

CITY OF KINGSPORT TENNESSEE



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2020**



City of Kingsport, Tennessee
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2020

Prepared By
The Finance Department
Sidney H. Cox, City Recorder
Lisa Winkle, City Treasurer

CITY OF KINGSPORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2020

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**CITY OF KINGSPORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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I. INTRODUCTORY SECTION (UNAUDITED)





January 11, 2021

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, 2020.

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, 2020. 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 the year 1917. The city has a population of 53,719 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.A).

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 34 through 36 as part of the basic financial statements for the City's funds.

Factors Affecting Financial Condition

Local Economy

Kingsport, along with the cities of Johnson City and Bristol, Tennessee and Virginia, are known as the "Tri-Cities" area of Northeast Tennessee. The combined Metropolitan Statistical Areas (MSAs) have a population of 509,335. Kingsport's per capita personal income is \$30,740.

Bloomberg declares full employment can have as much as 4.1%-4.7% unemployment, The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad impact on employment in the region. In March of this year the unemployment rate was 3.3% and rose to a high of 15.5% in April. During August unemployment dropped to 8.6%, almost half of the recorded high for 2020. At the end of November unemployment had dropped to 5.4% in Sullivan County. The City enjoys a very diverse business and industry community with manufacturing serving as the lead in employment. The City economic base is led by the manufacturing sector which includes Eastman Chemical Company, BAE Systems, Domtar and others.

The City continues to grow through local development efforts. Total taxable assessed value for property in the City has increased approximately 2% over the past year and increased by 7.2% over five years. The City's property tax rate is \$2.0643 per \$100 of assessed value for the Sullivan County portion of Kingsport and \$1.8900 per \$100 of assessed value for the Hawkins County portion of Kingsport. Property tax collections were \$39,181,627 representing 97.93% of the current year tax levy, at June 30, 2020. Due to the pandemic, local option sales tax collections dropped 1.38% (\$301,689 less than 2019) for a total of \$21,561,830.

Aerospace Park is the most notable ongoing regional development. 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. Per the development schedule, 110 acres are currently ready and an additional 50 acres are currently available.

In the past few years:

- Anita's Snack Foods opened a manufacturing and distribution facility supporting major contracts with Walmart and Tyson Foods among others. They invested an additional \$3.6 million and are adding 101 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.
- Homeland Vinyl completed their second expansion in three years. They built a 50,000 square feet expansion and added 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.
- BAE has made substantial investments in its plant and infrastructure.
- Domtar is investing \$300 million in their plant
- Modern Forge is investing \$8 million and adding 35 jobs at its Sullivan County plant located in Tri-County Industrial Park.
- Miyake an automotive supplier completed its \$13.7 million plant in Phipps Bend Industrial Park and added 60 jobs.

Other notable developments include:

- The Blake at Kingsport is a new assisted living facility representing \$21.5 million of new construction in the Colonial Heights area of Kingsport. It will employ more than 80 skilled nurses and other medical professionals.
- Meade Tractor opened a new \$4 million corporate office and retail facility near the I-81 and I-26 interchange.
- Villas at Riverbend is a multi-family housing development that includes 265 units adjoining a future municipal park with more than 26 acres of riverfront access.
- Town Park Lofts is a multi-family housing development that includes 262 urban loft units in a 4-story downtown mixed use complex that is unique in the region.
- West Park a 90 unit single family and multifamily residential development.
- Kingsport West is investing \$4 million to upgrade their existing facility that provides affordable housing in its 103 unit development.

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.

The City will utilize dedicated revenue from a private electric utility franchise fee to make improvements to streets and sidewalks infrastructure totalling over \$21 million over the next 5 years. Other improvements over 5 years include; Water infrastructure improvements of approximately \$31.8 million; Wastewater improvements of \$45.1 million; and General government improvements of approximately \$30 million. 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 a significant amount of new debt, the total outstanding

debt is expected to be in line with debt roll-off and be well 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 minimum unassigned fund 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.

Moody's and S&P continue to reaffirm Kingsport's bond ratings of AA and Aa2 respectively. Moody's sites the city's large and expanding tax base, past tax rate increase, adoption of sanitation fee, and healthy reserves as rationale for its rating. S&P comments include; an adequate economy; very strong management with strong financial policies and practices; strong budgetary flexibility with available fund balance; and very strong institutional framework score.

