				
Contributions-Employer	\$ 6,099,494	\$ 5,677,773	\$ 5,449,196	\$ 5,411,825
Contributions-Employee	149,333	138,269	128,305	125,734
Net Investment Income	24,199,909	5,146,329	4,463,037	19,072,897
Benefit Payments, Including Refunds of Employee Contributions	(8,744,114)	(9,432,488)	(9,803,076)	(10,013,182)
Administrative Expense	(42,145)	(43,337)	(59,140)	(63,078)
Net Change in Plan Fiduciary Net Position	21,662,477	1,486,546	178,322	14,534,196
Plan Fiduciary Net Position-Beginning	147,261,088	168,923,565	170,410,111	170,588,433
Plan Fiduciary Net Position-Ending (b)	\$ 168,923,565	\$ 170,410,111	\$ 170,588,433	\$ 185,122,629
Net Pension Liability (Asset)- Ending (a) - (b)	\$ 22,543,681	\$ 30,507,285	\$ 35,731,430	\$ 28,894,887
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.23%	84.82%	82.68%	86.50%
Covered Payroll	\$ 35,655,016	\$ 33,574,550	\$ 32,180,488	\$ 31,970,958
Net Pension Liability as a Percentage of Covered Payroll	63.23%	90.86%	111.03%	90.38%

Changes in assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

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

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**City of Kingsport
Schedule of Contributions
Based on Participation in the Public Employee Pension Plan of the TCRS
Fiscal Year Ended June 30**

	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 6,099,494	\$ 5,677,773	\$ 5,449,196	\$ 5,390,303	\$ 5,297,089
Contributions in Relation to the Actuarially Determined Contribution	6,099,494	5,677,773	5,449,196	5,411,825	5,297,089
Contribution Deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (21,522)</u>	<u>\$ 0</u>
Covered Payroll	<u>\$ 35,655,016</u>	<u>\$ 33,574,550</u>	<u>\$ 32,180,488</u>	<u>\$ 31,970,958</u>	<u>\$ 30,959,024</u>
Contributions as a Percentage of Covered Payroll	<u>17.11%</u>	<u>16.91%</u>	<u>16.93%</u>	<u>16.93%</u>	<u>17.11%</u>

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

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**City of Kingsport
Notes to Schedule
Public Employee Pension Plan of the TCRS**

Valuation Date

Actuarially determined contribution rates for Fiscal Year 2018 were calculated based on the June 30, 2017 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 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
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

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**Kingsport City Schools
Schedule of Proportionate Share of Net Pension Liability (Asset)
Teacher Legacy Pension Plan of the TCRS
Fiscal Year Ended June 30***

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the Net Pension Liability (Asset)	0.83%	0.86%	0.88%	.089%
Proportionate Share of the Net Pension Liability (Asset)	\$ (135,007)	\$ 350,455	\$ 5,468,376	\$ (291,014)
Covered Payroll	\$ 32,610,169	\$ 32,026,901	\$ 31,586,342	\$ 31,441,513
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	(0.41)%	1.09%	17.31%	(0.93)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%	97.14%	100.14%

*The amounts presented were determined as of June 30 of the prior fiscal year

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

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**Kingsport City Schools
Schedule of Contributions
Teacher Legacy Pension Plan of the TCRS
Fiscal Year Ended June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually Required Contribution	\$ 2,895,779	\$ 2,895,224	\$ 2,855,408	\$ 2,842,315	\$ 2,860,912
Contributions in Relation to the Contractually Required Contribution	<u>2,895,779</u>	<u>2,895,224</u>	<u>2,855,408</u>	<u>2,842,315</u>	<u>2,860,912</u>
Contribution Deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	<u>\$ 32,610,169</u>	<u>\$ 32,026,901</u>	<u>\$ 31,586,342</u>	<u>\$ 31,441,513</u>	<u>\$ 31,507,841</u>
Contributions as a Percentage of Covered Payroll	<u>8.88%</u>	<u>9.04%</u>	<u>9.04%</u>	<u>9.04%</u>	<u>9.08%</u>

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

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**Kingsport City Schools
Schedule of Proportionate Share of Net Pension Liability (Asset)
Teacher Retirement Plan of the TCRS
Fiscal Year Ended June 30***

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the Net Pension Liability (Asset)	0.42%	0.56%	0.71%
Proportionate Share of the Net Pension Liability (Asset)	\$ (16,828)	\$ (58,657)	\$ (187,351)
Covered Payroll	\$ 869,128	\$ 2,479,203	\$ 4,660,725
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	(1.94)%	(2.37)%	(4.02)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%	121.88%	126.81%

*The amounts presented were determined as of June 30 of the prior fiscal year

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

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**Kingsport City Schools
Schedule of Contributions
Teacher Retirement Plan of the TCRS
Fiscal Year Ended June 30**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually Required Contribution	\$ 21,728	\$ 62,059	\$ 186,429	\$ 259,108
Contributions in Relation to the Contractually Required Contribution	<u>34,765</u>	<u>99,168</u>	<u>186,429</u>	<u>259,108</u>
Contribution Deficiency (excess)	<u>\$ (13,037)</u>	<u>\$ (37,109)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	<u>\$ 869,128</u>	<u>\$ 2,479,203</u>	<u>\$ 4,660,725</u>	<u>\$ 6,477,700</u>
Contributions as a Percentage of Covered Payroll	<u>4.00%</u>	<u>4.00%</u>	<u>4.00%</u>	<u>4.00%</u>

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

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**City of Kingsport
Schedule of Changes in Net OPEB Liability and Related Ratios
City Employees Post Employment Health and Life Insurance
June 30, 2018**

Primary Government - Local Plan

	Plan Year 2018
Total OPEB Liability	
Service cost	\$ 1,337,168
Interest on total OPEB liability	1,054,578
Changes in benefit terms	0
Difference between expected and actual experience	(3,995,091)
Changes in assumptions	(25,242)
Benefit payments	(773,365)
Net change in total OPEB liability	(2,401,952)
Total OPEB liability - beginning	<u>28,503,610</u>
Total OPEB liability - ending	<u>26,101,658</u>
 Plan Fiduciary Net Position	
Contributions - employer	773,365
Contributions - employee	0
Net investment income	0
Benefit payments	(773,365)
Administrative expenses	0
Other	0
Net change in plan fiduciary net position	<u>0</u>
Plan fiduciary net position - beginning	<u>0</u>
Plan fiduciary net position - ending	<u>0</u>
Net OPEB liability - ending	<u><u>\$ 26,101,658</u></u>
 Plan fiduciary net position as a percentage of total OPEB liability	<u>0%</u>
 Covered payroll	<u><u>\$ 32,082,945</u></u>
 Net OPEB liability as a percentage of covered payroll	<u>81.4%</u>

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2018) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**City of Kingsport
Schedule of OPEB Contributions
City Employees Post Employment Health and Life Insurance
June 30, 2018**

Fiscal Year Ended June 30	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 773,365	\$ 773,365	\$ -	\$ 32,082,945	2.41%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**Kingsport City Schools
Schedule of Changes in Net OPEB Liability and Related Ratios
Pre 65 Employees Post Employment Health and Life Insurance
June 30, 2018**

Schools - Pre 65

	Plan Year 2017
Total OPEB Liability	
Service cost	\$ 1,242,765
Interest on total OPEB liability	602,104
Changes in benefit terms	0
Difference between expected and actual experience	0
Changes in assumptions	(858,352)
Benefit payments	(994,943)
Net change in total OPEB liability	(8,426)
Total OPEB liability - beginning	19,874,708
Total OPEB liability - ending	19,866,282
 Plan Fiduciary Net Position	
Contributions - employer	1,757,282
Contributions - employee	0
Net investment income	0
Benefit payments	(1,757,282)
Administrative expenses	0
Other	0
Net change in plan fiduciary net position	0
Plan fiduciary net position - beginning	0
Plan fiduciary net position - ending	0
Net OPEB liability - ending	\$ 19,866,282
 Plan fiduciary net position as a percentage of total OPEB liability	 0%
 Covered payroll	 \$ 31,441,513
 Net OPEB liability as a percentage of covered payroll	 63.2%

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**Kingsport City Schools
Schedule of Changes in Net OPEB Liability and Related Ratios
Pre 65 Employees Post Employment Health and Life Insurance
June 30, 2018
(continued)**

Schools - Pre 65	Plan Year 2017
	<hr/>
Non-employer contributing entities proportionate share of the collective total OPEB liability	<hr/> 3,599,631 <hr/>
Employer's proportionate share of the collective total OPEB liability	<hr/> 16,266,651 <hr/>
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	<hr/> 51.7% <hr/>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to these OPEB plans.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**Kingsport City Schools
Schedule of Employer's Share of Net OPEB Liability
Pre 65 Employees Post Employment Health and Life Insurance
June 30, 2018**

Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	81.88%	\$ 16,266,651	\$ 31,441,513	51.74%	0.00%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**Kingsport City Schools
Schedule of OPEB Contributions
Pre 65 Employees Post Employment Health and Life Insurance
June 30, 2018**

Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 1,757,282	\$ 1,757,282	\$ -	\$ 31,441,513	5.59%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**Kingsport City Schools
Schedule of Changes in Net OPEB Liability and Related Ratios
Post 65 Employees Post Employment Health and Life Insurance
June 30, 2018**

Schools - Post 65	Plan Year 2017
Total OPEB Liability	
Service cost	\$ 2,165,989
Interest on total OPEB liability	878,623
Changes in benefit terms	0
Difference between expected and actual experience	0
Changes in assumptions	(3,180,197)
Benefit payments	(488,960)
Net change in total OPEB liability	(624,545)
Total OPEB liability - beginning	<u>28,168,327</u>
Total OPEB liability - ending	<u>27,543,782</u>
Plan Fiduciary Net Position	
Contributions - employer	2,656,783
Contributions - employee	0
Net investment income	0
Benefit payments	(2,656,783)
Administrative expenses	0
Other	0
Net change in plan fiduciary net position	0
Plan fiduciary net position - beginning	<u>0</u>
Plan fiduciary net position - ending	<u>0</u>
Net OPEB liability - ending	<u><u>\$ 27,543,782</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	<u><u>0%</u></u>
Covered payroll	<u><u>\$ 31,441,513</u></u>
Net OPEB liability as a percentage of covered payroll	<u><u>87.6%</u></u>

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**Kingsport City Schools
Schedule of Changes in Net OPEB Liability and Related Ratios
Post 65 Employees Post Employment Health and Life Insurance
June 30, 2018
(continued)**

Schools - Post 65	Plan Year 2017
	<hr/>
Non-employer contributing entities proportionate share of the collective total OPEB liability	<u><u>2,725,511</u></u>
Employer's proportionate share of the collective total OPEB liability	<u><u>24,818,271</u></u>
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	<u><u>78.9%</u></u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to these OPEB plans.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**Kingsport City Schools
Schedule of Employer's Share of Net OPEB Liability
Post 65 Employees Post Employment Health and Life Insurance
June 30, 2018**

Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	90.10%	\$ 24,818,270	\$ 31,441,513	78.93%	0.00%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

**CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

**Kingsport City Schools
Schedule of OPEB Contributions
Post 65 Employees Post Employment Health and Life Insurance
June 30, 2018**

Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 2,656,783	\$ 2,656,783	\$ -	\$ 31,441,513	8.45%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

**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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Investment Earnings	\$ 143,500	\$ 143,500	\$ 327,312	\$ 183,812
Federal Interest Subsidy	176,500	176,500	175,797	(703)
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>320,000</u>	<u>320,000</u>	<u>503,109</u>	<u>183,109</u>
EXPENDITURES:				
Principal	8,667,300	8,624,259	8,624,257	2
Interest	4,122,000	4,386,586	4,268,268	118,318
Miscellaneous	<u>16,400</u>	<u>31,532</u>	<u>20,531</u>	<u>11,001</u>
Total Expenditures	<u>12,805,700</u>	<u>13,042,377</u>	<u>12,913,056</u>	<u>129,321</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,485,700)</u>	<u>(12,722,377)</u>	<u>(12,409,947)</u>	<u>312,430</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	12,485,700	12,700,615	12,641,144	(59,471)
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>12,485,700</u>	<u>12,700,615</u>	<u>12,641,144</u>	<u>(59,471)</u>
Net Change in Fund Balances	0	(21,762)	231,197	252,959
Fund Balances, July 1, 2017	<u>0</u>	<u>21,762</u>	<u>131,682</u>	<u>109,920</u>
Fund Balances, June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 362,879</u>	<u>\$ 362,879</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue Funds							Permanent Fund	
	Community Development Fund	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	\$ 30	\$ 4,356	\$ 505	\$ 0	\$ 1,510,866	\$ 1,515,757	\$ 0	\$ 1,515,757
Equity in Pooled Cash & Investments	0	1,459,122	423,200	0	324,718	1,010,874	3,217,914	5,246	3,223,160
Long Term Certificates of Deposit	0	0	0	0	0	98,000	98,000	152,692	250,692
Investments	0	0	0	0	335,048	67,262	402,310	44,300	446,610
Accounts Receivable	0	0	0	0	44,432	848	45,280	0	45,280
Accrued Interest Receivable	0	0	0	0	0	0	0	76	76
Due from Other Governments	20,203	5,532	1,653	1,160,190	671,623	886,718	2,745,919	0	2,745,919
Due from Other Funds	0	0	0	0	0	0	0	0	0
Prepays	0	0	0	0	0	638	638	0	638
Inventories	0	0	0	0	0	171,714	171,714	0	171,714
Restricted Cash	0	30,703	0	0	0	0	30,703	0	30,703
Restricted Investments	0	0	88,202	0	0	0	88,202	0	88,202
Total Assets	<u>\$ 20,203</u>	<u>\$ 1,495,387</u>	<u>\$ 517,411</u>	<u>\$ 1,160,695</u>	<u>\$ 1,375,821</u>	<u>\$ 3,746,920</u>	<u>\$ 8,316,437</u>	<u>\$ 202,314</u>	<u>\$ 8,518,751</u>
LIABILITIES AND FUND BALANCES:									
Liabilities:									
Accounts Payable	\$ 57	\$ 19,568	\$ 1,150	\$ 337,766	\$ 16,363	\$ 111,312	\$ 486,216	\$ 0	\$ 486,216
Contracts Payable	0	31,758	0	0	0	0	31,758	0	31,758
Other Liabilities	0	0	0	0	0	95,745	95,745	0	95,745
Due to Other Funds	3,675	0	0	172,694	244,128	634,844	1,055,341	0	1,055,341
Due to Other Governments	0	0	0	0	6	0	6	0	6
Unearned Revenue	0	1,800	0	0	0	86,044	87,844	0	87,844
Total Liabilities	<u>3,732</u>	<u>53,126</u>	<u>1,150</u>	<u>510,460</u>	<u>260,497</u>	<u>927,945</u>	<u>1,756,910</u>	<u>0</u>	<u>1,756,910</u>
Fund Balances:									
Nonspendable:									
Inventory	0	0	0	0	0	171,714	171,714	0	171,714
Prepays	0	0	0	0	0	638	638	0	638
Allandale Trust Principal	0	0	0	0	0	0	0	152,692	152,692
Restricted:									
Unspent Federal Forfeitures	0	0	80,565	0	0	0	80,565	0	80,565
Unspent Hotel Tax	0	0	0	0	215,966	0	215,966	0	215,966
Assigned	16,471	1,442,261	435,696	650,235	899,358	2,646,623	6,090,644	49,622	6,140,266
Total Fund Balances	<u>16,471</u>	<u>1,442,261</u>	<u>516,261</u>	<u>650,235</u>	<u>1,115,324</u>	<u>2,818,975</u>	<u>6,559,527</u>	<u>202,314</u>	<u>6,761,841</u>
Total Liabilities and Fund Balances	<u>\$ 20,203</u>	<u>\$ 1,495,387</u>	<u>\$ 517,411</u>	<u>\$ 1,160,695</u>	<u>\$ 1,375,821</u>	<u>\$ 3,746,920</u>	<u>\$ 8,316,437</u>	<u>\$ 202,314</u>	<u>\$ 8,518,751</u>

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, 2018

	Special Revenue Funds						Permanent Fund		
	Community Development Fund	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	\$ 3,872,470	\$ 0	\$ 3,872,470	\$ 0	\$ 3,872,470
Hotel/Motel Tax Allocation	0	0	0	0	456,581	0	456,581	0	456,581
Federal Government	328,141	23,589	4,853	2,021,555	0	6,800,929	9,179,067	0	9,179,067
State Government	0	56,128	0	2,548,844	0	1,057,186	3,662,158	0	3,662,158
Charges for Services	0	3,563	0	131,331	251,901	817,937	1,204,732	0	1,204,732
Fines and Forfeitures	0	20,650	177,920	0	0	0	198,570	0	198,570
Investment Earnings	0	0	1,051	0	4,704	1,205	6,960	3,058	10,018
Contributions and Donations	0	18,886	0	0	117,895	192,415	329,196	0	329,196
Other	0	0	0	0	0	0	0	0	0
Total Revenues	328,141	122,816	183,824	4,701,730	4,703,551	8,869,672	18,909,734	3,058	18,912,792
EXPENDITURES:									
General & Administrative	0	1,505,038	0	0	0	0	1,505,038	0	1,505,038
School Food Service	0	0	0	0	0	3,456,578	3,456,578	0	3,456,578
School Federal Projects	0	0	0	0	0	3,920,830	3,920,830	0	3,920,830
Economic & Physical Development	328,141	0	0	0	0	0	328,141	0	328,141
Public Safety	0	0	95,179	0	0	0	95,179	0	95,179
Transportation	0	0	0	4,309,081	0	0	4,309,081	0	4,309,081
Culture and Recreation	0	0	0	0	381,443	0	381,443	0	381,443
Education	0	0	0	0	0	1,073,459	1,073,459	0	1,073,459
Capital Outlay	0	152	35,653	1,481,658	7,294	236,938	1,761,695	0	1,761,695
Total Expenditures	328,141	1,505,190	130,832	5,790,739	388,737	8,687,805	16,831,444	0	16,831,444
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(1,382,374)	52,992	(1,089,009)	4,314,814	181,867	2,078,290	3,058	2,081,348
OTHER FINANCING SOURCES (USES):									
Transfers In	0	1,705,150	0	1,168,316	47,908	102,419	3,023,793	0	3,023,793
Transfers Out	0	0	0	0	(4,098,577)	(25,891)	(4,124,468)	0	(4,124,468)
Total Other Financing Sources (Uses)	0	1,705,150	0	1,168,316	(4,050,669)	76,528	(1,100,675)	0	(1,100,675)
Net Change in Fund Balances	0	322,776	52,992	79,307	264,145	258,395	977,615	3,058	980,673
Fund Balances, July 1, 2017	16,471	1,119,485	463,269	570,928	851,179	2,560,580	5,581,912	199,256	5,781,168
Fund Balances, June 30, 2018	\$ 16,471	\$ 1,442,261	\$ 516,261	\$ 650,235	\$ 1,115,324	\$ 2,818,975	\$ 6,559,527	\$ 202,314	\$ 6,761,841

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - PUBLIC SAFETY
June 30, 2018

	Criminal Forfeiture Fund	Drug Fund	Justice Assistance Grant Fund	Total Public Safety Funds
ASSETS:				
Cash	\$ 0	\$ 4,356	\$ 0	\$ 4,356
Equity in Pooled Cash and Investments	101,292	321,908	0	423,200
Due from Other Governments	0	1,653	0	1,653
Restricted Investments	88,202	0	0	88,202
Total Assets	\$ 189,494	\$ 327,917	\$ 0	\$ 517,411
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 0	\$ 1,150	\$ 0	\$ 1,150
Due to Other Funds	0	0	0	0
Unearned Revenue	0	0	0	0
Total Liabilities	0	1,150	0	1,150
Fund Balances:				
Restricted:				
Unspent Federal Forfeitures	80,565	0	0	80,565
Assigned	108,929	326,767	0	435,696
Total Fund Balances	189,494	326,767	0	516,261
Total Liabilities and Fund Balances	\$ 189,494	\$ 327,917	\$ 0	\$ 517,411

See Independent Auditors' Report.

CITY OF KINGSFORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - PUBLIC SAFETY
For the Fiscal Year Ended June 30, 2018

	Criminal Forfeiture Fund	Drug Fund	Justice Assistance Grant Fund	Total Public Safety Funds
REVENUES:				
Federal Government	\$ 0	\$ 0	\$ 4,853	\$ 4,853
State Government	0	0	0	0
Fines and Forfeitures	7,637	170,283	0	177,920
Miscellaneous	0	0	0	0
Investment Earnings	1,051	0	0	1,051
	<u>8,688</u>	<u>170,283</u>	<u>4,853</u>	<u>183,824</u>
Total Revenues				
EXPENDITURES:				
General and Administrative	0	0	0	0
Public Safety	0	95,179	0	95,179
Capital Outlay	0	30,800	4,853	35,653
	<u>0</u>	<u>125,979</u>	<u>4,853</u>	<u>130,832</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,688</u>	<u>44,304</u>	<u>0</u>	<u>52,992</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	8,688	44,304	0	52,992
Fund Balances, July 1, 2017	<u>180,806</u>	<u>282,463</u>	<u>0</u>	<u>463,269</u>
Fund Balances, June 30, 2018	<u>\$ 189,494</u>	<u>\$ 326,767</u>	<u>\$ 0</u>	<u>\$ 516,261</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - TRANSPORTATION
June 30, 2018

	Federal Transit Administration Fund	Metropolitan Planning Office Fund	State Street Aid Fund	Total Transportation Funds
ASSETS:				
Cash	\$ 505	\$ 0	\$ 0	\$ 505
Equity in Pooled Cash and Investments	0	0	0	0
Due from Other Governments	647,417	210,761	302,012	1,160,190
Total Assets	\$ 647,922	\$ 210,761	\$ 302,012	\$ 1,160,695
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 9,454	\$ 122,524	\$ 205,788	\$ 337,766
Due to Other Governments	0	0	0	0
Due to Other Funds	36,390	42,762	93,542	172,694
Total Liabilities	45,844	165,286	299,330	510,460
Fund Balances:				
Assigned	602,078	45,475	2,682	650,235
Total Fund Balances	602,078	45,475	2,682	650,235
Total Liabilities and Fund Balances	\$ 647,922	\$ 210,761	\$ 302,012	\$ 1,160,695

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, 2018

	Federal Transit Administration Fund	Metropolitan Planning Office Fund	State Street Aid Fund	Total Transportation Funds
REVENUES:				
Federal Government	\$ 859,524	\$ 1,162,031	\$ 0	\$ 2,021,555
State Government	606,764	222,645	1,719,435	2,548,844
Charges for Services	131,331	0	0	131,331
Investment Earnings	0	0	0	0
Total Revenues	1,597,619	1,384,676	1,719,435	4,701,730
EXPENDITURES:				
Transportation	1,537,895	360,388	2,410,798	4,309,081
Capital Outlay	372,430	1,074,241	34,987	1,481,658
Total Expenditures	1,910,325	1,434,629	2,445,785	5,790,739
Excess (Deficiency) of Revenues Over (Under) Expenditures	(312,706)	(49,953)	(726,350)	(1,089,009)
OTHER FINANCING SOURCES (USES):				
Transfers In	389,184	52,782	726,350	1,168,316
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	389,184	52,782	726,350	1,168,316
Net Change in Fund Balances	76,478	2,829	0	79,307
Fund Balances, July 1, 2017	525,600	42,646	2,682	570,928
Fund Balances, June 30, 2018	\$ 602,078	\$ 45,475	\$ 2,682	\$ 650,235

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CULTURE AND RECREATION
June 30, 2018

	Regional Sales Tax Revenue Fund	Visitors Enhancement Fund	Steadman Cemetery Fund	Public Library Commission Fund	Library Governing Board Fund	Bays Mountain Park Fund	Senior Citizens Advisory Board Fund	Total Culture & Recreation Funds
ASSETS:								
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Equity in Pooled Cash & Investments	0	171,534	1,230	110	50,347	33,296	68,201	324,718
Investments	146	0	7,952	4,216	0	189,561	133,173	335,048
Accounts Receivable	0	44,432	0	0	0	0	0	44,432
Due from Other Governments	671,623	0	0	0	0	0	0	671,623
Due from Other Funds	0	0	0	0	0	0	0	0
Total Assets	\$ 671,769	\$ 215,966	\$ 9,182	\$ 4,326	\$ 50,347	\$ 222,857	\$ 201,374	\$ 1,375,821
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Accounts Payable	\$ 0	\$ 0	\$ 225	\$ 0	\$ 3,193	\$ 0	\$ 12,945	\$ 16,363
Due to Other Governments	0	0	0	0	0	0	6	6
Due to Other Funds	244,128	0	0	0	0	0	0	244,128
Total Liabilities	244,128	0	225	0	3,193	0	12,951	260,497
Fund Balances:								
Restricted For:								
Unspent Hotel Tax	0	215,966	0	0	0	0	0	215,966
Assigned	427,641	0	8,957	4,326	47,154	222,857	188,423	899,358
Total Fund Balances	427,641	215,966	8,957	4,326	47,154	222,857	188,423	1,115,324
Total Liabilities and Fund Balances	\$ 671,769	\$ 215,966	\$ 9,182	\$ 4,326	\$ 50,347	\$ 222,857	\$ 201,374	\$ 1,375,821

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, 2018

	Regional Sales Tax Revenue Fund	Visitors Enhancement Fund	Steadman Cemetery Fund	Public Library Commission Fund	Library Governing Board Fund	Bays Mountain Park Fund	Senior Citizens Advisory Board Fund	Total Culture & Recreation Funds
REVENUES:								
Local Option Sales Tax	\$ 3,872,470	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,872,470
Hotel/Motel Tax Allocation	0	456,581	0	0	0	0	0	456,581
Charges for Services	0	0	0	0	0	0	251,901	251,901
Investment Earnings	944	0	128	54	0	2,120	1,458	4,704
Contributions and Donations	0	0	0	0	0	35,365	82,530	117,895
Other	0	0	0	0	0	0	0	0
Total Revenues	<u>3,873,414</u>	<u>456,581</u>	<u>128</u>	<u>54</u>	<u>0</u>	<u>37,485</u>	<u>335,889</u>	<u>4,703,551</u>
EXPENDITURES:								
Culture and Recreation	0	66,971	1,183	0	754	12,006	300,529	381,443
Capital Outlay	0	0	0	0	0	7,294	0	7,294
Total Expenditures	<u>0</u>	<u>66,971</u>	<u>1,183</u>	<u>0</u>	<u>754</u>	<u>19,300</u>	<u>300,529</u>	<u>388,737</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,873,414</u>	<u>389,610</u>	<u>(1,055)</u>	<u>54</u>	<u>(754)</u>	<u>18,185</u>	<u>35,360</u>	<u>4,314,814</u>
OTHER FINANCING SOURCES (USES):								
Transfers In	0	0	0	0	47,908	0	0	47,908
Transfers Out	(3,833,480)	(265,097)	0	0	0	0	0	(4,098,577)
Total Other Financing Sources (Uses)	<u>(3,833,480)</u>	<u>(265,097)</u>	<u>0</u>	<u>0</u>	<u>47,908</u>	<u>0</u>	<u>0</u>	<u>(4,050,669)</u>
Net Change in Fund Balances	39,934	124,513	(1,055)	54	47,154	18,185	35,360	264,145
Fund Balances, July 1, 2017	<u>387,707</u>	<u>91,453</u>	<u>10,012</u>	<u>4,272</u>	<u>0</u>	<u>204,672</u>	<u>153,063</u>	<u>851,179</u>
Fund Balances, June 30, 2018	<u>\$ 427,641</u>	<u>\$ 215,966</u>	<u>\$ 8,957</u>	<u>\$ 4,326</u>	<u>\$ 47,154</u>	<u>\$ 222,857</u>	<u>\$ 188,423</u>	<u>\$ 1,115,324</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EDUCATION
June 30, 2018

	School Nutrition Services Fund	Special School Projects Fund	Public Law 93- 380 Fund	Palmer Center Fund	Total Education Funds
ASSETS:					
Cash	\$ 1,510,866	\$ 0	\$ 0	\$ 0	\$ 1,510,866
Equity in Pooled Cash and Investments	1,010,874	0	0	0	1,010,874
Long Term Certificates of Deposit	98,000	0	0	0	98,000
Investments	0	0	0	67,262	67,262
Accounts Receivable	848	0	0	0	848
Due from Other Governments	67,580	207,532	611,606	0	886,718
Prepays	0	638	0	0	638
Inventories	171,714	0	0	0	171,714
Total Assets	\$ 2,859,882	\$ 208,170	\$ 611,606	\$ 67,262	\$ 3,746,920
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 53,837	\$ 22,278	\$ 35,197	\$ 0	\$ 111,312
Other Liabilities	16,025	22,476	57,244	0	95,745
Due to Other Funds	0	115,679	519,165	0	634,844
Due to Other Governments	0	0	0	0	0
Unearned Revenue	45,925	40,119	0	0	86,044
Total Liabilities	115,787	200,552	611,606	0	927,945
Fund Balances:					
Nonspendable:					
Inventory	171,714	0	0	0	171,714
Prepays	0	638	0	0	638
Assigned	2,572,381	6,980	0	67,262	2,646,623
Total Fund Balances	2,744,095	7,618	0	67,262	2,818,975
Total Liabilities and Fund Balances	\$ 2,859,882	\$ 208,170	\$ 611,606	\$ 67,262	\$ 3,746,920

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, 2018

	School Nutrition Services Fund	Special School Projects Fund	Public Law 93- 380 Fund	Palmer Center Fund	Total Education Funds
REVENUES:					
Federal Government	\$ 2,760,934	\$ 0	\$ 4,039,995	\$ 0	\$ 6,800,929
State Government	29,971	1,027,215	0	0	1,057,186
Charges for Services	784,350	33,587	0	0	817,937
Investment Earnings	340	0	0	865	1,205
Contributions and Donations	192,415	0	0	0	192,415
Total Revenues	3,768,010	1,060,802	4,039,995	865	8,869,672
EXPENDITURES:					
School Food Service	3,456,578	0	0	0	3,456,578
School Federal Projects	0	0	3,920,830	0	3,920,830
Education	0	1,073,459	0	0	1,073,459
Capital Outlay	61,520	82,144	93,274	0	236,938
Total Expenditures	3,518,098	1,155,603	4,014,104	0	8,687,805
Excess (Deficiency) of Revenues Over (Under) Expenditures	249,912	(94,801)	25,891	865	181,867
OTHER FINANCING SOURCES (USES):					
Transfers In	0	102,419	0	0	102,419
Transfers Out	0	0	(25,891)	0	(25,891)
Total Other Financing Sources (Uses)	0	102,419	(25,891)	0	76,528
Net Change in Fund Balances	249,912	7,618	0	865	258,395
Fund Balances, July 1, 2017	2,494,183	0	0	66,397	2,560,580
Fund Balances, June 30, 2018	<u>\$ 2,744,095</u>	<u>\$ 7,618</u>	<u>\$ 0</u>	<u>\$ 67,262</u>	<u>\$ 2,818,975</u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Federal Government	\$ 0	\$ 0	\$ 0	\$ 0
Fines and Forfeitures	6,000	6,000	7,637	1,637
Investment Earnings	0	0	1,051	1,051
Contributions and Donations	0	0	0	0
	<u>6,000</u>	<u>6,000</u>	<u>8,688</u>	<u>2,688</u>
Total Revenues				
EXPENDITURES:				
Public Safety	6,000	6,000	0	6,000
Capital Outlay	0	0	0	0
	<u>6,000</u>	<u>6,000</u>	<u>0</u>	<u>6,000</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	8,688	8,688
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	0	0	8,688	8,688
Fund Balances, July 1, 2017	0	0	180,806	180,806
Fund Balances, June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 189,494</u>	<u>\$ 189,494</u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
State Government	\$ 0	\$ 0	\$ 0	\$ 0
Fines and Forfeitures	96,300	96,300	170,283	73,983
Miscellaneous	0	0	0	0
Total Revenues	<u>96,300</u>	<u>96,300</u>	<u>170,283</u>	<u>73,983</u>
EXPENDITURES:				
General and Administrative	0	0	0	0
Public Safety	107,100	117,116	95,179	21,937
Capital Outlay	50,000	40,000	30,800	9,200
Total Expenditures	<u>157,100</u>	<u>157,116</u>	<u>125,979</u>	<u>31,137</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(60,800)</u>	<u>(60,816)</u>	<u>44,304</u>	<u>105,120</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(60,800)	(60,816)	44,304	105,120
Fund Balances, July 1, 2017	<u>60,800</u>	<u>60,816</u>	<u>282,463</u>	<u>221,647</u>
Fund Balances, June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 326,767</u>	<u>\$ 326,767</u>

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, 2018

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
State Government	\$ 1,663,800	\$ 1,804,600	\$ 1,719,435	\$ (85,165)
Investment Earnings	0	0	0	0
Miscellaneous	0	0	0	0
Total Revenues	1,663,800	1,804,600	1,719,435	(85,165)
EXPENDITURES:				
Highways and Streets	2,727,000	2,735,240	2,410,798	324,442
Capital Outlay	0	34,988	34,987	1
Total Expenditures	2,727,000	2,770,228	2,445,785	324,443
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,063,200)	(965,628)	(726,350)	239,278
OTHER FINANCING SOURCES (USES):				
Transfers In	1,063,200	922,400	726,350	(196,050)
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	1,063,200	922,400	726,350	(196,050)
Net Change in Fund Balances	0	(43,228)	0	43,228
Fund Balances, July 1, 2017	0	43,228	2,682	(40,546)
Fund Balances, June 30, 2018	\$ 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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Local Option Sales Tax	\$ 3,828,200	\$ 3,828,200	\$ 3,872,470	\$ 44,270
Investment Earnings	0	0	944	944
Total Revenues	<u>3,828,200</u>	<u>3,828,200</u>	<u>3,873,414</u>	<u>45,214</u>
EXPENDITURES:				
Culture and Recreation	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,828,200</u>	<u>3,828,200</u>	<u>3,873,414</u>	<u>45,214</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	<u>(3,828,200)</u>	<u>(3,873,200)</u>	<u>(3,833,480)</u>	<u>39,720</u>
Total Other Financing Sources (Uses)	<u>(3,828,200)</u>	<u>(3,873,200)</u>	<u>(3,833,480)</u>	<u>39,720</u>
Net Change in Fund Balances	0	(45,000)	39,934	84,934
Fund Balances, July 1, 2017	<u>0</u>	<u>45,000</u>	<u>387,707</u>	<u>342,707</u>
Fund Balances, June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 427,641</u>	<u>\$ 427,641</u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ 405,000	\$ 405,000	\$ 456,581	\$ 51,581
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>405,000</u>	<u>405,000</u>	<u>456,581</u>	<u>51,581</u>
EXPENDITURES:				
Culture and Recreation	81,900	143,503	66,971	76,532
Capital Outlay	<u>0</u>	<u>141</u>	<u>0</u>	<u>141</u>
Total Expenditures	<u>81,900</u>	<u>143,644</u>	<u>66,971</u>	<u>76,673</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>323,100</u>	<u>261,356</u>	<u>389,610</u>	<u>128,254</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	<u>(323,100)</u>	<u>(300,600)</u>	<u>(265,097)</u>	<u>35,503</u>
Total Other Financing Sources (Uses)	<u>(323,100)</u>	<u>(300,600)</u>	<u>(265,097)</u>	<u>35,503</u>
Net Change in Fund Balances	0	(39,244)	124,513	163,757
Fund Balances, July 1, 2017	<u>0</u>	<u>39,244</u>	<u>91,453</u>	<u>52,209</u>
Fund Balances, June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 215,966</u>	<u>\$ 215,966</u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Investment Earnings	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 128</u>	<u>\$ 78</u>
Total Revenues	<u>50</u>	<u>50</u>	<u>128</u>	<u>78</u>
EXPENDITURES:				
Culture and Recreation	<u>2,550</u>	<u>2,550</u>	<u>1,183</u>	<u>1,367</u>
Total Expenditures	<u>2,550</u>	<u>2,550</u>	<u>1,183</u>	<u>1,367</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,500)</u>	<u>(2,500)</u>	<u>(1,055)</u>	<u>1,445</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>(2,500)</u>	<u>(2,500)</u>	<u>(1,055)</u>	<u>1,445</u>
Fund Balances, July 1, 2017	<u>2,500</u>	<u>2,500</u>	<u>10,012</u>	<u>7,512</u>
Fund Balances, June 30, 2018	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 8,957</u></u>	<u><u>\$ 8,957</u></u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Investment Earnings	\$ 10	\$ 10	\$ 54	\$ 44
Contributions and Donations	0	0	0	0
Total Revenues	10	10	54	44
EXPENDITURES:				
Culture and Recreation	10	10	0	10
Total Expenditures	10	10	0	10
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	54	54
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	54	54
Fund Balances, July 1, 2017	0	0	4,272	4,272
Fund Balances, June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,326</u>	<u>\$ 4,326</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
LIBRARY GOVERNING BOARD FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Charges for Services	\$ 0	\$ 0	\$ 0	\$ 0
Investment Earnings	0	0	0	0
Contributions and Donations	0	0	0	0
Total Revenues	0	0	0	0
EXPENDITURES:				
Culture and Recreation	0	47,908	754	47,154
Total Expenditures	0	47,908	754	47,154
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(47,908)	(754)	47,154
OTHER FINANCING SOURCES (USES):				
Transfers In	0	47,908	47,908	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	47,908	47,908	0
Net Change in Fund Balances	0	0	47,154	47,154
Fund Balances, July 1, 2017	0	0	0	0
Fund Balances, June 30, 2018	\$ 0	\$ 0	\$ 47,154	\$ 47,154