Major Initiatives

The Board of Mayor and Alderman, through community input, has developed and invested in several major initiatives. This includes projects related not only to the City's infrastructure, but also includes projects to distinguish Kingsport as a great place to live, work, play and for businesses to grow and prosper. Examples include the following:

- "PaveKingsport" is in the third 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
- 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
- Established a Product Creation Center to encourage collaboration, creativity, and entrepreneurial activity surrounding the maker movement, i.e. The Inventor Center. This facility has spurred additional interests in entrepreneurship within Kingsport.
- Upgrades and enhancements to the infrastructure, nature center and outdoor amenities at Bays Mountain Park & Planetarium, including a \$1.2 million technology upgrade at the Planetarium.
- Completion of the Kingsport Miracle Field. A public/private partnership to build a handicap accessible baseball field and boundless playground.
- Addition of another outdoor pool and pavilion area at the Kingsport Aquatic Center
- Upcoming initiatives include; finalizing and adopting a Parks and Recreation Master Plan, and creation of a downtown residential development, skate park, pump track, green space, and outdoor venue at Brickyard Park

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 approximately \$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, 2019. This was the 20th 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, 2019. The annual budget document dated July 1, 2020 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.

The audit for the year ended June 30, 2020 is the 20th year in a row that the City has received a clean, unmodified opinion. The FY 2020 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.

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 City Treasurer 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,

Chris McCartt

Chris McCartt
City Manager

Sidney Cox

Sidney Cox
City Recorder/CFO



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Kingsport
Tennessee**

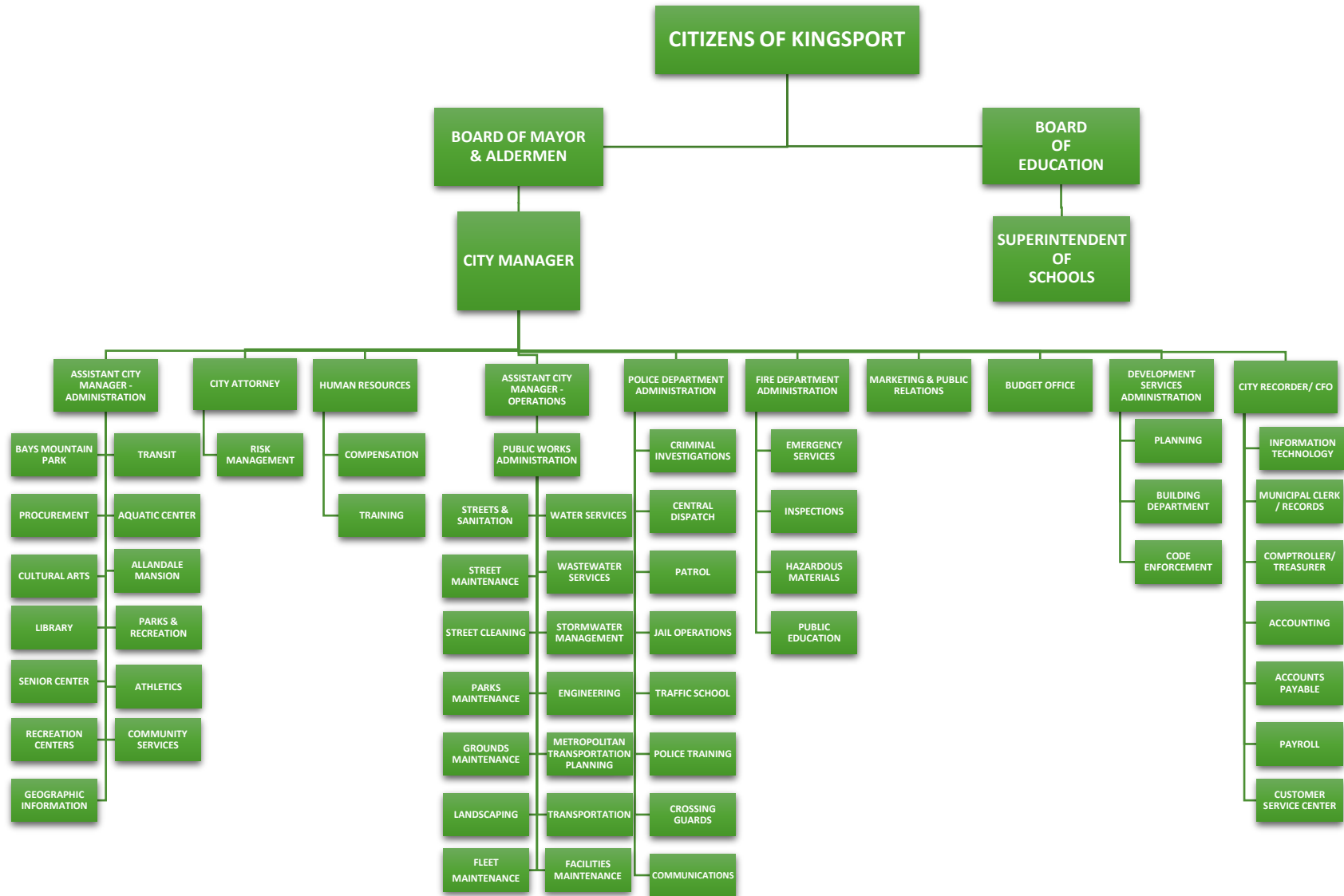
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