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Investment Earnings	\$ 100	\$ 100	\$ 2,120	\$ 2,020
Contributions and Donations	15,000	15,000	35,365	20,365
Total Revenues	15,100	15,100	37,485	22,385
EXPENDITURES:				
Culture and Recreation	46,000	46,000	12,006	33,994
Capital Outlay	10,500	10,500	7,294	3,206
Total Expenditures	56,500	56,500	19,300	37,200
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,400)	(41,400)	18,185	59,585
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	(41,400)	(41,400)	18,185	59,585
Fund Balances, July 1, 2017	41,400	41,400	204,672	163,272
Fund Balances, June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 222,857</u>	<u>\$ 222,857</u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Charges for Services	\$ 283,800	\$ 283,800	\$ 251,901	\$ (31,899)
Investment Earnings	100	100	1,458	1,358
Contributions and Donations	63,700	63,700	82,530	18,830
Other	0	0	0	0
Total Revenues	<u>347,600</u>	<u>347,600</u>	<u>335,889</u>	<u>(11,711)</u>
EXPENDITURES:				
Capital Outlay	0	0	0	0
Culture and Recreation	<u>347,600</u>	<u>352,665</u>	<u>300,529</u>	<u>52,136</u>
Total Expenditures	<u>347,600</u>	<u>352,665</u>	<u>300,529</u>	<u>52,136</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>(5,065)</u>	<u>35,360</u>	<u>40,425</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	(5,065)	35,360	40,425
Fund Balances, July 1, 2017	<u>0</u>	<u>5,065</u>	<u>153,063</u>	<u>147,998</u>
Fund Balances, June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 188,423</u>	<u>\$ 188,423</u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Federal Government	\$ 2,560,850	\$ 2,560,850	\$ 2,760,934	\$ 200,084
State Government	32,000	32,000	29,971	(2,029)
Charges for Services	796,750	796,750	784,350	(12,400)
Investment Earnings	0	0	340	340
Contributions and Donations	230,000	230,000	192,415	(37,585)
	<u>3,619,600</u>	<u>3,619,600</u>	<u>3,768,010</u>	<u>148,410</u>
EXPENDITURES:				
School Food Service	3,444,600	3,555,000	3,456,578	98,422
Capital Outlay	925,000	814,600	61,520	753,080
	<u>4,369,600</u>	<u>4,369,600</u>	<u>3,518,098</u>	<u>851,502</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(750,000)</u>	<u>(750,000)</u>	<u>249,912</u>	<u>999,912</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(750,000)	(750,000)	249,912	999,912
Fund Balances, July 1, 2017	<u>750,000</u>	<u>750,000</u>	<u>2,494,183</u>	<u>1,744,183</u>
Fund Balances, June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,744,095</u>	<u>\$ 2,744,095</u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Investment Earnings	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 865</u>	<u>\$ 765</u>
Total Revenues	<u>100</u>	<u>100</u>	<u>865</u>	<u>765</u>
EXPENDITURES:				
Capital Outlay	<u>100</u>	<u>100</u>	<u>0</u>	<u>100</u>
Total Expenditures	<u>100</u>	<u>100</u>	<u>0</u>	<u>100</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>865</u>	<u>865</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>865</u>	<u>865</u>
Fund Balances, July 1, 2017	<u>0</u>	<u>0</u>	<u>66,397</u>	<u>66,397</u>
Fund Balances, June 30, 2018	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 67,262</u></u>	<u><u>\$ 67,262</u></u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Investment Earnings	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 3,058</u>	<u>\$ 558</u>
Total Revenues	<u>2,500</u>	<u>2,500</u>	<u>3,058</u>	<u>558</u>
EXPENDITURES:				
Culture and Recreation	<u>2,500</u>	<u>2,500</u>	<u>0</u>	<u>2,500</u>
Total Expenditures	<u>2,500</u>	<u>2,500</u>	<u>0</u>	<u>2,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>3,058</u>	<u>3,058</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>3,058</u>	<u>3,058</u>
Fund Balances, July 1, 2017	<u>0</u>	<u>0</u>	<u>199,256</u>	<u>199,256</u>
Fund Balances, June 30, 2018	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 202,314</u></u>	<u><u>\$ 202,314</u></u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2018

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
ASSETS:				
Current Assets:				
Cash	\$ 3,468	\$ 0	\$ 0	\$ 3,468
Equity in Pooled Cash and Investments	0	663,942	30,000	693,942
Accounts Receivable, Net	395,883	243,249	21,539	660,671
Accrued Interest Receivable	1,212	0	0	1,212
Inventories	0	0	113,493	113,493
Prepays	0	0	0	0
Total Current Assets	400,563	907,191	165,032	1,472,786
Noncurrent Assets:				
Restricted Assets:				
Cash	0	1,994	83,000	84,994
Cash from Unspent Bonds	1,021,916	33	448	1,022,397
Investments	32,326	0	3,035	35,361
Total Restricted Assets	1,054,242	2,027	86,483	1,142,752
Capital Assets:				
Land	1,716,309	985,063	981,600	3,682,972
Buildings and Systems	409,621	792,974	1,439,145	2,641,740
Improvements Other Than Buildings	1,177,264	534,297	6,033,890	7,745,451
Software	6,750	73,970	0	80,720
Machinery and Equipment	2,415,276	319,499	501,531	3,236,306
Construction in Progress	1,534,415	1,463,176	24,571	3,022,162
Less: Accumulated Depreciation	(2,738,537)	(464,652)	(5,218,276)	(8,421,465)
Total Capital Assets	4,521,098	3,704,327	3,762,461	11,987,886
Other Assets:				
Prepaid Landfill Closure Costs	178,245	0	0	178,245
Total Other Assets	178,245	0	0	178,245
Total Noncurrent Assets	5,753,585	3,706,354	3,848,944	13,308,883
Total Assets	6,154,148	4,613,545	4,013,976	14,781,669
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflows Related to Refunding	8,350	36,001	0	44,351
Deferred Outflows Related to Pensions	277,830	89,583	0	367,413
Total Deferred Outflows of Resources	286,180	125,584	0	411,764

(continued)

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2018

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
LIABILITIES:				
Current Liabilities:				
Accounts Payable	105,550	100,489	55,333	261,372
Due to Other Funds	724,694	0	26,016	750,710
Compensated Absences Payable	122,546	38,564	0	161,110
Retainages Payable	2,293	9,863	294	12,450
Accrued Interest Payable	39,876	16,549	3,206	59,631
General Obligation Bonds - Current	275,878	84,012	24,671	384,561
Other Payables	0	0	0	0
Total Current Liabilities	1,270,837	249,477	109,520	1,629,834
Noncurrent Liabilities:				
General Obligation Bonds Payable (Net of Deferred Refunding Costs, Discounts and Premiums)	3,312,551	1,187,879	405,127	4,905,557
OPEB Liability	959,084	245,759	0	1,204,843
Post Closure Liability	0	0	0	0
Pension Liability	821,889	274,039	0	1,095,928
Total Noncurrent Liabilities	5,093,524	1,707,677	405,127	7,206,328
Total Liabilities	6,364,361	1,957,154	514,647	8,836,162
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflows Related to Pensions	186,146	64,455	0	250,601
Deferred Inflows Related to OPEB	118,821	43,353	0	162,174
Total Deferred Inflows of Resources	304,967	107,808	0	412,775
NET POSITION:				
Net Investment in Capital Assets	1,954,585	2,432,469	3,333,111	7,720,165
Restricted for Debt Service	32,326	0	0	32,326
Restricted for Capital Improvements	0	0	89,434	89,434
Unrestricted	(2,215,911)	241,698	76,784	(1,897,429)
Total Net Position	\$ (229,000)	\$ 2,674,167	\$ 3,499,329	\$ 5,944,496

See Independent Auditors' Report.

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, 2018

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES:				
Charges and Fees	\$ 2,860,951	\$ 1,844,224	\$ 879,809	\$ 5,584,984
Penalties and Fines	0	0	0	0
Miscellaneous	0	0	110	110
Total Operating Revenue	<u>2,860,951</u>	<u>1,844,224</u>	<u>879,919</u>	<u>5,585,094</u>
OPERATING EXPENSES:				
Operating Costs	4,279,695	1,297,426	1,031,806	6,608,927
Depreciation	256,271	116,920	236,057	609,248
Total Operating Expenses	<u>4,535,966</u>	<u>1,414,346</u>	<u>1,267,863</u>	<u>7,218,175</u>
Operating Income (Loss)	<u>(1,675,015)</u>	<u>429,878</u>	<u>(387,944)</u>	<u>(1,633,081)</u>
NONOPERATING REVENUES:				
Investment Earnings	14,943	2,257	248	17,448
Federal Interest Subsidy	3,866	7,718	0	11,584
Interest Expense	(70,231)	(49,704)	(13,195)	(133,130)
Bond Issue Cost	0	0	0	0
Total Nonoperating Revenues	<u>(51,422)</u>	<u>(39,729)</u>	<u>(12,947)</u>	<u>(104,098)</u>
Income (Loss) Before Capital Contributions and Transfers	(1,726,437)	390,149	(400,891)	(1,737,179)
Transfers In	1,907,360	285,000	214,622	2,406,982
Transfers Out	<u>0</u>	<u>(98,865)</u>	<u>0</u>	<u>(98,865)</u>
Change in Net Position	180,923	576,284	(186,269)	570,938
Net Position, July 1, 2017	(1,507)	2,246,899	3,685,598	5,930,990
Implementation of GASB 75 OPEB Liability	<u>(408,416)</u>	<u>(149,016)</u>	<u>0</u>	<u>(557,432)</u>
Net Position, July 1, 2017 (as restated)	<u>(409,923)</u>	<u>2,097,883</u>	<u>3,685,598</u>	<u>5,373,558</u>
Net Position, June 30, 2018	<u>\$ (229,000)</u>	<u>\$ 2,674,167</u>	<u>\$ 3,499,329</u>	<u>\$ 5,944,496</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2018

	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	\$ 2,779,407	\$ 1,753,776	\$ 879,992	\$ 5,413,175
Receipts from Interfund Services Provided	37,970	82,283	0	120,253
Payments to Suppliers	(2,228,913)	(859,928)	(1,043,882)	(4,132,723)
Payments to Employees	(1,945,391)	(817,915)	0	(2,763,306)
Net Cash Provided (Used) by Operating Activities	<u>(1,356,927)</u>	<u>158,216</u>	<u>(163,890)</u>	<u>(1,362,601)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from Other Funds	1,907,360	285,000	214,622	2,406,982
Transfers to Other Funds	0	(98,865)	0	(98,865)
Advances From Other Funds	(126,317)	(673,127)	26,016	(773,428)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,781,043</u>	<u>(486,992)</u>	<u>240,638</u>	<u>1,534,689</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Capital Debt	0	0	0	0
Capital Transfers from Other Funds	0	0	0	0
County Revenue for Capital Projects	0	0	0	0
Acquisition and Construction of Capital Assets	(255,396)	(106,960)	(24,571)	(386,927)
Principal Paid on Capital Debt	(265,109)	(82,713)	(23,924)	(371,746)
Interest Paid on Capital Debt	(85,307)	(44,686)	(13,780)	(143,773)
Proceeds from Sales of Capital Assets	0	0	0	0
Net Cash Used by Capital and Related Financing Activities	<u>(605,812)</u>	<u>(234,359)</u>	<u>(62,275)</u>	<u>(902,446)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from Sales and Maturities of Investments	0	0	0	0
Purchase of Investments	(13,136)	0	(1,201)	(14,337)
Interest Received	14,661	2,257	248	17,166
Net Cash Provided (Used) by Investing Activities	<u>1,525</u>	<u>2,257</u>	<u>(953)</u>	<u>2,829</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(180,171)	(560,878)	13,520	(727,529)
Cash and Cash Equivalents, July 1, 2017	<u>1,205,555</u>	<u>1,226,847</u>	<u>99,928</u>	<u>2,532,330</u>
Cash and Cash Equivalents, June 30, 2018	<u>\$ 1,025,384</u>	<u>\$ 665,969</u>	<u>\$ 113,448</u>	<u>\$ 1,804,801</u>

(continued)

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2018

	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)	\$ (1,675,015)	\$ 429,878	\$ (387,944)	\$ (1,633,081)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	256,271	116,920	236,057	609,248
(Increase) Decrease in Assets:				
Accounts Receivable	(43,574)	(8,165)	73	(51,666)
Inventory	0	0	(4,344)	(4,344)
Prepays	67,089	0	0	67,089
Increase (Decrease) in Liabilities:				
Accounts Payable	30,042	(326,789)	(7,732)	(304,479)
Benefits Payable	0	0	0	0
Pension Liabilities and Deferrals	(51,585)	(18,064)	0	(69,649)
Compensated Absences Payable	19,862	(5,713)	0	14,149
OPEB Liability and Deferrals	37,690	13,751	0	51,441
Other Payables	0	0	0	0
Retainages Payable	2,293	(43,602)	0	(41,309)
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,356,927)</u>	<u>\$ 158,216</u>	<u>\$ (163,890)</u>	<u>\$ (1,362,601)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:				
Cash on Hand	\$ 3,468	\$ 0	\$ 0	\$ 3,468
Equity in Pooled Cash and Investments	0	663,942	30,000	693,942
Restricted Cash from Unspent Bonds	1,021,916	33	448	1,022,397
Restricted Cash	<u>0</u>	<u>1,994</u>	<u>83,000</u>	<u>84,994</u>
Cash and Cash Equivalents, June 30, 2018	<u>\$ 1,025,384</u>	<u>\$ 665,969</u>	<u>\$ 113,448</u>	<u>\$ 1,804,801</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2018

	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	\$ 5,905,518	\$ 1,739,330	\$ 1,250,296	\$ 282,733	\$ 44,068	\$ 9,221,945
Accounts Receivable	168,817	0	151,393	11,983	60	3,287	335,540
Accrued Interest Receivable	230	90	0	0	0	0	320
Due from Other Funds	0	1,996	0	0	0	0	1,996
Inventories	376,482	0	19,169	0	0	0	395,651
Prepays	0	213,383	3,069	1,111	0	0	217,563
Total Current Assets	545,529	6,120,987	1,912,961	1,263,390	282,793	47,355	10,173,015
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	31,804,218	0	0	0	0	0	31,804,218
Less: Accumulated Depreciation	(21,270,229)	0	(7,573)	0	0	0	(21,277,802)
Net Capital Assets	10,548,684	0	7,324	0	0	0	10,556,008
Other Assets:							
Advances to Other Funds	0	0	0	0	0	0	0
Deposits	0	30,000	36,820	10,174	0	0	76,994
Total Other Assets	0	30,000	36,820	10,174	0	0	76,994
Restricted Assets:							
Long Term Certificates of Deposit	500,000	500,000	0	0	0	0	1,000,000
Investments	3,659,691	0	0	0	0	0	3,659,691
Total Restricted Assets	4,159,691	500,000	0	0	0	0	4,659,691
Total Assets	15,253,904	6,650,987	1,957,105	1,273,564	282,793	47,355	25,465,708

(continued)

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2018

	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	211,750	116,246	57,688	0	0	0	385,684
Due to Other Governments	0	0	0	0	0	0	0
Due to Other Funds	817,048	0	0	0	0	0	817,048
Claims Payable	0	802,303	0	0	0	0	802,303
Benefits Payable	0	2,268,885	362,801	21,004	61,556	9,198	2,723,444
Compensated Absences Payable	76,846	20,423	528	0	0	0	97,797
Total Current Liabilities	<u>1,105,644</u>	<u>3,207,857</u>	<u>421,017</u>	<u>21,004</u>	<u>61,556</u>	<u>9,198</u>	<u>4,826,276</u>
Total Liabilities	<u>1,105,644</u>	<u>3,207,857</u>	<u>421,017</u>	<u>21,004</u>	<u>61,556</u>	<u>9,198</u>	<u>4,826,276</u>
NET POSITION:							
Net Investment in Capital Assets	10,548,684	0	7,324	0	0	0	10,556,008
Unrestricted	<u>3,599,576</u>	<u>3,443,130</u>	<u>1,528,764</u>	<u>1,252,560</u>	<u>221,237</u>	<u>38,157</u>	<u>10,083,424</u>
Total Net Position	<u>\$ 14,148,260</u>	<u>\$ 3,443,130</u>	<u>\$ 1,536,088</u>	<u>\$ 1,252,560</u>	<u>\$ 221,237</u>	<u>\$ 38,157</u>	<u>\$ 20,639,432</u>

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, 2018

	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	\$ 7,199,172	\$ 2,067,046	\$ 8,531,440	\$ 957,048	\$ 0	\$ 0	\$ 18,754,706
Miscellaneous	249,348	13,376	473,526	34,010	12,972	1,903	785,135
Total Operating Revenue	<u>7,448,520</u>	<u>2,080,422</u>	<u>9,004,966</u>	<u>991,058</u>	<u>12,972</u>	<u>1,903</u>	<u>19,539,841</u>
OPERATING EXPENSES:							
Personnel Services and Benefits	1,266,414	304,104	36,560	0	0	0	1,607,078
Materials and Supplies	3,445,584	1,168	177,226	0	0	0	3,623,978
Contractual Services	75,123	181,899	507,503	600	0	0	765,125
Insurance	22,990	505,413	572,253	37,823	0	0	1,138,479
Insurance Claims	0	753,968	6,275,065	336,812	2,624	0	7,368,469
Depreciation	2,136,856	0	1,490	0	0	0	2,138,346
Miscellaneous	121,279	26,578	765,134	23,560	8,205	0	944,756
Total Operating Expenses	<u>7,068,246</u>	<u>1,773,130</u>	<u>8,335,231</u>	<u>398,795</u>	<u>10,829</u>	<u>0</u>	<u>17,586,231</u>
Operating Income (Loss)	<u>380,274</u>	<u>307,292</u>	<u>669,735</u>	<u>592,263</u>	<u>2,143</u>	<u>1,903</u>	<u>1,953,610</u>
NONOPERATING REVENUES:							
Gain on Disposal of Fixed Assets	502	0	0	0	0	0	502
Investment Earnings	47,783	34,959	5,419	4,764	0	0	92,925
Total Nonoperating Revenues	<u>48,285</u>	<u>34,959</u>	<u>5,419</u>	<u>4,764</u>	<u>0</u>	<u>0</u>	<u>93,427</u>
Income (Loss) Before Transfers	428,559	342,251	675,154	597,027	2,143	1,903	2,047,037
Transfers In	<u>10,042</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,042</u>
Change in Net Position	438,601	342,251	675,154	597,027	2,143	1,903	2,057,079
Net Position, July 1, 2017	<u>13,709,659</u>	<u>3,100,879</u>	<u>860,934</u>	<u>655,533</u>	<u>219,094</u>	<u>36,254</u>	<u>18,582,353</u>
Net Position, June 30, 2018	<u>\$ 14,148,260</u>	<u>\$ 3,443,130</u>	<u>\$ 1,536,088</u>	<u>\$ 1,252,560</u>	<u>\$ 221,237</u>	<u>\$ 38,157</u>	<u>\$ 20,639,432</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

	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	\$ 7,290,513	\$ 2,080,421	\$ 8,853,573	\$ 982,721	\$ 199,652	\$ 33,204	\$ 19,440,084
Payments to Suppliers	(3,036,362)	(1,493,296)	(8,234,237)	(422,170)	(17,878)	(498)	(13,204,441)
Payments to Employees	(1,272,955)	(301,710)	(43,318)	0	0	0	(1,617,983)
Net Cash Provided (Used) by Operating Activities	2,981,196	285,415	576,018	560,551	181,774	32,706	4,617,660
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers (to) from Other Funds	10,042	0	0	0	0	0	10,042
Advances (to) from Other Funds	221,085	(1,996)	0	0	0	0	219,089
Net Cash Provided (Used) by Noncapital Financing Activities	231,127	(1,996)	0	0	0	0	229,131
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Capital Transfers from Other Funds	0	0	0	0	0	0	0
Purchase of Capital Assets	(2,675,924)	0	0	0	0	0	(2,675,924)
Proceeds from Sales of Capital Assets	502	0	0	0	0	0	502
Net Cash Used by Capital and Related Financing Activities	(2,675,422)	0	0	0	0	0	(2,675,422)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from Sales and Maturities of Investments							
Purchase of Investments	(584,599)	0	0	0	0	0	(584,599)
Interest Received	47,698	34,901	5,419	4,764	0	0	92,782
Net Cash Provided (Used) by Investing Activities	(536,901)	34,901	5,419	4,764	0	0	(491,817)
Net Increase (Decrease) In Cash and Cash Equivalents	0	318,320	581,437	565,315	181,774	32,706	1,679,552
Cash and Cash Equivalents, July 1, 2017	0	5,587,198	1,157,893	684,981	100,959	11,362	7,542,393
Cash and Cash Equivalents, June 30, 2018	\$ 0	\$ 5,905,518	\$ 1,739,330	\$ 1,250,296	\$ 282,733	\$ 44,068	\$ 9,221,945

(continued)

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

	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)	\$ 380,274	\$ 307,292	\$ 669,735	\$ 592,263	\$ 2,143	\$ 1,903	\$ 1,953,610
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	2,136,856	0	1,490	0	0	0	2,138,346
(Increase) Decrease in Assets:							
Accounts Receivable	(158,007)	0	(151,393)	(8,337)	186,860	31,301	(99,576)
Inventory	12,854	0	876	0	0	0	13,730
Prepays	524,488	6,764	26,877	1,642	0	0	559,771
Increase (Decrease) in Liabilities:							
Accounts Payable	91,272	87,066	9,874	0	(7,229)	(498)	180,485
Claims Payable	0	(40,021)	0	0	0	0	(40,021)
Benefits Payable	0	(78,080)	25,317	(25,017)	0	0	(77,780)
Compensated Absences Payable	(6,541)	2,394	(6,758)	0	0	0	(10,905)
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,981,196</u>	<u>\$ 285,415</u>	<u>\$ 576,018</u>	<u>\$ 560,551</u>	<u>\$ 181,774</u>	<u>\$ 32,706</u>	<u>\$ 4,617,660</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:							
Equity in Pooled Cash and Investments	\$ 0	\$ 5,905,518	\$ 1,739,330	\$ 1,250,296	\$ 282,733	\$ 44,068	\$ 9,221,945
Restricted Assets Cash in Bank	0	0	0	0	0	0	0
Cash and Cash Equivalents, June 30, 2018	<u>\$ 0</u>	<u>\$ 5,905,518</u>	<u>\$ 1,739,330</u>	<u>\$ 1,250,296</u>	<u>\$ 282,733</u>	<u>\$ 44,068</u>	<u>\$ 9,221,945</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

	Industrial Development Board	Emergency Communications District
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers and Users	\$ 3,295,079	\$ 807,025
Payments to Suppliers	(1,022,185)	(421,401)
Net Cash Provided (Used) by Operating Activities	<u>2,272,894</u>	<u>385,624</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Noncapital Grants	0	5,994
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>5,994</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Note Proceeds	89,000	0
Proceeds from Sale of Capital Assets	0	0
Purchases of Capital Assets	0	0
Capital Grants	0	0
Payments to Grantees	0	0
Principal Paid on Capital Debt	(2,189,803)	0
Interest Paid on Capital Debt	(379,419)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,480,222)</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Maturities of Investments	0	0
Interest Received	11,704	160
Net Cash Provided by Investing Activities	<u>11,704</u>	<u>160</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(195,624)	391,778
Cash and Cash Equivalents, July 1, 2017	<u>1,340,740</u>	<u>1,573,848</u>
Cash and Cash Equivalents, June 30, 2018	<u>\$ 1,145,116</u>	<u>\$ 1,965,626</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (33,589)	\$ 178,637
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	224,196	186,805
(Increase) Decrease in Assets:		
Accounts Receivable	(22,016)	0
Due from Other Governments	(518,711)	0
Due from Primary Government	0	0
Land Held for Sale or Development	2,075,279	0
Prepaid Items	(196)	20,850
Increase (Decrease) in Liabilities:		
Accounts Payable	483,467	(668)
Unearned Income	64,464	0
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,272,894</u>	<u>\$ 385,624</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:		
Cash	\$ 1,145,116	\$ 1,965,626
Restricted Assets Cash in Bank	0	0
Cash and Cash Equivalents, June 30, 2018	<u>\$ 1,145,116</u>	<u>\$ 1,965,626</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Decrease in Investment in Joint Venture	<u>\$ 102,725</u>	<u>\$ 0</u>

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	\$ 33,863,314	\$ 32,256,446
Buildings	188,934,261	186,616,059
Improvements Other Than Buildings	36,405,678	34,024,798
Equipment	28,042,547	26,663,874
Software	1,090,545	978,806
Infrastructure	297,613,987	294,046,497
Construction in Progress	40,533,739	35,254,924
Total Governmental Funds Fixed Assets	<u>\$ 626,484,071</u>	<u>\$ 609,841,404</u>
INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:		
General Obligation Bonds	\$ 439,677,721	\$ 431,072,408
Contributions from Municipalities	471,778	517,978
Federal Grants	11,770,194	11,003,597
State Grants	1,168,048	1,127,568
County Grants	19,817	19,817
Federal Revenue Sharing	288,158	288,158
General Fund Revenue	16,766,800	16,065,162
Gifts	30,180,438	29,694,907
Annexed Roads	14,297,831	14,297,831
Forfeitures	109,585	114,985
Special Revenue Funds	66,139,350	65,323,457
Operating Revenue	2,297,626	2,297,626
Notes Payable	2,762,986	2,762,986
Construction in Progress	40,533,739	35,254,924
Total Governmental Funds Capital Assets	<u>\$ 626,484,071</u>	<u>\$ 609,841,404</u>

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.

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2018

Function and Activity	Land	Buildings	Improvements other than Buildings	Equipment	Software	Infrastructure	Construction in Progress	Total
General Government:								
General Government	\$ 12,032,882	\$ 23,830,244	\$ 3,873,492	\$ 1,226,490	\$ 26,173	\$ 0	\$ 5,015,104	\$ 46,004,385
Finance	0	0	5,797	19,251	180,748	0	0	205,796
Information Services	0	0	0	687,541	92,564	0	0	780,105
Personnel	0	0	0	10,522	0	0	0	10,522
Geographic Information	0	0	0	86,598	8,500	0	0	95,098
Total General Government	12,032,882	23,830,244	3,879,289	2,030,402	307,985	0	5,015,104	47,095,906
Economic and Physical Development:								
Development Services	0	650,519	33,326	0	0	0	0	683,845
Transportation	0	1,700,680	143,141	2,277,319	319,558	0	2,660,468	7,101,166
Engineering	0	576,203	76,879	133,751	0	0	0	786,833
Total Economic and Physical Development	0	2,927,402	253,346	2,411,070	319,558	0	2,660,468	8,571,844
Public Safety:								
Police	90,588	4,677,342	175,384	3,922,639	104,587	0	0	8,970,540
Fire	1,091,337	6,060,441	1,152,921	2,941,955	11,665	0	133,811	11,392,130
Communication	0	66,535	0	204,629	0	0	0	271,164
Central Dispatch	0	0	0	2,046,631	0	0	0	2,046,631
Total Public Safety	1,181,925	10,804,318	1,328,305	9,115,854	116,252	0	133,811	22,680,465
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	918,303	0	44,028,176	1,576,110	47,645,803
Maintenance	0	136,572	12,410	996,557	52,010	0	314,697	1,512,246
Bridges System	0	0	0	0	0	9,159,086	17,814	9,176,900
Highways System	0	0	0	0	0	243,605,639	0	243,605,639
Total Public Works	0	476,789	1,180,368	2,068,515	52,010	297,137,370	1,908,621	302,823,673

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2018

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	41,141	13,550	0	0	3,955,278
Recreation	14,275,516	24,342,798	16,796,676	961,585	55,000	0	3,214,322	59,645,897
Cultural Arts	140,000	1,676,691	355,058	370,047	0	0	50,300	2,592,096
Bays Mountain	1,067,962	953,077	441,727	1,312,963	0	0	661,388	4,437,117
Allandale	306,018	423,566	780,576	192,686	0	0	0	1,702,846
Library	133,000	4,272,439	0	149,545	0	476,617	0	5,031,601
Total Culture and Recreation	15,922,496	35,540,118	18,403,077	3,027,967	68,550	476,617	3,926,010	77,364,835
Education	4,726,011	115,355,390	11,361,293	9,388,739	226,190	0	26,889,725	167,947,348
Total Governmental Funds Capital Assets	<u>\$ 33,863,314</u>	<u>\$ 188,934,261</u>	<u>\$ 36,405,678</u>	<u>\$ 28,042,547</u>	<u>\$ 1,090,545</u>	<u>\$ 297,613,987</u>	<u>\$ 40,533,739</u>	<u>\$ 626,484,071</u>

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.

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, 2018

Function and Activity	Governmental Funds Capital Assets June 30, 2017	Additions	Deletions	Adjustments	Governmental Funds Capital Assets June 30, 2018
General Government:					
General Government	\$ 43,737,489	\$ 4,091,695	\$ (1,630,459)	\$ (194,340)	\$ 46,004,385
Finance	205,796	0	0	0	205,796
Information Services	484,795	305,570	(10,260)	0	780,105
Personnel	0	10,522	0	0	10,522
Geographic Information	95,098	0	0	0	95,098
Total General Government	44,523,178	4,407,787	(1,640,719)	(194,340)	47,095,906
Economic and Physical Development:					
Development Services	683,845	0	0	0	683,845
Transportation	5,193,927	2,000,697	(93,458)	0	7,101,166
Engineering	768,637	773,182	(754,986)	0	786,833
Total Economic and Physical Development	6,646,409	2,773,879	(848,444)	0	8,571,844
Public Safety:					
Police	8,966,001	165,251	(160,712)	0	8,970,540
Fire	11,235,850	721,326	(565,046)	0	11,392,130
Communication	271,164	0	0	0	271,164
Central Dispatch	2,046,631	0	0	0	2,046,631
Total Public Safety	22,519,646	886,577	(725,758)	0	22,680,465
Public Works:					
General and Administrative	878,085	0	0	0	878,085
Sanitation	5,000	0	0	0	5,000
Streets	46,756,665	3,602,486	(2,602,551)	(110,797)	47,645,803
Maintenance	1,261,657	295,694	(45,105)	0	1,512,246
Bridges System	8,353,520	882,947	(59,567)	0	9,176,900
Highways System	243,605,639	0	0	0	243,605,639
Total Public Works	300,860,566	4,781,127	(2,707,223)	(110,797)	302,823,673
Culture and Recreation:					
Senior Citizens	3,943,428	11,850	0	0	3,955,278
Recreation	57,452,957	5,375,045	(3,182,105)	0	59,645,897
Cultural Arts	2,545,298	46,798	0	0	2,592,096
Bays Mountain	3,817,808	988,995	(366,083)	(3,603)	4,437,117
Allandale	1,578,957	123,889	0	0	1,702,846
Library	4,679,779	351,822	0	0	5,031,601
Total Culture and Recreation	74,018,227	6,898,399	(3,548,188)	(3,603)	77,364,835
Education	161,273,378	8,241,271	(1,567,301)		167,947,348
Total Governmental Funds Capital Assets	\$ 609,841,404	\$ 27,989,040	\$ (11,037,633)	\$ (308,740)	\$ 626,484,071

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, 2018

	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	\$ 317,558	\$ 364,224	\$ 0	\$ 0	\$ 0	\$ 681,782
Contractual Services	170,986	113,677	29,001	65,722	247,117	626,503
Supplies	197,209	22,961	6,840	1,257	4,469	232,736
Insurance	46,005	56,000	37,868	27,894	25,476	193,243
Subsidies and Contributions	0	0	0	223,241	0	223,241
Base Management Fee	0	0	0	149,156	25,626	174,782
Other	250,006	76,724	507	186,258	75,670	589,165
Total General and Administrative	981,764	633,586	74,216	653,528	378,358	2,721,452
Operations:						
Water Plant Operations	3,083,403	0	0	0	0	3,083,403
Sewer Plant Operations	0	2,917,286	0	0	0	2,917,286
Water Distribution System Maintenance	2,901,541	0	0	0	0	2,901,541
Sewer Collection System Maintenance	0	1,550,008	0	0	0	1,550,008
Reading, Service and Maintenance of Meters	552,209	0	0	0	0	552,209
Landfill Operations and Services	0	0	0	0	807,356	807,356
Solid Waste Collection Services	0	0	0	0	775,513	775,513
Organic Refuse Services	0	0	0	0	1,832,637	1,832,637
Recycling Services	0	0	0	0	814,862	814,862
Storm Water Maintenance	0	0	0	0	1,245,583	1,245,583
Aquatic Center Operations	0	0	1,633,254	0	0	1,633,254
Aquatic Center Concessions	0	0	144,717	0	0	144,717
Aquatic Center Programs	0	0	81,098	0	0	81,098
Golf Grounds Maintenance	0	0	0	0	339,148	339,148
Golf Pro Shop	0	0	0	0	365,359	365,359
Golf Shop Food and Beverage	0	0	0	0	50,111	50,111
Total Operations	6,537,153	4,467,294	1,859,069	0	6,230,569	19,094,085
Total Operating Costs	<u>\$ 7,518,917</u>	<u>\$ 5,100,880</u>	<u>\$ 1,933,285</u>	<u>\$ 653,528</u>	<u>\$ 6,608,927</u>	<u>\$ 21,815,537</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
NONMAJOR ENTERPRISE FUNDS
SCHEDULE OF OPERATING COSTS
For the Fiscal Year Ended June 30, 2018

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
General and Administrative:				
Personnel Services	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	4,800	43,372	198,945	247,117
Supplies	0	4,469	0	4,469
Insurance	22,000	0	3,476	25,476
Subsidies and Contributions	0	0	0	0
Base Management Fee	0	0	25,626	25,626
Other	22,527	4,002	49,141	75,670
Total General and Administrative	49,327	51,843	277,188	378,358
Operations:				
Landfill Operations and Services	807,356	0	0	807,356
Solid Waste Collection Services	775,513	0	0	775,513
Organic Refuse Services	1,832,637	0	0	1,832,637
Recycling Services	814,862	0	0	814,862
Storm Water Maintenance	0	1,245,583	0	1,245,583
Golf Grounds Maintenance	0	0	339,148	339,148
Golf Pro Shop	0	0	365,359	365,359
Golf Shop Food and Beverage	0	0	50,111	50,111
Total Operations	4,230,368	1,245,583	754,618	6,230,569
Total Operating Costs	<u>\$ 4,279,695</u>	<u>\$ 1,297,426</u>	<u>\$ 1,031,806</u>	<u>\$ 6,608,927</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Federal Granting Agency/ Recipient State Agency/ Grant Program/ Grant Number	Federal CFDA Number	Contract Number	Subrecipient DUNS	Passed - Through to Subrecipient	FY2018 Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Pass Through Tennessee Department of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555				\$ 1,983,577
School Breakfast Program	10.553				681,147
Summer Feeding Program	10.559				96,210
Child Nutrition Cluster Total					<u>2,760,934</u>
Pass Through Tennessee Department of Agriculture:					
Commodity Supplemental Feeding	10.569				<u>221,642</u>
Total U.S. Department of Agriculture					<u>2,982,576</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
Pass Through Tennessee Department of Education:					
Title I Program:					
Title I, Project 17-21	84.010				247,819
Title I, Project 18-01	84.010				1,605,825
Title I, Project 18-N1	84.010				12,840
Title I, School Improvement 2017-21	84.010				18,352
Title I Program Total					<u>1,884,836</u>
Special Education Cluster:					
IDEA Part B, 17-21	84.027				215,786
IDEA Part B, 18-01	84.027				1,398,182
IDEA Discretionary 2018-1	84.027				6,841
IDEA Discretionary Sus/Exp 2018-1	84.027				19,456
Pre School 17-21	84.173				11,639
Pre School 18-01	84.173				35,657
Special Education Cluster Total					<u>1,687,561</u>
Title II Program:					
Title II, 2017, 2017-21	84.367				13,641
Title II, 2017, 2018-01	84.367				238,239
Title II Program Total					<u>251,880</u>
Read to be Ready Program:					
Read to be Ready 2018	93.575				70,063
Read to be Ready Coach Network	93.575				11,380
Read to be Ready Program Total					<u>81,443</u>
Carl Perkins, 2018	84.048				115,319
Homeless Assistance Grant	84.196				57,574
Title IV, 2018, 2018-01	84.366				23,514
Pass Through City of Greeneville, Tennessee:					
Title III, 2018-01	84.365				<u>6,822</u>
Total U.S. Department of Education					<u>4,108,949</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
Federal Transit Cluster:					
Direct Programs:					
FTA Capital/Operating/Planning TN-90-X424	20.507	TN-2017-039-00			550,406
FTA Capital Buses and Vans	20.507	825307-S3-022			309,117
Transit Center TN-2016-015	20.507	TN-2016-015-00			807,261
Pass Through Tennessee Department of Transportation:					
FTA Capital / Operating / Planning Section 5303 10	20.505	GG-17-53600-00			31,451
Pass-Through Virginia Department of Transportation:					
FTA Capital / Operating / Planning VA 2018	20.505	46015-2			3,293
Federal Transit Cluster Total					<u>1,701,528</u>
Highway Cluster:					
Pass Through Tennessee Dept of Environment and Conservation:					
Wetlands Boardwalk Recreation Trail Grant	20.219	17RT002			119,634
Pass Through Tennessee Department of Transportation:					
Main Street Improvement STP-M-9108(48)	20.205	123325			237,688
FHWA Project No. SPR-PL-1-(318) 2018	20.205	Z-14MPO007			187,696
Signalization SR-126 Island Rd STP-M-126(20)	20.205	140163			63,529
Lynn Garden Signal STP-M-36(33)	20.205	121579			56,530
Wilcox Sidewalk Phase 5 STP-126(18)	20.205	82LPLM F3 051			810,802
Pass-Through Virginia Department of Transportation:					
FHWA Project VA PL Funds 2018	20.205				3,980
Highway Cluster Total					<u>1,479,859</u>
Pass Through Tennessee Department of Transportation:					
Multiple Traffic Violations Z18THS164	20.600	Z18THS164			15,303
Traffic Safety PT-17-29 / 402	20.600	PT-17-29/402			<u>5,528</u>
Total U.S. Department of Transportation					<u>3,202,218</u>