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.

CITY OF KINGSPORT, TENNESSEE

PRINCIPAL OFFICIALS

AS OF

June 30, 2020

BOARD OF MAYOR AND ALDERMEN

Patrick Shull	Mayor
Colette George	Vice-Mayor
Jennifer Adler	Alderman
Betsy Cooper	Alderman
Darrell Duncan	Alderman
Tommy Olterman	Alderman
James Phillips	Alderman

CHARTER OFFICERS

Christopher W. McCartt	City Manager
Sidney H. Cox	City Recorder/Chief Financial Officer
J. Michael Billingsley	City Attorney
David A. Quillin	Police Chief
Steven C. Rose	City Judge
Jeffrey Moorhouse	Superintendent of Schools

DEPARTMENT HEADS

Ryan O. McReynolds	Assistant City Manager Operations
Scott A. Boyd	Fire Chief
John P. Morris	Budget Officer

**CITY OF KINGSFORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

II. FINANCIAL SECTION





CITY OF KINGSPORT, TENNESSEE

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2020



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingsport, Tennessee as of and for the year ended June 30, 2020, 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 21 percent, 43 percent, and 25 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 6 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 21 percent, 43 percent, and 25 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 6 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.

Your Success is Our Focus

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, 2020, 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.

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 January 11, 2021, 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 the City of Kingsport's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kingsport, Tennessee's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
January 11, 2021

A. MANAGEMENT'S DISCUSSION AND ANALYSIS



**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(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, 2020. 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 5 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$424,017 (net position).
- The City's total net position increased by \$80 for the fiscal year ended June 30, 2020.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$56,473, a decrease of \$2,523.
- The decrease primarily relates to expenditures of debt proceeds and intergovernmental revenue received in prior years. Specifically Sullivan County School Bonds totaling \$45,281 received in FY2017 and being spent down since then.
- Approximately 31% of this total fund balance, \$17,717, 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 \$17,717 or approximately 22% of total general fund expenditures including transfers out.
- The City's total gross debt increased by \$1,150 during the current fiscal year. The increase is the result of General Obligation Improvement Bonds, Series 2019 issued November 15, 2019 with par value of \$18,615.
- During fiscal year 2020, the City implemented GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of Construction Period*. The adoption is explained in Note 1 D to the financial statements. There was no required restatement of prior years, however the implementation will increase interest expensed in the water and sewer funds.

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, 2020
(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 and transportation, economic and physical development, culture and recreation, and education. The business-type activities of the City include water, sewer, solid waste management, storm water management, aquatic center, conference center and golf course. The government-wide financial statements can be found on pages 26 and 27 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 28-38 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, 2020
(amounts expressed in thousands)**

Proprietary funds

The City maintains eleven (11) 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.

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 39-43 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 44-178 of this report.