(continued)

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Federal Granting Agency/ Recipient State Agency/ Grant Program/ Grant Number	Federal CFDA Number	Contract Number	Subrecipient DUNS	Passed - Through to Subrecipient	FY2018 Federal Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>					
Direct Programs:					
Bulletproof Vest Partnership Program 10054361	16.607				8,286
Justice Assistance Grant / 2016-DJ-BX-0853	16.579	2016-DJ-BX-0853			4,853
Total U.S. Department of Justice					13,139
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>					
Direct Programs:					
Community Development Block Grants	14.218	B-17-MC-47-0004			328,141
Community Development Block Grants	14.218	B-17-MC-47-0004		\$ 1,247	
Community Development Block Grants	14.218	B-17-MC-47-0004		\$ 5,003	
Community Development Block Grants	14.218	B-17-MC-47-0004	08-881-9396	\$ 10,483	
Community Development Block Grants	14.218	B-17-MC-47-0004	06-318-8200	\$ 10,842	
Total U.S. Department of Housing and Urban Development					328,141
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
Pass-Through First Tennessee Development District:					
Title III-B Transportation& III-D Health Promotion	93.044	KINGS-2017-HOOT-17			12,000
MIPPA	93.071				2,500
Total U.S. Department of Health and Human Services					14,500
<u>U.S. DEPARTMENT OF COMMERCE</u>					
Public Works Program Raw Water Conveyance Upgrade	11.300	04-01-0615			113,847
Total U.S. Department of Commerce					113,847
<u>ENVIRONMENTAL PROTECTION AGENCY</u>					
Pass-Through Tennessee Department of Environment and Conservation					
Capitalization Grants for Drinking Water State Revolving Loan Funds	66.468	DWF 2014-140			257,910
Total Environmental Protection Agency					257,910
Total Expenditures of Federal Awards					\$ 11,021,280

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City under programs of the federal government for the fiscal year. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C: FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of commodities received and used. At June 30, 2018, the School Board had food commodities totaling \$113,044 on hand in inventory.

NOTE D: INDIRECT COST RATES

The City has not made an election regarding use of the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

NOTE E: OUTSTANDING LOAN BALANCES

The City has a State Revolving Loan with total funding of \$13,556,601. Of this balance \$9,182,482 was federal money while \$4,374,119 was state money. The outstanding loan balance is \$13,088,581 at June 30, 2018 and carries an interest rate of 1.78%.

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2018

Granting Agency/ Pass-Through Agency Grant Program/ Grant Number	State Contract Number	Pass-Through Entity identifying Number	2018 State Expenditures
<u>PRIMARY GOVERNMENT</u>			
Tennessee Arts Commission			
Arts Program Categorical Grants	31625-28348		\$ 10,140
Total Tennessee Arts Commission			<u>10,140</u>
Tennessee Department of Health & Human Services			
Project Diabetes	GG-17510-20		149,239
Pass-Through First Tennessee Development District: State Senior Center Operations Grant		KINGS-2017-HOOT-17	<u>20,002</u>
Total Tennessee Department of Health & Human Services			<u>169,241</u>
Tennessee Department of Transportation			
TN-80-0005-00 Operating 82-5303-S3-016	GG-14-41412-00		3,931
STP-M-126(18) Wilcox Sidewalk	82LPLM-F3-051		202,701
STP-M-126(20) SR126 / Island Road Signal	82LPLM-F3-058		15,104
TN-90-X-009 Operating 82UROP-S3-017	82UROP-S3-017		8,304
TN-90-X-039 Operating 82UROP-S3-022	DG-18-53683-00		566,804
TN-90-X-397 Capital GG-16-51013-00	GG-16-51013-00		31,657
Stone Drive Sidewalk	82LPLM-S0-062		22,724
Stone Drive Sidewalk Extension	82LPLM-S3-075		70,518
Transit Center	GG-17-52819-00		100,907
Realign SR93 Exit 50 to Kingsport	90010-2213-14		4,355
Total Tennessee Department of Transportation			<u>1,027,005</u>
Tennessee Arts Commission			
Lincoln, Jefferson, Roosevelt, Washington and Johnson Elementary	31625-29216		6,218
			<u>6,218</u>
Tennessee State Library and Archives			
Library Improvements	30504-00117-01		45,185
Library Training Opportunities for Public Grant			600
Total Tennessee State Library and Archives			<u>45,785</u>
Tennessee Department of Children's Services			
Truancy Intervention Program	GG-12-30644		53,720
Total Tennessee Department of Children's Services			<u>53,720</u>
Tennessee Department of Education			
School to Work Program	34570		119,604
Safe Schools	GP-46590		29,617
Pre-Kindergarten- Lottery	MX0-AAX		583,835
Family Resource	MTE-AAX		30,212
Coordinated School Health	GZB-AAX		99,963
Spark After School Physical Activity			41,310
Total Tennessee Department of Education			<u>904,541</u>
Tennessee Department of Environment and Conservation			
Capitalization Grants for Drinking Water State Revolving Loan Funds	DWF 2014-140		427,010
Total Tennessee Department of Environment Conservation			<u>427,010</u>
Total State Awards for the Primary Government			<u>2,643,660</u>
<u>COMPONENT UNIT</u>			
<u>INDUSTRIAL DEVELOPMENT BOARD</u>			
Tennessee Department of Economic and Community Development			
Assisting LeClerc Foods Tennessee, LLC	33006-60617		500,000
Total State Awards			<u>\$ 3,143,660</u>

See Independent Auditor's Report.

**CITY OF KINGSFORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

III. STATISTICAL SECTION (UNAUDITED)



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.

Contents:

Page

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.

233

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.

241

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.

247

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.

252

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.

254

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.

Additional Information:

Please see the City's most recent official statement and other information posted on the MSRB Electronic Municipal Market Access (EMMA) website - <https://emma.msrb.org>. The City posts information on the website between audits to comply with continuing disclosure requirements.

Table 1

CITY OF KINGSPORT, TENNESSEE
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 255,888,658	\$ 262,313,208	\$ 246,176,930	\$ 241,652,040	\$ 236,819,524	\$ 229,484,970	\$ 220,670,564	\$ 215,146,670	\$ 232,739,291	\$ 236,836,283
Restricted	22,286,383	184,626	184,662	178,140	195,625	247,951	215,639	172,941	25,660,368	23,104,992
Unrestricted	(702,400)	6,871,567	9,312,041	284,928	(6,270,614)	(9,459,253)	(42,782,973)	(39,294,647)	(35,204,137)	(46,530,391)
Total Governmental Activities Net Position	<u>\$ 277,472,641</u>	<u>\$ 269,369,401</u>	<u>\$ 255,673,633</u>	<u>\$ 242,115,108</u>	<u>\$ 230,744,535</u>	<u>\$ 220,273,668</u>	<u>\$ 178,103,230</u>	<u>\$ 176,024,964</u>	<u>\$ 223,195,522</u>	<u>\$ 213,410,884</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 149,317,029	\$ 157,978,008	\$ 163,891,065	\$ 169,428,141	\$ 179,431,176	\$ 183,789,590	\$ 183,083,561	\$ 188,268,413	\$ 193,031,301	\$ 192,493,822
Restricted	939,246	882,421	1,432,126	619,678	364,708	469,895	406,253	604,795	858,037	1,236,060
Unrestricted	16,644,944	16,420,757	17,296,662	17,772,154	13,894,445	11,926,884	6,201,559	3,791,304	3,460,513	3,964,589
Total Business-Type Activities Net Position	<u>\$ 166,901,219</u>	<u>\$ 175,281,186</u>	<u>\$ 182,619,853</u>	<u>\$ 187,819,973</u>	<u>\$ 193,690,329</u>	<u>\$ 196,186,369</u>	<u>\$ 189,691,373</u>	<u>\$ 192,664,512</u>	<u>\$ 197,349,851</u>	<u>\$ 197,694,471</u>
Primary Government										
Net Investment in Capital Assets	\$ 405,205,687	\$ 420,291,216	\$ 410,067,995	\$ 411,080,181	\$ 416,250,700	\$ 413,274,560	\$ 403,754,125	\$ 403,415,083	\$ 425,770,592	\$ 429,330,105
Restricted	23,225,629	1,067,047	1,616,788	797,818	560,333	717,846	621,892	777,736	26,518,405	24,341,052
Unrestricted	15,942,544	23,292,324	26,608,703	18,057,082	7,623,831	2,467,631	(36,581,414)	(35,503,343)	(31,743,624)	(42,565,802)
Total Primary Government Net Position	<u>\$ 444,373,860</u>	<u>\$ 444,650,587</u>	<u>\$ 438,293,486</u>	<u>\$ 429,935,081</u>	<u>\$ 424,434,864</u>	<u>\$ 416,460,037</u>	<u>\$ 367,794,603</u>	<u>\$ 368,689,476</u>	<u>\$ 420,545,373</u>	<u>\$ 411,105,355</u>

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
<u>Governmental Activities:</u>										
General Government	\$ 8,346,300	\$ 11,201,367	\$ 14,877,308	\$ 12,574,751	\$ 12,206,753	\$ 9,342,864	\$ 10,576,342	\$ 10,413,192	\$ 11,672,892	\$ 11,654,457
Public Safety	19,955,908	19,485,392	20,186,463	20,995,344	21,116,177	21,804,504	21,215,734	21,663,334	23,373,247	23,574,401
Public Works	12,871,747	14,690,010	15,325,189	13,397,601	13,504,933	13,920,899	14,606,362	15,579,088	18,087,183	17,995,836
Highway Transportation Planning	3,532,499	5,767,852	3,846,573	3,804,969	4,219,117	4,876,627	5,319,159	4,428,006	4,381,789	4,309,081
Economic and Physical Development	4,397,024	4,234,673	4,792,022	4,852,780	4,590,460	4,647,819	4,358,455	4,326,769	2,023,477	2,003,996
Culture and Recreation	6,535,076	6,144,900	6,590,859	6,691,418	7,295,391	7,308,927	7,347,859	7,784,401	8,322,721	8,539,135
Education	69,060,256	71,107,497	75,900,414	75,544,772	75,456,221	77,124,830	74,368,054	78,180,717	81,495,584	82,061,934
Interest on Long-Term Debt	3,276,319	4,069,104	4,718,229	4,551,533	3,253,559	4,121,095	4,189,508	4,008,351	3,847,436	4,077,838
Total Governmental Activities Expenses	127,975,129	136,700,795	146,237,057	142,413,168	141,642,611	143,147,565	141,981,473	146,383,858	153,204,329	154,216,678
<u>Business-Type Activities:</u>										
Water	9,208,308	9,068,323	9,630,478	10,329,009	10,373,689	10,848,749	10,689,783	11,029,910	11,389,112	11,682,737
Sewer	8,527,859	8,082,865	8,227,535	8,267,253	8,687,619	8,912,004	11,281,230	11,853,057	11,727,265	12,020,168
Solid Waste Management	3,643,156	3,614,988	4,009,722	4,367,121	4,246,071	4,379,003	4,249,886	4,424,383	4,638,331	4,606,197
Storm Water Management	0	0	0	671,575	848,997	1,230,005	1,347,121	1,457,499	1,476,865	1,464,050
Aquatic Center	0	0	0	0	753,495	3,220,643	3,058,481	2,984,965	3,062,597	3,095,614
MeadowView Conference Center	1,461,629	1,986,408	1,597,797	1,362,677	1,559,914	2,954,368	2,944,790	2,685,147	2,637,666	2,376,920
Cattails at MeadowView Golf Course	1,361,077	1,586,343	1,384,281	1,325,339	1,313,104	1,335,963	1,288,216	1,311,917	1,274,403	1,281,058
Total Business-Type Activities Expenses	24,202,029	24,338,927	24,849,813	26,322,974	27,782,889	32,880,735	34,859,507	35,746,878	36,206,239	36,526,744
Total Primary Government Expenses	\$ 152,177,158	\$ 161,039,722	\$ 171,086,870	\$ 168,736,142	\$ 169,425,500	\$ 176,028,300	\$ 176,840,980	\$ 182,130,736	\$ 189,410,568	\$ 190,743,422
Program Revenues										
<u>Governmental Activities:</u>										
Charges for Services:										
General Government	\$ 194,323	\$ 687,263	\$ 1,596,808	\$ 681,275	\$ 683,997	\$ 491,916	\$ 1,036,182	\$ 1,097,954	\$ 1,011,092	\$ 873,420
Public Safety	2,384,667	1,789,496	1,820,625	1,179,259	1,106,058	1,227,933	1,106,788	1,259,977	1,422,778	1,497,607
Public Works	0	0	0	0	0	0	0	0	1,218,571	694,464
Highway Transportation Planning	120,520	103,207	110,713	122,236	127,303	130,945	147,631	117,862	121,005	131,331
Economic and Physical Development	562,536	1,192,238	1,079,506	996,925	1,028,954	764,682	599,980	900,416	25	0
Culture and Recreation	754,137	818,919	987,328	988,565	991,503	963,498	1,029,146	1,324,523	1,465,081	1,430,394
Education	2,452,987	2,475,034	2,485,634	2,540,181	2,348,049	2,344,300	2,287,373	2,417,198	2,202,762	2,229,939
Operating Grants and Contributions	32,757,394	34,317,663	37,442,335	38,727,209	37,090,159	38,620,397	38,081,890	38,590,390	42,102,696	43,383,591
Capital Grants and Contributions	4,179,278	7,348,567	9,217,970	4,786,618	2,298,091	2,043,937	3,351,516	2,411,235	47,444,523	4,566,083
Total Governmental Activities Program Revenues	43,405,842	48,732,387	54,740,919	50,022,268	45,674,114	46,587,608	47,640,506	48,119,555	96,988,533	54,806,829
<u>Business-Type Activities:</u>										
Charges for Services:										
Water	12,981,541	12,513,017	12,383,505	12,667,214	12,235,550	12,791,336	13,262,329	13,575,659	13,643,424	13,561,961
Sewer	13,081,940	12,618,400	12,276,442	12,371,334	12,611,643	13,142,602	13,305,667	13,750,057	14,363,873	14,129,069
Solid Waste Management	679,518	772,999	829,411	944,641	802,090	832,053	1,006,285	872,231	2,829,363	2,860,951
Storm Water Management	0	0	0	910,822	1,809,829	1,840,865	1,813,527	1,860,884	1,901,456	1,844,224
Aquatic Center	0	0	0	0	331,444	1,428,226	1,388,065	1,348,766	1,337,074	1,382,559
MeadowView Conference Center	259,746	251,800	303,648	321,915	188,114	180,481	223,898	384,717	435,600	380,866
Cattails at MeadowView Golf Course	1,042,420	981,837	938,658	1,011,026	945,421	948,586	819,742	898,760	881,851	879,919
Operating Grants and Contributions	0	0	229,976	186,888	238,749	185,308	181,030	174,903	167,877	160,187
Capital Grants and Contributions	2,123,441	1,296,823	655,174	65,871	507,015	1,033,605	868,632	1,495,226	1,709,857	258,915
Total Business-Type Activities Program Revenues	30,168,606	28,434,876	27,616,814	28,479,711	29,669,855	32,383,062	32,869,175	34,361,203	37,270,375	35,458,651
Total Primary Government Program Revenues	\$ 73,574,448	\$ 77,167,263	\$ 82,357,733	\$ 78,501,979	\$ 75,343,969	\$ 78,970,670	\$ 80,509,681	\$ 82,480,758	\$ 134,258,908	\$ 90,265,480

(continued)

CITY OF KINGSPORT, TENNESSEE
CHANGES IN NET POSITION
For the Fiscal Years Noted
(accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental Activities	\$ (84,569,287)	\$ (87,968,408)	\$ (91,496,138)	\$ (92,390,900)	\$ (95,968,497)	\$ (96,559,957)	\$ (94,340,967)	\$ (98,264,303)	\$ (56,215,796)	\$ (99,409,849)
Business-Type Activities	5,966,577	4,095,949	2,767,001	2,156,737	1,886,966	(497,673)	(1,990,332)	(1,385,675)	1,064,136	(1,068,093)
Total Primary Government Net (Expense) Revenue	<u>\$ (78,602,710)</u>	<u>\$ (83,872,459)</u>	<u>\$ (88,729,137)</u>	<u>\$ (90,234,163)</u>	<u>\$ (94,081,531)</u>	<u>\$ (97,057,630)</u>	<u>\$ (96,331,299)</u>	<u>\$ (99,649,978)</u>	<u>\$ (55,151,660)</u>	<u>\$ (100,477,942)</u>
General Revenues and Other Changes in Net Position										
<u>Governmental Activities:</u>										
Taxes:										
Property Taxes	\$ 45,003,403	\$ 45,938,645	\$ 47,144,856	\$ 48,236,082	\$ 50,347,648	\$ 52,677,994	\$ 55,935,014	\$ 57,058,121	\$ 59,355,264	\$ 57,621,560
Sales Taxes	27,003,900	26,304,997	27,514,740	29,469,816	29,687,264	30,753,163	32,690,121	34,386,506	34,602,066	35,891,135
Other Taxes	5,447,237	5,017,241	5,234,872	5,633,647	5,805,431	6,144,010	6,596,149	6,774,085	11,137,599	11,776,636
Grants and Contributions Not Restricted	970,035	1,040,878	986,665	1,361,422	1,370,621	1,151,744	1,126,538	995,380	1,121,189	1,111,256
Unrestricted Investment Earnings	1,624,800	786,056	421,579	401,451	332,967	178,084	158,346	211,962	332,007	850,735
Gain (Loss) on Disposal of Capital Assets	18,322	(869,975)	0	0	0	0	0	0	0	0
Miscellaneous	790,029	742,259	755,400	960,663	875,719	903,143	1,047,776	939,546	182,882	232,232
Transfers	(3,007,600)	(3,874,687)	(4,425,338)	(3,615,027)	(3,821,726)	(4,331,130)	(4,539,037)	(4,179,563)	(3,344,653)	(3,195,912)
Total Governmental Activities	<u>77,850,126</u>	<u>75,085,414</u>	<u>77,632,774</u>	<u>82,448,054</u>	<u>84,597,924</u>	<u>87,477,008</u>	<u>93,014,907</u>	<u>96,186,037</u>	<u>103,386,354</u>	<u>104,287,642</u>
<u>Business-Type Activities:</u>										
Unrestricted Investment Earnings	600,431	409,331	146,328	153,080	161,664	74,889	77,171	179,251	276,550	403,815
Gain (Loss) on Disposal of Capital Assets	(12,605)	0	0	5,812	0	0	0	0	0	0
Transfers	3,007,600	3,874,687	4,425,338	3,615,027	3,821,726	4,331,130	4,539,037	4,179,563	3,344,653	3,195,912
Total Business-Type Activities	<u>3,595,426</u>	<u>4,284,018</u>	<u>4,571,666</u>	<u>3,773,919</u>	<u>3,983,390</u>	<u>4,406,019</u>	<u>4,616,208</u>	<u>4,358,814</u>	<u>3,621,203</u>	<u>3,599,727</u>
Total Primary Government	<u>\$ 81,445,552</u>	<u>\$ 79,369,432</u>	<u>\$ 82,204,440</u>	<u>\$ 86,221,973</u>	<u>\$ 88,581,314</u>	<u>\$ 91,883,027</u>	<u>\$ 97,631,115</u>	<u>\$ 100,544,851</u>	<u>\$ 107,007,557</u>	<u>\$ 107,887,369</u>
Change in Net Position										
Governmental Activities	\$ (6,719,161)	\$ (12,882,994)	\$ (13,863,364)	\$ (9,942,846)	\$ (11,370,573)	\$ (9,082,949)	\$ (1,326,060)	\$ (2,078,266)	\$ 47,170,558	\$ 4,877,793
Business-Type Activities	9,562,003	8,379,967	7,338,667	5,930,656	5,870,356	3,908,346	2,625,876	2,973,139	4,685,339	2,531,634
Total Primary Government	<u>\$ 2,842,842</u>	<u>\$ (4,503,027)</u>	<u>\$ (6,524,697)</u>	<u>\$ (4,012,190)</u>	<u>\$ (5,500,217)</u>	<u>\$ (5,174,603)</u>	<u>\$ 1,299,816</u>	<u>\$ 894,873</u>	<u>\$ 51,855,897</u>	<u>\$ 7,409,427</u>

Source: City of Kingsport Finance Department

Note: All changes in Net Position are exclusive of any prior period adjustments.

Note: In FY2017 certain divisions and departments were moved from one reporting function to another. Prior year's columns agree with the original statement presentation.

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	Hotel / Motel Tax	Total
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
2016	\$ 57,058,121	\$ 34,386,506	\$ 1,068,350	\$ 2,103,921	\$ 1,924,223	\$ 1,677,591	\$ 98,218,712
2017	\$ 59,355,264	\$ 34,602,066	\$ 867,272	\$ 6,655,136	\$ 1,928,659	\$ 1,686,532	\$ 105,094,929
2018	\$ 57,621,560	\$ 35,891,135	\$ 789,709	\$ 7,187,326	\$ 1,973,277	\$ 1,826,324	\$ 105,289,331

Source: City of Kingsport Finance Department

Note: Business Tax includes franchise fees

Table 4

CITY OF KINGSPORT, TENNESSEE
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011*	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 2,384,571	\$ 1,574,013	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved	12,927,260	13,155,138	0	0	0	0	0	0	0	0
Nonspendable	0	0	44,571	23,543	23,773	34,360	20,941	22,927	24,390	32,018
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	1,440,450	739,876	73,750	85,660	139,451	94,905	179,468	160,364
Unassigned	0	0	12,099,373	11,809,520	11,537,853	11,648,737	12,736,020	13,130,953	13,911,298	15,585,389
Total General Fund	<u>\$ 15,311,831</u>	<u>\$ 14,729,151</u>	<u>\$ 13,584,394</u>	<u>\$ 12,572,939</u>	<u>\$ 11,635,376</u>	<u>\$ 11,768,757</u>	<u>\$ 12,896,412</u>	<u>\$ 13,248,785</u>	<u>\$ 14,115,156</u>	<u>\$ 15,777,771</u>
All Other Governmental Funds										
Reserved	\$ 16,130,214	\$ 9,018,913	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved, reported in:										
Debt Service	626,839	411,923	0	0	0	0	0	0	0	0
Special Revenue Funds	7,432,715	6,594,744	0	0	0	0	0	0	0	0
Capital Project Funds	22,101,833	38,247,760	0	0	0	0	0	0	0	0
Permanent Fund	28,232	36,804	0	0	0	0	0	0	0	0
Nonspendable	0	0	335,358	391,421	431,092	321,674	328,598	349,582	312,662	335,197
Restricted	0	0	29,898,833	32,898,517	12,101,368	14,014,752	15,519,288	8,264,217	37,108,397	41,610,698
Committed	0	0	195,000	15,000	15,000	18,510	15,000	15,000	0	0
Assigned	0	0	10,303,693	8,663,697	7,907,282	9,192,987	10,510,648	11,859,220	16,105,744	16,256,502
Total all Other Governmental Funds	<u>\$ 46,319,833</u>	<u>\$ 54,310,144</u>	<u>\$ 40,732,884</u>	<u>\$ 41,968,635</u>	<u>\$ 20,454,742</u>	<u>\$ 23,547,923</u>	<u>\$ 26,373,534</u>	<u>\$ 20,488,019</u>	<u>\$ 53,526,803</u>	<u>\$ 58,202,397</u>

Source: City of Kingsport Finance Department

Note:

* FY 2011 Implementation of GASB Statement No. 54 Fund Balance Classification

Table 5
Page 1 of 2

CITY OF KINGSPORT, TENNESSEE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Taxes	\$ 58,697,849	\$ 59,644,769	\$ 61,736,098	\$ 64,053,048	\$ 65,947,861	\$ 69,564,106	\$ 73,722,283	\$ 75,549,547	\$ 81,991,726	\$ 81,464,793
Licenses and Permits	544,797	354,400	339,843	390,916	357,816	530,179	518,480	456,360	569,817	547,907
Intergovernmental	54,633,138	57,016,177	57,618,712	60,411,908	58,908,421	61,026,056	61,752,080	62,852,964	111,324,918	70,846,844
Charges for Services	4,056,619	4,903,995	5,059,845	4,788,526	4,741,965	4,446,028	4,453,764	5,093,344	5,401,380	4,767,530
Fines and Forfeitures	2,083,918	1,404,126	1,475,914	888,013	808,164	924,190	872,162	1,025,281	1,174,085	1,186,920
Contributions and Donations	343,405	417,259	544,308	478,234	445,475	456,400	713,459	471,323	1,248,466	585,059
Investment Earnings	1,209,675	534,657	285,622	301,300	273,394	152,238	140,248	187,494	293,534	757,810
Miscellaneous	438,420	620,950	1,087,540	712,967	296,538	683,627	426,932	459,683	750,654	896,475
Total Revenues	122,007,821	124,896,333	128,147,882	132,024,912	131,779,634	137,782,824	142,599,408	146,095,996	202,754,580	161,053,338
Expenditures:										
General Government	8,287,499	9,493,673	8,937,456	9,897,339	9,432,504	8,748,363	8,888,732	9,295,398	9,815,240	10,738,807
Public Safety	17,862,379	18,183,202	18,602,375	19,206,238	19,422,279	20,067,727	20,349,756	20,379,496	21,421,493	21,925,456
Public Works	6,162,895	6,297,624	6,292,395	6,104,746	6,441,239	6,823,759	6,854,129	7,343,759	10,134,719	10,327,076
Transportation	3,532,499	5,767,852	4,404,721	3,804,971	4,219,117	4,876,627	5,319,159	4,428,006	4,381,788	4,309,081
Development	3,884,126	3,823,882	4,258,551	4,209,456	4,010,897	4,080,865	4,009,648	3,962,118	2,029,686	1,845,723
Recreation	4,884,551	4,883,835	5,203,012	5,137,420	5,294,145	5,300,591	5,413,181	5,592,782	5,997,447	6,108,430
Maintenance	0	0	0	0	320	0	0	0	0	0
Education	60,328,330	62,216,835	63,944,855	65,758,406	67,003,733	68,827,804	69,933,085	73,886,673	76,315,602	78,543,665
Miscellaneous	860,350	1,164,299	1,179,584	1,108,609	1,045,894	726,702	1,010,101	769,025	798,983	963,700
Capital Outlay	30,907,899	23,141,716	20,219,807	25,002,612	13,015,102	14,160,334	15,864,508	11,667,728	31,017,522	18,996,093
Debt Service:										
Principal	7,750,015	4,286,390	5,271,066	5,426,273	6,436,120	6,657,299	7,696,331	7,697,555	7,953,385	8,624,257
Interest	2,761,593	3,612,987	4,930,280	4,549,707	4,133,024	4,032,477	4,352,406	4,356,358	4,004,572	4,268,268
Bond Issuance Costs	405,059	459,043	20,479	435,261	126,829	165,924	498,456	242,887	88,997	199,766
Other Charges	19,516	9,744	33,061	7,387	12,122	29,895	0	17,311	14,941	20,531
Total Expenditures	147,646,711	143,341,082	143,297,642	150,648,425	140,593,325	144,498,367	150,189,492	149,639,096	173,974,375	166,870,853
Excess (deficiency) of revenues over (under) expenditures	(25,638,890)	(18,444,749)	(15,149,760)	(18,623,513)	(8,813,691)	(6,715,543)	(7,590,084)	(3,543,100)	28,780,205	(5,817,515)

(Continued)

CITY OF KINGSPORT, TENNESSEE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources (Uses):										
Transfers In	33,134,077	28,905,392	29,214,433	28,958,597	29,346,521	29,439,834	31,868,200	33,017,651	82,273,310	35,013,443
Transfers Out	(36,665,512)	(32,780,079)	(33,051,330)	(32,573,624)	(33,018,247)	(33,770,964)	(36,752,237)	(37,553,446)	(85,617,963)	(38,219,397)
Transfer Bonds to Enterprise Funds	0	0	0	0	(10,596,258)	0	0	(1,362,955)	0	0
Issuance of Debt	19,260,000	29,207,043	4,097,044	26,376,201	12,677,052	13,406,845	32,291,848	19,313,751	7,821,325	14,690,288
Premiums on Debt Issued	211,590	520,024	0	740,813	1,068,429	866,390	4,044,772	1,685,668	648,278	671,390
Payments to Refunded Bond Escrow Agent	0	0	0	(4,654,178)	(13,115,262)	0	(19,901,049)	(17,090,711)	0	0
Total Other Financing Sources (Uses)	15,940,155	25,852,380	260,147	18,847,809	(13,637,765)	9,942,105	11,551,534	(1,990,042)	5,124,950	12,155,724
Net Change in Fund Balances	<u>\$ (9,698,735)</u>	<u>\$ 7,407,631</u>	<u>\$ (14,889,613)</u>	<u>\$ 224,296</u>	<u>\$ (22,451,456)</u>	<u>\$ 3,226,562</u>	<u>\$ 3,961,450</u>	<u>\$ (5,533,142)</u>	<u>\$ 33,905,155</u>	<u>\$ 6,338,209</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>9.0%</u>	<u>6.6%</u>	<u>8.3%</u>	<u>7.9%</u>	<u>8.3%</u>	<u>8.2%</u>	<u>9.0%</u>	<u>8.7%</u>	<u>8.4%</u>	<u>8.7%</u>

Source: City of Kingsport Finance Department

Note: All net changes in fund balances are exclusive of any prior period adjustments.

Note: In FY2017 certain divisions and departments were moved from one reporting function to another. Prior year's columns agree with the original statement presentation.

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	Hotel / Motel Tax	Total
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
2016	\$ 56,978,708	\$ 34,386,506	\$ 1,068,350	\$ 2,103,921	\$ 1,924,223	\$ 1,677,591	\$ 98,139,299
2017	\$ 59,329,621	\$ 34,602,066	\$ 867,272	\$ 6,655,136	\$ 1,928,659	\$ 1,686,532	\$ 105,069,286
2018	\$ 57,586,185	\$ 35,891,135	\$ 789,709	\$ 7,187,326	\$ 1,973,277	\$ 1,826,324	\$ 105,253,956

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: Business Tax includes franchise fees

Table 7

CITY OF KINGSFORT, TENNESSEE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Year	Real Property				Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
		Residential and Farm Property	Industrial and Commercial Property	Personal Property	Public Utility				
2009	2008	\$ 456,423,060	\$ 480,026,995	\$ 345,357,678	\$ 40,519,972	\$ 1,322,327,705	\$ 2.300	\$ 4,250,624,664	31.11%
2010	2009	\$ 542,112,415	\$ 601,517,500	\$ 408,047,665	\$ 47,796,156	\$ 1,599,473,736	\$ 1.940	\$ 5,119,304,395	31.24%
2011	2010	\$ 576,028,905	\$ 624,738,933	\$ 387,994,899	\$ 54,381,309	\$ 1,643,144,046	\$ 1.940	\$ 5,258,154,390	31.25%
2012	2011	\$ 594,243,299	\$ 636,435,237	\$ 359,672,056	\$ 51,874,049	\$ 1,642,224,641	\$ 1.970	\$ 5,261,284,595	31.21%
2013	2012	\$ 638,772,453	\$ 636,926,951	\$ 352,203,970	\$ 48,475,692	\$ 1,676,379,066	\$ 1.970	\$ 5,409,558,045	30.99%
2014	2013	\$ 662,428,582	\$ 660,706,711	\$ 407,373,787	\$ 53,886,860	\$ 1,784,395,940	\$ 1.940	\$ 5,757,369,838	30.99%
2015	2014	\$ 667,577,858	\$ 669,577,428	\$ 398,689,272	\$ 53,753,183	\$ 1,789,597,741	\$ 2.070	\$ 5,770,952,302	31.01%
2016	2015	\$ 672,886,191	\$ 673,211,644	\$ 369,527,956	\$ 52,975,572	\$ 1,768,601,363	\$ 2.070	\$ 5,702,652,949	31.01%
2017	2016	\$ 675,307,100	\$ 680,122,506	\$ 406,161,760	\$ 53,030,272	\$ 1,814,621,638	\$ 2.070	\$ 5,851,825,875	31.01%
2018	2017	\$ 714,130,411	\$ 690,336,842	\$ 425,976,410	\$ 51,659,227	\$ 1,882,102,890	\$ 1.975	\$ 6,096,210,983	30.87%

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	Tax Year	City Direct Rates	Overlapping Rates	
			Sullivan County	Hawkins County
2009	2008	\$ 2.300	\$ 2.530	\$ 2.610
2010	2009	\$ 1.940	\$ 2.131	\$ 2.705
2011	2010	\$ 1.940	\$ 2.131	\$ 2.705
2012	2011	\$ 1.970	\$ 2.131	\$ 2.345
2013	2012	\$ 1.970	\$ 2.331	\$ 2.345
2014	2013	\$ 1.940	\$ 2.305	\$ 2.345
2015	2014	\$ 2.070	\$ 2.305	\$ 2.465
2016	2015	\$ 2.070	\$ 2.575	\$ 2.465
2017	2016	\$ 2.070	\$ 2.575	\$ 2.532
2018	2017	\$ 1.975	\$ 2.550	\$ 2.532

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**

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Eastman	\$ 458,078,995	1	24.3%	\$ 348,428,573	1	26.3%
Domtar, Inc (Weyerhaeuser Co/ Willamette Industries)	42,078,138	2	2.2%	23,439,943	2	1.8%
Holston Family Practice	26,502,447	3	1.4%	19,720,117	3	1.5%
Kingsport Power Company (AEP)	23,762,641	4	1.3%	15,138,731	4	1.1%
Inland Western Kpt East Stone LLC - Clara F Jackson	16,539,880	5	0.9%	8,977,880	7	0.7%
Wellmont Health System/ Holston Valley Health Care	15,787,218	6	0.8%			
Eastman Credit Union	13,912,454	7	0.7%	8,703,596	9	0.7%
Mountain States Health / HCA	13,395,593	8	0.7%	9,844,445	6	0.7%
Wal Mart Properties/Real Estate	12,353,023	9	0.7%	8,601,440	10	0.7%
Kingsport Hotel LLC	9,527,050	10	0.5%			
Fort Henry Mall - Baltry, LLC				13,297,885	5	1.0%
Sprint/United Inter-Mountain Telephone Southeast				8,815,371	8	0.7%
Totals	<u>\$ 631,937,439</u>		<u>33.5%</u>	<u>\$ 464,967,981</u>		<u>35.2%</u>
Total Taxable Assessed Value:						
FYE 2018 (Tax Year 2017)	\$ 1,882,102,890					
FYE 2009 (Tax Year 2008)	\$ 1,322,327,705					

Source: City of Kingsport Finance Department

Table 10

**CITY OF KINGSPORT, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

Fiscal Year Ended June 30th	Tax Year	Tax Levy for Fiscal Year	Subsequent Adjustments to Levy	Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Uncollected Delinquent Taxes
					Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy	
2009	2008	\$ 30,553,586	\$ (46,153)	\$ 30,507,433	\$ 29,616,908	97.08%	\$ 837,504	\$ 30,454,412	99.83%	\$ 53,021
2010	2009	\$ 31,362,309	\$ (190,676)	\$ 31,171,633	\$ 30,151,757	96.73%	\$ 973,855	\$ 31,125,612	99.85%	\$ 46,021
2011	2010	\$ 32,011,845	\$ 213,040	\$ 32,224,885	\$ 31,071,305	96.42%	\$ 1,099,727	\$ 32,171,032	99.83%	\$ 53,853
2012	2011	\$ 32,276,181	\$ 348,549	\$ 32,624,730	\$ 31,684,065	97.12%	\$ 863,965	\$ 32,548,030	99.76%	\$ 76,700
2013	2012	\$ 32,988,793	\$ 998,174	\$ 33,986,967	\$ 32,509,744	95.65%	\$ 1,367,988	\$ 33,877,732	99.68%	\$ 109,235
2014	2013	\$ 34,588,442	\$ 486,572	\$ 35,075,014	\$ 34,296,005	97.78%	\$ 682,533	\$ 34,978,538	99.72%	\$ 96,476
2015	2014	\$ 37,776,783	\$ 271,106	\$ 38,047,889	\$ 37,242,818	97.88%	\$ 662,355	\$ 37,905,173	99.62%	\$ 142,716
2016	2015	\$ 37,829,084	\$ (83,008)	\$ 37,746,076	\$ 36,831,749	97.58%	\$ 748,755	\$ 37,580,504	99.56%	\$ 165,572
2017	2016	\$ 38,289,949	\$ 643,826	\$ 38,933,775	\$ 38,148,030	97.98%	\$ 542,031	\$ 38,690,061	99.37%	\$ 243,714
2018	2017	\$ 38,789,017	\$ (55,259)	\$ 38,733,758	\$ 37,910,311	97.87%	\$ 0	\$ 37,910,311	97.87%	\$ 823,447

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, 2018

Tax Year	Property Tax Receivable Balance June 30, 2017	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Net Receivable Balance June 30, 2018
2008	\$ 54,638	\$ 0	\$ 0	\$ 0	\$ (1,617)	\$ 53,021
2009	47,112	0	0	0	(1,091)	46,021
2010	58,706	0	0	0	(4,853)	53,853
2011	82,711	0	0	0	(6,011)	76,700
2012	116,589	0	0	0	(7,354)	109,235
2013	109,249	0	0	(9,533)	(3,240)	96,476
2014	170,589	0	0	(10,172)	(17,701)	142,716
2015	254,018	0	0	(12,776)	(75,670)	165,572
2016	799,443	0	0	(13,697)	(542,032)	243,714
2017	0	38,789,017	0	(55,259)	(37,910,311)	823,447
2018	0	0	37,849,110	0	0	37,849,110
Totals	<u>\$ 1,693,055</u>	<u>\$ 38,789,017</u>	<u>\$ 37,849,110</u>	<u>\$ (101,437)</u>	<u>\$ (38,569,880)</u>	<u>\$ 39,659,865</u>

NOTES: All uncollected real property taxes for years prior to 2017 have been turned over to the Clerk & Master for collection.

All uncollected personal property taxes for years prior to 2013 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 JUNE 30th	TOTAL LOCAL OPTION SALES TAX COLLECTIONS	GENERAL FUND	REGIONAL SALES TAX FUND
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
2016	\$ 21,282,094	\$ 17,474,902	\$ 3,807,192
2017	\$ 20,925,314	\$ 17,177,049	\$ 3,748,265
2018	\$ 21,706,556	\$ 17,834,086	\$ 3,872,470

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 KINGSFORT, TENNESSEE
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	General Obligation Bonds	Revenue Bonds	Notes Payable			
2009	\$ 86,231,128	\$ 5,872,283	\$ 67,029,074	\$ 160,000	\$ 15,578,624	\$ 174,871,109	18.64%	\$ 3,821
2010	\$ 112,219,869	\$ 5,323,392	\$ 73,689,344	\$ 140,000	\$ 22,190,263	\$ 213,562,868	22.53%	\$ 4,510
2011	\$ 107,563,297	\$ 8,795,620	\$ 67,014,158	\$ 0	\$ 24,288,460	\$ 207,661,535	17.82%	\$ 4,340
2012	\$ 122,673,341	\$ 10,615,303	\$ 69,832,074	\$ 0	\$ 23,658,574	\$ 226,779,292	18.94%	\$ 4,686
2013	\$ 96,542,440	\$ 10,240,943	\$ 105,705,775	\$ 0	\$ 0	\$ 212,489,158	16.43%	\$ 4,239
2014	\$ 106,683,823	\$ 9,179,827	\$ 113,441,729	\$ 0	\$ 0	\$ 229,305,379	17.36%	\$ 4,420
2015	\$ 118,181,223	\$ 7,447,661	\$ 114,003,565	\$ 0	\$ 0	\$ 239,632,449	17.66%	\$ 4,535
2016	\$ 114,824,016	\$ 6,592,279	\$ 115,356,506	\$ 0	\$ 3,894,310	\$ 240,667,111	17.53%	\$ 4,550
2017	\$ 115,545,922	\$ 5,733,810	\$ 121,037,522	\$ 0	\$ 12,871,681	\$ 255,188,935	17.91%	\$ 4,827
2018	\$ 122,487,064	\$ 4,872,219	\$ 124,222,024	\$ 0	\$ 13,088,581	\$ 264,669,888	17.72%	\$ 5,022

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
- In FY 2018 all years calculations for Percentage of Personal Income and Per Capita were retroactively updated based on information provided in Schedule 18

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	Percentage of Estimated Actual Taxable Value of	Per Capita
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%	\$ 3,623
2012	\$ 192,505,415	\$ 148,495	\$ 192,356,920	3.66%	\$ 3,974
2013	\$ 202,248,215	\$ 139,984	\$ 202,108,231	3.74%	\$ 4,032
2014	\$ 220,125,552	\$ 144,635	\$ 219,980,917	3.82%	\$ 4,241
2015	\$ 232,184,788	\$ 224,584	\$ 231,960,204	4.02%	\$ 4,390
2016	\$ 230,180,522	\$ 340,307	\$ 229,840,215	4.03%	\$ 4,345
2017	\$ 236,583,444	\$ 652,554	\$ 235,930,890	4.03%	\$ 4,462
2018	\$ 246,709,088	\$ 1,007,753	\$ 245,701,335	4.03%	\$ 4,662

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 Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data
- See Schedule of Demographic and Economic Statistics for personal income and population data
- In FY 2018 all years calculations for Per Capita were retroactively updated based on information provided in Schedule 18

CITY OF KINGSPORT, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
For the Fiscal Year Ended June 30, 2018

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping</u>
Debt Repaid with Property Taxes:			
Net Direct Debt:			
City of Kingsport	<u>\$ 147,556,579 (1)</u>	<u>100.00%</u>	<u>\$ 147,556,579</u>
Total Direct Debt	<u>147,556,579</u>	<u>100.00%</u>	<u>147,556,579</u>
Overlapping Debt:			
Sullivan County	183,541,152	46.08% (2)	84,575,763
Hawkins County	<u>71,634,895</u>	<u>6.61% (2)</u>	<u>4,735,067</u>
Subtotal, Overlapping Debt	<u>255,176,047</u>		<u>89,310,830</u>
Total Direct and Overlapping Debt	<u><u>\$ 402,732,626</u></u>		<u><u>\$ 236,867,409</u></u>

(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**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 264,465,541	\$ 319,894,747	\$ 328,628,809	\$ 328,444,928	\$ 335,275,813	\$ 356,879,188	\$ 357,919,548	\$ 353,720,273	\$ 362,924,328	\$ 376,420,578
Total Net Debt Applicable to Limit	101,870,000	128,636,532	123,381,532	138,767,654	130,382,038	138,394,266	145,513,415	140,652,627	142,585,188	147,556,579
Legal Debt Margin	\$ 162,595,541	\$ 191,258,215	\$ 205,247,277	\$ 189,677,274	\$ 204,893,775	\$ 218,484,922	\$ 212,406,133	\$ 213,067,646	\$ 220,339,140	\$ 228,863,999
Applicable to the Limit as a Percentage of Debt Limit	38.52%	40.21%	37.54%	42.25%	38.89%	38.78%	40.66%	39.76%	39.29%	39.20%
Legal Debt Margin Calculation for Fiscal Year 2016										
Total Taxable Assessed Value										\$ 1,882,102,890
Debt Limit (20% of Taxable Assessed Value)										376,420,578
Debt Applicable to Limit:										
General Obligation Bonds										115,126,367
Add: Solid Waste Management General Obligation Bonds										3,365,423
Add: Aquatic Center General Obligation Bonds										14,815,304
Add: MeadowView Conference Center General Obligation Bonds										13,824,468
Add: Cattails Golf Course General Obligation Bonds										425,017
Total Net Debt Applicable to Limit										147,556,579
Legal Debt Margin										\$ 228,863,999

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:	Net Available Revenue	Debt Service			Coverage
		Operating Expenses		(2) Principal	Interest	Total	
Water, Sewer and Storm Water Revenue Bonds:							
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
2016	\$ 29,186,600	\$ 14,173,315	\$ 15,013,285	\$ 6,593,639	\$ 2,032,670	\$ 8,626,309	1.74
2017	\$ 29,908,753	\$ 14,463,957	\$ 15,444,796	\$ 6,371,807	\$ 1,863,776	\$ 8,235,583	1.88
2018	\$ 29,535,254	\$ 13,917,223	\$ 15,618,031	\$ 6,559,414	\$ 2,258,224	\$ 8,817,638	1.77

(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: 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	Census Data Year	Education Level - Population 25 Years and Over (1)									
		Population (1)	Personal Income (2)	Per Capita Personal Income	Median Age (1)	High	Associate's Degree (1)	Bachelor's Degree (1)	Masters or	School Enrollment (3)	Unemployment Rate (4)
						School Graduate or Higher (1)			Professional Degree (1)		
2009	2008	45,763	\$ 937,958,448	\$ 20,496	41.9	82.4%	7.8%	15.9%	8.2%	6,263	9.4%
2010	2009	47,356	\$ 947,782,984	\$ 20,014	42.2	90.6%	6.8%	16.1%	8.1%	6,296	8.8%
2011	2010	47,852	\$ 1,165,148,348	\$ 24,349	43.7	83.5%	7.3%	15.6%	9.0%	6,434	8.6%
2012	2011	48,399	\$ 1,197,342,861	\$ 24,739	43.2	84.6%	7.0%	15.2%	9.9%	6,485	8.4%
2013	2012	50,131	\$ 1,293,129,145	\$ 25,795	43.6	86.8%	7.2%	15.2%	10.3%	7,045	8.1%
2014	2013	51,876	\$ 1,321,229,844	\$ 25,469	43.8	87.0%	6.5%	15.4%	10.5%	7,258	7.1%
2015	2014	52,835	\$ 1,357,172,645	\$ 25,687	44.4	87.7%	7.1%	14.2%	11.2%	7,298	6.3%
2016	2015	52,898	\$ 1,373,126,284	\$ 25,958	44.3	87.6%	7.3%	14.8%	10.5%	7,403	5.4%
2017	2016	52,871	\$ 1,424,820,579	\$ 26,949	43.3	89.6%	6.0%	16.3%	10.5%	7,654	4.6%
2018	2017	52,698	\$ 1,493,250,528	\$ 28,336	44.3	87.1%	7.4%	15.5%	10.3%	7,655	4.2%

Source:

- (1) American Community Survey (ACS) 5-Year Estimates (via American Factfinder) - City of Kingsport
 (2) TDOE Report Card - Kingsport City Schools
 (3) U.S. Department of Labor Statistics, Bureau of Economic Analysis, month of June

Note: FY 2018 this schedule was updated retroactively for all years based on information from the sources listed above.

Note: Certain calculations on tables 13 and 14 related to this table have also been retroactively updated for all years

Table 19

**CITY OF KINGSPORT, TENNESSEE
PRINCIPAL EMPLOYERS
FOR THE FISCAL YEARS NOTED**

Employer	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Eastman	6,500	1	9.5%	6,800	1	10.0%
Ballad Health/Holston Valley Comm Hospital	2,877	2	4.2%	3,000	2	4.4%
Kingsport City Schools	1,123	3	1.6%	1,049	3	1.5%
BAE SYSTEMS Ordnance Systems, Inc.	947	4	1.4%	460	9	0.7%
Brock	772	5	1.1%	N/A		
City of Kingsport	736	6	1.1%	745	7	1.1%
TEC Industrial Maintenance & Construction	575	7	0.8%	N/A		
Ballad Health/Indian Path Comm Hospital	550	8	0.8%	845	6	1.2%
Eastman Credit Union	544	9	0.8%	N/A		
Holston Medical Group	482	10	0.7%	880	5	1.3%
Wal-Mart	N/A			900	4	1.3%
AGC Flat Glass	N/A			640	8	0.9%
Domtar	N/A			350	10	0.5%
	<u>15,106</u>		<u>22.0%</u>	<u>15,669</u>		<u>23.0%</u>
Total Sullivan County Employment:						
	FYE 2018	68,760				
	FYE 2009	68,120				

Source:

-NETWORKS/Sullivan Partnership & Employers

Table 20

CITY OF KINGSPORT, TENNESSEE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	96	96	93	95	112	104	100	125	84	84
Public Safety	257	262	264	267	265	265	269	271	280	283
Public Works	120	122	123	124	130	135	135	119	166	154
Development	24	25	22	23	23	23	19	21	15	15
Recreation	59	58	58	58	58	58	61	59	65	65
Education	993	1,010	1,013	1,040	1,041	1,047	1,057	1,073	1,092	1,123
Water	78	76	74	73	73	73	73	72	72	83
Sewer	41	40	41	42	42	42	42	42	42	42
Solid Waste	30	30	30	32	33	34	34	35	35	35
	<u>1,698</u>	<u>1,719</u>	<u>1,718</u>	<u>1,754</u>	<u>1,777</u>	<u>1,781</u>	<u>1,790</u>	<u>1,817</u>	<u>1,851</u>	<u>1,884</u>

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Education:										
Student Transportation:										
Miles	355,694	371,912	371,726	392,811	422,471	414,823	447,373	473,260	501,153	501,780
Average Daily Ridership	1,754	1,717	1,505	1,526	1,373	1,976	1,972	2,011	2,299	2,044
Public Safety:										
Police:										
Physical Arrests	3,587	4,584	5,066	4,029	3,641	3,501	4,406	4,119	5,110	4,452
Parking Citations	2,804	1,814	1,074	1,560	1,037	1,387	1,246	325	511	501
Traffic Citations	12,030	7,579	5,127	12,442	11,647	14,870	15,699	17,210	20,962	22,436
Calls for Service	46,249	57,153	59,755	59,147	60,210	63,789	62,935	63,006	68,012	70,179
Fire:										
Calls for Service	6,515	6,468	7,388	8,106	7,851	8,115	8,593	8,035	8,167	8,053
Inspections	3,378	3,378	3,339	1,951	1,942	2,577	3,225	3,285	2,944	3,063
Fire Loss	\$ 1,909,032	\$ 3,390,231	\$ 846,950	\$ 664,820	\$ 933,338	\$ 1,664,021	\$ 1,771,938	\$ 1,526,790	\$ 2,239,390	\$ 2,527,429
Public Works:										
Potholes Repaired	1,102	2,762	4,985	4,147	4,822	3,151	9,491	5,004	8,455	7,842
Streets Swept (linear miles)	6,247	6,456	5,105	7,409	5,520	4,715	4,432	5,247	6,100	6,492
Traffic Signal Maintenance Calls	598	599	610	557	736	608	549	497	507	774
Leaves Collected (Tons)	1,907	1,497	1,628	1,780	1,526	2,414	2,028	1,739	2,058	1,716
Parks and Recreation:										
Civic Auditorium Rentals	881	1,349	796	539	686	598	757	661	509	564
Civic Auditorium Attendance	72,773	147,764	96,248	106,807	110,635	78,856	68,461	47,668	67,084	42,472
Splash Pad Attendance	18,120	22,886	8,548	23,209	10,307	10,100	10,750	14,585	16,720	19,850
Participation in Athletic Division events	198,544	201,225	265,231	278,829	280,119	288,108	286,000	312,564	270,464	268,563
Participation in Community Services Division events	78,918	141,772	138,817	167,631	162,496	171,878	172,475	184,650	190,540	191,550
Allandale Rentals	274	342	304	226	231	215	212	260	245	284
Allandale Visitors	22,598	27,435	25,986	32,296	31,285	32,711	38,401	31,942	33,331	28,919
K - Play Games Played	1,560	1,768	1,825	1,875	1,847	1,908	1,986	2,280	3,315	2,720
K - Play Attendance	124,728	172,930	185,856	188,997	166,299	171,720	176,500	200,640	116,195	113,051
Lynn View Rentals	n/a	36	238	271	254	268	154	122	54	40
Lynn View Attendance	n/a	18,116	43,615	48,278	53,928	57,650	52,250	56,550	65,450	60,450
Cultural Arts:										
Carousel Rentals	n/a	n/a	n/a	n/a	n/a	n/a	n/a	81	157	165
Carousel Attendance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	88,945	78,954	68,641
Cultural Arts Program Attendance	13,088	10,057	12,761	9,276	11,143	11,700	12,378	18,610	17,660	18,610
Farmers Market Rentals	n/a	n/a	n/a	n/a	n/a	n/a	n/a	166	161	166
Farmers Market Attendance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	94,600	93,100	82,900
Renaissance Center Rentals	2,135	2,110	1,959	1,861	1,660	1,712	1,813	1,652	1,536	1,940
Renaissance Center Attendance	222,294	211,738	188,576	166,175	158,227	163,183	172,647	132,160	126,130	129,980
Senior Center:										
Active Members	2,673	2,591	2,801	3,012	2,978	3,045	3,424	3,615	3,980	4,251
Average Daily Attendance	241	247	252	325	308	301	333	330	394	375
Aquatic Center:										
Aquatic Center Attendance	n/a	n/a	n/a	n/a	31,244	140,433	115,982	103,825	97,928	112,586
YMCA Entering Pools Attendance	n/a	n/a	n/a	n/a	19,714	74,567	69,660	57,644	45,208	49,361
Total Attendance	n/a	n/a	n/a	n/a	50,958	215,000	185,642	161,469	143,136	161,947
Bays Mountain Park:										
Total Programs	2,090	1,771	1,422	3,658	3,080	5,091	5,176	3,332	2,938	3,049
Total Attendance	192,529	176,813	201,129	178,069	191,321	257,692	235,578	228,308	211,984	220,886
Library:										
Total Circulation	241,239	244,735	248,709	248,482	248,802	254,073	233,778	264,251	253,765	262,449
Building Attendance	209,234	213,379	206,533	199,875	187,837	189,598	172,806	166,331	158,828	152,551
Water:										
Average Daily Consumption in Gallons	15.2 mgd	15.1 mgd	14.7 mgd	14.5 mgd	13.7 mgd	13.9 mgd	14.9 mgd	15.21 mgd	15.34 mgd	15.4 mgd
Maximum Daily Capacity in Gallons	28.0 mgd	28.0 mgd	16.2 mgd	17.8 mgd	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd
Water Taps	256	219	168	191	189	186	192	195	178	207
Sewer:										
Average Daily Treatment in Gallons	8.6 mgd	9.3 mgd	8.5 mgd	7.5 mgd	9.8 mgd	9.1 mgd	9.6 mgd	8.78 mgd	8.13 mgd	8.02 mgd
Maximum Daily Plant Capacity in Gallons	12.4 mgd	12.4 mgd	17.7 mgd	16.8 mgd	12.4 mgd	12.4 mgd	12.4 mgd	12.4 mgd	12.4 mgd	12.4 mgd
Sewer Taps	165	84	237	179	213	206	263	205	367	388
Solid Waste:										
Landfill Material Accepted (Tons)	26,958	25,077	61,326	34,268	27,198	25,670	35,809	27,240	27,630	33,591
Household Refuse Collected (Tons)	15,924	16,437	16,647	18,452	18,834	18,039	19,065	19,647	20,197	20,816
Recyclables Collected (Tons)	2,728	1,715	1,848	1,772	1,606	2,607	3,041	3,249	3,240	3,276
Golf Course:										
Rounds of Golf	26,233	24,225	23,515	25,915	24,090	24,387	20,455	22,630	22,269	21,447

Source: Various City Departments

Table 22

**CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Education:										
Student Transportation:										
Buses	38	38	40	40	42	39	41	46	45	44
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	109	109	117	117	117	116	124	124	124	124
Motorcycle Units	1	1	0	0	0	0	0	0	0	0
Fire:										
Stations	6	7	7	7	8	8	8	8	8	8
Fire Trucks/Rescue Units	14	15	16	16	15	14	15	16	17	17
Public Works:										
Streets (Miles)	456	459	472	490	496	498	499	499	500	500
Street Lights	9,114	9,219	9,372	9,737	9,993	10,075	10,525	10,559	10,606	10,616
Traffic Signals	101	101	104	103	102	103	102	103	103	105
Leisure Services:										
Parks and Recreation:										
Park Sites	18	18	18	18	18	18	18	18	18	25
Park Acreage	237	237	237	237	237	237	237	237	237	244
Swimming Pools	1	1	1	1	1	0	0	0	0	0
Splash Pad	1	1	1	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	17	17	17	17	17	17
Bays Mountain Park & Nature Center -Acreage	3,550	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	3	3	3	3	3	3	3	3	3	3
Lynn View Facility - Acreage	14	14	14	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
Brickyard Park - Acreage	n/a	n/a	n/a	n/a	n/a	n/a	n/a	39	39	43
School System:										
Elementary Schools	7	8	8	8	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)	826	828	828	832	838	837	847	845	850	875
Fire Hydrants	1,754	1,794	1,848	1,898	1,938	2,003	2,028	2,226	2,349	2,371
Sanitary Sewers (Miles)	518	524	533	540	549	554	563	577	591	595
Storm Sewers (Miles)	209	209	209	209	241	300	300	300	300	300
Solid Waste:										
Collection Trucks	15	15	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, 2018

Water Rates:

Inside City			
First	2,000 gallons	\$ 3.95	per 1000 gal
Next	13,000 gallons	\$ 3.17	per 1000 gal
Next	55,000 gallons	\$ 2.45	per 1000 gal
Over	70,000 gallons	\$ 1.75	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	\$ 15.34	2,000 gal	
Additional gallons	\$ 7.67	per 1000 gal	

Outside City			
Minimum charge	\$ 23.06	2,000 gal	
Additional gallons	\$ 11.53	per 1000 gal	

Number of Customers:

	Inside City	Outside City
Water	22,897	12,306
Sewer	21,399	1,000

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER - AWWA METHOD
June 30, 2018

AWWA v5.0
American Water Works Association
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AWWA Free Water Audit Software: Reporting Worksheet

Click to access definition
Click to add a comment

Water Audit Report for: **City of Kingsport**
Reporting Year: **2018** 7/2017 - 6/2018

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' ----->

WATER SUPPLIED

Volume from own sources:	<div>+ ? 8</div>	5,628.522	MG/Yr	<div>+ ? 4</div>	0.50%	<div>● ○</div>		MG/Yr
Water imported:	<div>+ ? 7</div>	3.902	MG/Yr	<div>+ ? 4</div>	0.50%	<div>● ○</div>		MG/Yr
Water exported:	<div>+ ? n/a</div>	0.000	MG/Yr	<div>+ ?</div>		<div>● ○</div>		MG/Yr

Master Meter and Supply Error Adjustments
Pcnt: Value:
Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: 5,604.401 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	<div>+ ? 9</div>	3,628.169	MG/Yr					
Billed unmetered:	<div>+ ? n/a</div>	0.000	MG/Yr					
Unbilled metered:	<div>+ ? 9</div>	395.815	MG/Yr					
Unbilled unmetered:	<div>+ ? 8</div>	67.538	MG/Yr					

Click here:

+ ?

 for help using option buttons below

AUTHORIZED CONSUMPTION: 4,091.522 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

1,512.879 MG/Yr

Apparent Losses

Unauthorized consumption:	<div>+ ?</div>	14.011	MG/Yr					
Customer metering inaccuracies:	<div>+ ? 10</div>	40.646	MG/Yr					
Systematic data handling errors:	<div>+ ?</div>	9.070	MG/Yr					

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

Apparent Losses: 63.728 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 1,449.152 MG/Yr

WATER LOSSES: 1,512.879 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 1,976.232 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<div>+ ? 10</div>	845.7	miles
Number of active AND inactive service connections:	<div>+ ? 10</div>	39,589	
Service connection density:	<div>+ ?</div>	47	conn./mile main

Are customer meters typically located at the curbside or property line?

Yes

Average length of customer service line:

+ ?

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

(length of service line, beyond the property boundary, that is the responsibility of the utility)

COST DATA

Total annual cost of operating water system:	<div>+ ? 10</div>	\$15,587,862	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<div>+ ? 8</div>	\$8.23	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<div>+ ? 8</div>	\$146.18	\$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 83 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, 2018



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
 American Water Works Association
 Copyright © 2014, All Rights Reserved.

Water Audit Report for: City of Kingsport

Reporting Year: 2018 7/2017 - 6/2018

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 83 out of 100 ***

System Attributes:

Apparent Losses:	63.728	MG/Yr
+ Real Losses:	1,449.152	MG/Yr
= Water Losses:	1,512.879	MG/Yr

? Unavoidable Annual Real Losses (UARL): 431.71 MG/Yr

Annual cost of Apparent Losses: \$524,479

Annual cost of Real Losses: \$211,837 Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

Operational Efficiency:

Non-revenue water as percent by volume of Water Supplied:	35.3%	
Non-revenue water as percent by cost of operating system:	5.2%	Real Losses valued at Variable Production Cost

Apparent Losses per service connection per day:	4.41	gallons/connection/day
Real Losses per service connection per day:	100.29	gallons/connection/day
Real Losses per length of main per day*:	N/A	
Real Losses per service connection per day per psi pressure:	0.89	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 1,449.15 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 3.36

* 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, 2018**

<u>Customer Name</u>	<u>Consumption (in gallons)</u>	<u>Revenue</u>	<u>Revenue as % of FY18 Water Sales</u>
Eastman	841,637,852	\$ 1,570,028	12.66%
BAE Systems	84,781,800	150,577	1.21%
Domtar Paper Company, LLC	69,638,300	115,552	0.93%
Wellmont Health System	39,779,400	74,786	0.60%
Kingsport Housing Authority	31,183,700	69,480	0.56%
Allandale Falls Apt, LLC	17,018,800	30,694	0.25%
North Greene Utility District	10,631,300	28,705	0.23%
Cross Creek Apartments	9,722,700	27,565	0.22%
Model City II, L.P.	9,785,400	23,441	0.19%
Tuscany Villas / Stoneview Homes LLC	12,248,500	22,908	0.18%
	<u>1,126,427,752</u>	<u>\$ 2,113,736</u>	<u>17.03%</u>
Total Water Sales Revenue - FY 2018	<u>\$12,401,152</u>		

Source: City of Kingsport Finance Department

Table 26

**CITY OF KINGSPORT, TENNESSEE
TOP TEN SEWER CUSTOMERS
For the Fiscal Year Ended June 30, 2018**

<u>Customer Name</u>	<u>Treatment (in gallons)</u>	<u>Revenue</u>	<u>Revenue as % of FY18 Sewer User Fees</u>
Eastman	205,766,100	\$ 1,581,965	12.08%
Kingsport Housing Authority	31,042,900	239,933	1.83%
BAE Systems	27,199,800	208,622	1.59%
Wellmont Health System	20,426,400	156,732	1.20%
Allandale Falls Apt, LLC	17,018,800	130,534	1.00%
Tuscany Villas / Stoneview Homes LLC.	12,248,500	93,946	0.72%
Domtar Paper Co, LLC	11,140,300	85,495	0.65%
Model City II, L.P.	9,785,400	75,054	0.57%
Rental Uniform	8,798,300	67,483	0.52%
Holston Manor	8,681,900	66,590	0.51%
	<u>352,108,400</u>	<u>\$ 2,706,354</u>	<u>20.67%</u>
Total Sewer User Fee Revenue - FY 2018	<u>\$13,091,411</u>		

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF BONDS PAYABLE - FUTURE REQUIREMENTS
JUNE 30, 2018

Table 27

GENERAL OBLIGATION BONDS		GENERAL OBLIGATION AND REVENUE BONDS									
GENERAL FUND SUPPORTED		REVENUE SUPPORTED BONDS									
Fiscal Year	General Obligation Bonds (3)		Water Bonds (1)		Sewer Bonds (1)		Storm Water Bonds (1)		Aquatic Center Bonds MeadowView Convention Center Bonds and Cattails Golf Course Bonds (2)		Combined Bonds and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 7,984,000	\$ 4,341,330	\$ 1,874,307	\$ 786,719	\$ 4,077,957	\$ 2,021,102	\$ 84,012	\$ 49,646	\$ 1,884,726	\$ 1,036,301	\$ 24,140,100
2020	7,602,881	4,077,775	1,801,235	738,391	3,748,161	1,896,756	86,743	46,509	2,205,982	967,977	23,172,410
2021	7,969,179	3,775,074	1,871,134	680,779	3,878,155	1,757,585	89,823	43,034	2,051,709	875,691	22,992,163
2022	7,979,133	3,476,067	1,827,247	629,455	3,613,363	1,643,567	92,912	39,198	2,132,344	795,987	22,229,273
2023	8,454,441	3,157,850	1,759,236	572,021	3,394,718	1,500,014	96,114	35,394	2,210,491	713,105	21,893,384
2024	8,740,090	2,820,887	1,809,669	517,127	3,484,624	1,373,233	99,913	31,417	2,305,704	627,234	21,809,898
2025	8,983,598	2,460,461	1,820,513	459,792	3,548,530	1,240,751	102,211	27,282	2,380,149	537,211	21,560,498
2026	9,315,750	2,099,072	1,779,723	402,965	3,668,696	1,113,985	105,421	22,993	2,473,607	443,577	21,425,789
2027	9,659,785	1,746,718	1,154,571	347,146	3,759,784	995,339	109,351	18,488	2,561,511	346,400	20,699,093
2028	7,516,530	1,417,094	1,184,723	301,872	3,797,125	866,983	112,905	14,211	2,638,715	264,858	18,115,016
2029	6,383,648	1,163,556	1,225,299	255,167	3,918,301	741,266	116,170	10,154	2,706,583	201,063	16,721,207
2030	5,596,236	925,747	1,269,083	206,086	4,043,155	605,633	68,958	5,468	1,317,567	114,286	14,152,219
2031	4,432,786	709,980	1,017,890	156,385	3,656,014	467,433	27,439	2,099	540,871	70,695	11,081,592
2032	4,592,900	556,960	1,055,969	121,701	2,678,375	350,188	28,540	1,070	564,213	52,974	10,002,890
2033	3,672,205	403,592	820,280	85,727	2,286,616	262,017	0	0	300,901	34,469	7,865,807
2034	3,793,938	283,892	848,943	58,225	2,364,051	186,925	0	0	313,068	24,591	7,873,633
2035	2,947,919	158,827	574,705	29,349	1,762,851	108,355	0	0	229,525	14,300	5,825,831
2036	1,867,969	86,903	403,249	14,728	1,357,853	61,844	0	0	235,925	7,414	4,035,885
2037	998,802	29,964	79,362	2,381	685,638	20,569	0	0	11,198	336	1,828,250
	<u>\$ 118,491,790</u>	<u>\$ 33,691,749</u>	<u>\$ 24,177,138</u>	<u>\$ 6,366,016</u>	<u>\$ 59,723,967</u>	<u>\$ 17,213,545</u>	<u>\$ 1,220,512</u>	<u>\$ 346,963</u>	<u>\$ 29,064,789</u>	<u>\$ 7,128,469</u>	<u>\$ 297,424,938</u>
							Principal	Interest	Total		
General Obligation Bonds - Supported By General Fund Revenue							\$ 118,491,790	\$ 33,691,749	\$ 152,183,539		
General Obligation and Revenue Bonds - Supported By Dedicated Revenue							114,186,406	31,054,993	145,241,399		
TOTAL							<u>\$ 232,678,196</u>	<u>\$ 64,746,742</u>	<u>\$ 297,424,938</u>		

Notes: Future interest requirements above reflect interest on TMBF bonds at the average current rate.
Interest shown is net of Build America Bonds (BABS) subsidy for applicable bond issues.

- (1) General Obligation secured, but paid from revenues of the individual fund.
- (2) General Obligation secured, but paid from local option sales tax collections.
- (3) Includes General Obligation secured debt of the Solid Waste Management Fund paid by General Fund Revenue.

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, 2018

NAME	TITLE	ANNUAL SALARY	AMOUNT OF SURETY BOND
Jeff Fleming	City Manager	\$ 161,824	\$ 5,000
J. Michael Billingsley	City Attorney	148,622	0
James H. Demming	City Recorder/Chief Financial Officer/ City Treasurer	117,845	759,000
Lyle Ailshie	Superintendent of Schools 7/1/17 - 8/11/17	22,801	0
Jeffrey Moorhouse	Superintendent of Schools 2/23/18 - 6/30/18	64,823	0
David Quillen	Chief of Police	99,584	0
John Clark	Mayor	3,000	0
Mike McIntire	Vice-Mayor	2,400	0
Jennifer Adler	Alderman	2,400	0
Joe Begley	Alderman	2,400	0
Betsy Cooper	Alderman	2,400	0
Colette George	Alderman	2,400	0
Tom Olterman	Alderman	2,400	0

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE
June 30, 2018

Type of Coverage/ Insurance Carrier	Policy Number	Policy Period	Details of Coverage	Claim Limits	Annual Premiums
<u>Comprehensive General Liability/</u>					
TML Risk Management Pool	TML-213-18	7/1/17-7/1/18 Annual Renewal	General Liability Auto Liability Auto Physical Damage Errors and Omissions	\$ 5,000,000 5,000,000 replacement 5,000,000	\$ 163,121
Safety National Casualty Corporation	SP4057808	1/1/18-01/01/19	Worker's Compensation	Statutory	149,637
<u>Government Crime/</u>					
Travelers Insurance Co.	106463733	2/1/18 - 2/1/19	Crime (Government)	1,000,000	3,289
Travelers Insurance Co.	106694635	3/2/18 - 3/2/19	Crime (Schools)	2,000,000	5,882
<u>Unemployment Compensation</u>					
	Self insured				
<u>Property and Casualty</u>					
Travelers	KTK-CMB-9A14090-0-17	12/31/17 - 12/31/18	Buildings and Contents	526,500,000	169,358
EMC Insurance Companies	5A0-73-30---19	2/13/18-2/13/19	Justice Center Commercial/ Gen Property	13,543,000	11,812
Great American Insurance Company	MAC0991247	8/1/18-8/1/19	Aquatic Center Property Insurance	23,000,000	15,536
Hartford Insurance Company	87053342652018	1/25/18-1/25/19	Flood Insurance Aquatic center	23,000,000	1,913
Hartford Insurance Co.	20MSCYQ7488	5/26/18-5/26/19	Grand Piano - Allandale		534
AGCS Marine Insurance Company	OHL 92010558	9/2/17-9/2/18	Pontoon Boat at Bays Mountain	165,000	3,300
Great American Assurance Company	MAC409558003	2/1/18-2/1/19	911 Building	3,690,000	6,066
<u>Boiler and Machinery</u>					
The Cincinnati Insurance Co.	BEP2646328	1/1/18-1/1/19	Boilers and Machinery	100,000	5,292
<u>Public Officials Bond</u>					
Liberty Mutual Insurance Company	82C0011612	3/1/18-3/1/19	Bond - Treasurer (J. Demming) (State of Tennessee Schools)	2,624,000	7,872
Liberty Mutual Insurance Company	82C012047	3/1/18-3/1/19	Bond - Recorder/Treasurer (J. Demming)	759,000	2,277
Travelers Insurance Company	106151564	6/29/18-6/29/19	Bond - City Manager (J. Fleming)	5,000	100
Travelers Insurance Company	1068822129	12/31/17-12/31/18	Bond - City Judge (C. Rose)	1,000	100
Western Surety Company	58368775	4/4/18-4/4/19	Blanket Notary Errors and Omissions	25,000	650
<u>Other</u>					
Stadium General Liability/ Hunter Wright Property - D.B. High School Montgomery Insurance Company	BKW1958547314	3/8/18-3/8/19	General Liability/ Scoreboard/ Public Address System	2,000,000	1,976
ACE Tank Save	G24730086006	10/12/17 - 10/12/18	Above Ground Storage Tanks		8,652
Freberg Insurance Company	FEI-EST-10955-05	11/11/17 - 11/11/18	Fuel Tank Environmental		711
Hanover Insurance	IH5A19679504	1/14/18-1/14/19	Employee Tools Coverage		9,817
HCC Life Insurance Company	HCL15136	1/01/18 - 12/31/18	Aggregate Stop Loss	10,692,020	28,268
Total Premium					\$ 596,163

Source: City of Kingsport

**CITY OF KINGSPORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

IV. COMPLIANCE SECTION



**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, 2018, 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 28, 2018. 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 well as auditors who audited the financial statements of the Phipps Bend Joint Venture (a joint venture with the Industrial Development Board of Kingsport, 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.

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

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

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Brown, Edwards & Company, L.L.P." in a cursive script.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
December 28, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

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 Compliance Supplement* that could have a direct and material effect on the City of Kingsport, Tennessee's major federal programs for the year ended June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
December 28, 2018

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section I - Summary of Auditor's Results

1. The auditor's report expresses an **unmodified opinion** on the financial statements of the City of Kingsport, Tennessee.
2. **No significant deficiencies** relating to the audit of the financial statements is 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*.
3. **No instances of noncompliance** material to the 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 is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
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:

<u>Name of Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	10.553, 10.555, & 10.559
Highway Construction Cluster	20.219 and 20.205
Federal Transit Cluster	20.507 and 20.505
Special Education Cluster	84.027 and 84.173

8. The **threshold** used for distinguishing Type A and B programs was **\$750,000**.
9. The City of Kingsport, Tennessee was **not** determined to be a **low risk auditee**.

Section II – Findings - Financial Statement Audit

None

Section III - Findings and Questioned Costs – Major Federal Award Programs

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, 2018

Financial Statement Audit

None

Major Federal Award Programs Audit & State of Tennessee

2017-001: Child Nutrition (CFDA 10.553 & 10.556)

Condition: In one of three items tested, the City failed to document an appropriate level of review on the request for reimbursement.

Current Year Status: This issue was not noted during the current year.

2017-002: Child Nutrition (CFDA 10.553, 10.555 & 10.559)

Condition: In one of fifty-three applications tested, the City failed to properly classify between free and reduced meals based on information on the application.

Current Year Status: This issue was not noted during the current year.