Other information

The combining statements referred to earlier in connection with non-major governmental funds, non-major 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 192-225 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 and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$424,017 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, 2020
(amounts expressed in thousands)**

City of Kingsport's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 154,686	\$ 151,928	\$ 46,774	\$ 44,294	\$ 201,460	\$ 196,222
Capital Assets	362,205	362,177	304,271	302,568	666,476	664,745
Total Assets	<u>516,891</u>	<u>514,105</u>	<u>351,045</u>	<u>346,862</u>	<u>867,936</u>	<u>860,967</u>
Total Deferred Outflows of Resources	26,236	19,178	3,257	3,310	29,493	22,488
Long-term Liabilities Outstanding	206,341	196,808	146,248	145,643	352,589	342,451
Other Liabilities	21,705	23,975	4,598	4,155	26,303	28,130
Total Liabilities	<u>228,046</u>	<u>220,783</u>	<u>150,846</u>	<u>149,798</u>	<u>378,892</u>	<u>370,581</u>
Total Deferred Inflows of Resources	92,567	87,555	1,953	1,390	94,520	88,945
Net Position:						
Net Investment in Capital Assets	259,149	255,053	197,585	194,616	456,734	449,669
Restricted	14,206	13,662	1,625	1,093	15,831	14,755
Unrestricted	(50,841)	(43,770)	2,293	3,275	(48,548)	(40,495)
Total Net Position	<u>\$ 222,514</u>	<u>\$ 224,945</u>	<u>\$ 201,503</u>	<u>\$ 198,984</u>	<u>\$ 424,017</u>	<u>\$ 423,929</u>

A portion of the City's net position, \$5,925 (1%) represents resources that are subject to external restrictions on how they may be used.

During the current fiscal year, the government's net position increased by \$80. Net position for governmental activities decreased by \$2,439 while net position for business-type activities increased by \$2,519. In addition governmental activities had a prior period adjustment increase of \$8.

The \$2,439 current year decrease in net position for governmental activities was primarily a result of increases in transfers from general fund to solid waste management fund and aquatic center fund.

The \$2,519 increase in net position in the business-type activities was primarily a result of increases in transfers from general fund.

CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(amounts expressed in thousands)

The following is a summary of activities for the City during the fiscal year ended June 30, 2020:

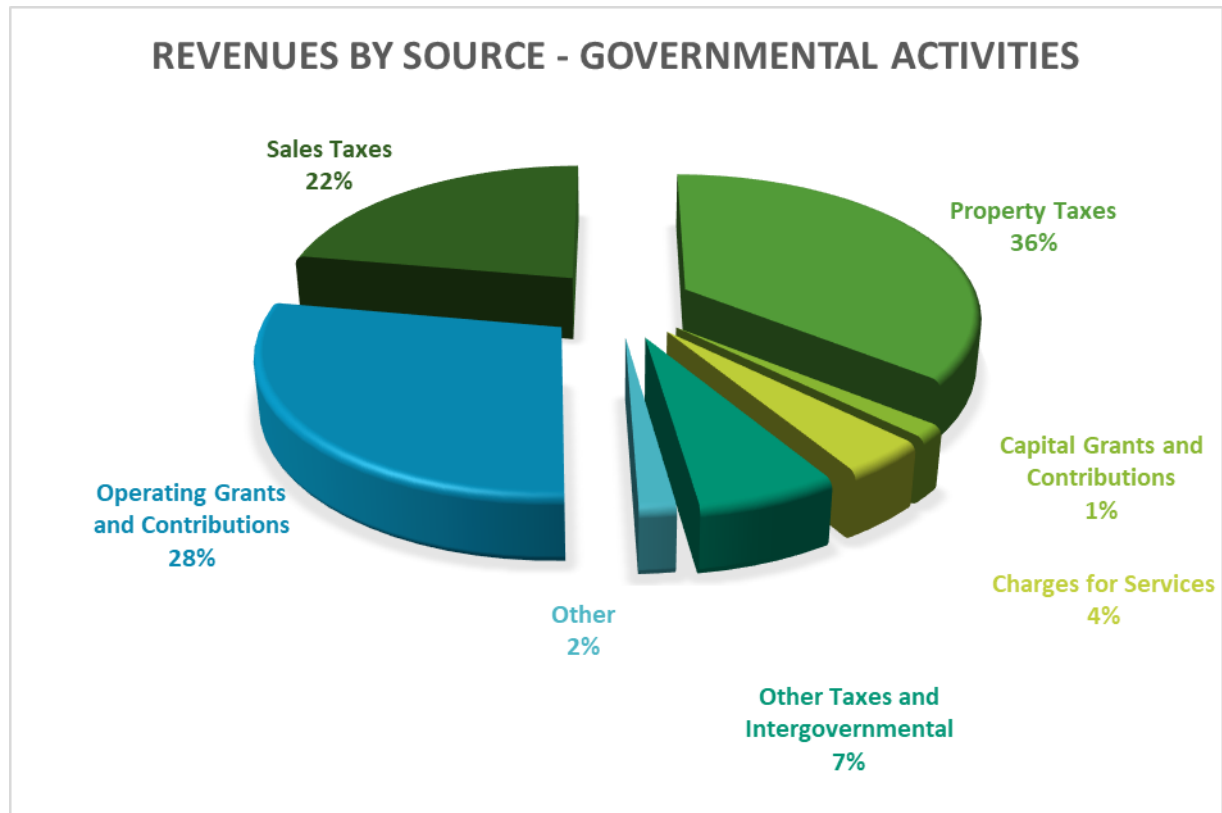
City of Kingsport's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,539	\$ 7,608	\$ 35,850	\$ 35,901	\$ 42,389	\$ 43,509
Operating Grants and Contributions	46,845	45,097	10	178	46,855	45,275
Capital Grants and Contributions	2,402	6,248	84	38	2,486	6,286
General Revenues						
Property Taxes	59,139	57,749	0	0	59,139	57,749
Sales Taxes	36,662	36,619	0	0	36,662	36,619
Other Taxes and Intergovernmental	10,773	11,550	0	0	10,773	11,550
Unrestricted Investment Earnings	1,269	1,236	760	709	2,029	1,945
Grants and Contributions Not						
Restricted to Specific Programs	1,251	1,126	0	0	1,251	1,126
Other	308	273	0	0	308	273
Total Revenues	<u>165,188</u>	<u>167,506</u>	<u>36,704</u>	<u>36,826</u>	<u>201,892</u>	<u>204,332</u>
Expenses:						
General Government	13,650	10,052	0	0	13,650	10,052
Public Safety	24,845	23,360	0	0	24,845	23,360
Public Works	19,461	21,056	0	0	19,461	21,056
Highway Transportation Planning	4,323	4,456	0	0	4,323	4,456
Economic and Physical Development	1,810	1,817	0	0	1,810	1,817
Culture and Recreation	8,651	8,714	0	0	8,651	8,714
Education	85,635	79,704	0	0	85,635	79,704
Interest on Long-term Debt	3,870	3,959	0	0	3,870	3,959
Water	0	0	12,503	11,908	12,503	11,908
Sewer	0	0	13,660	13,274	13,660	13,274
Solid Waste Management	0	0	5,093	4,969	5,093	4,969
Storm Water Management	0	0	1,356	1,506	1,356	1,506
Aquatic Center	0	0	2,805	3,165	2,805	3,165
MeadowView Conference Resort						
and Convention Center	0	0	2,928	2,271	2,928	2,271
Cattails at MeadowView Golf Course	0	0	1,222	1,297	1,222	1,297
Total Expenses	<u>162,245</u>	<u>153,118</u>	<u>39,567</u>	<u>38,390</u>	<u>201,812</u>	<u>191,508</u>
Increase (Decrease) in Net Position						
before Transfers	2,943	14,388	(2,863)	(1,564)	80	12,824
Transfers	(5,382)	(2,854)	5,382	2,854	0	0
Change in Net Position	<u>(2,439)</u>	<u>11,534</u>	<u>2,519</u>	<u>1,290</u>	<u>80</u>	<u>12,824</u>
Net Position, beginning of period	224,945	213,411	198,984	197,694	423,929	411,105
Prior Period Adjustment Stabilization Trust	8	0	0	0	8	0
Net Position, beginning of period (as restated)	<u>224,953</u>	<u>213,411</u>	<u>198,984</u>	<u>197,694</u>	<u>423,937</u>	<u>411,105</u>
Net Position, end of period	<u>\$ 222,514</u>	<u>\$ 224,945</u>	<u>\$ 201,503</u>	<u>\$ 198,984</u>	<u>\$ 424,017</u>	<u>\$ 423,929</u>

**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(amounts expressed in thousands)**

Governmental Activities – Revenue

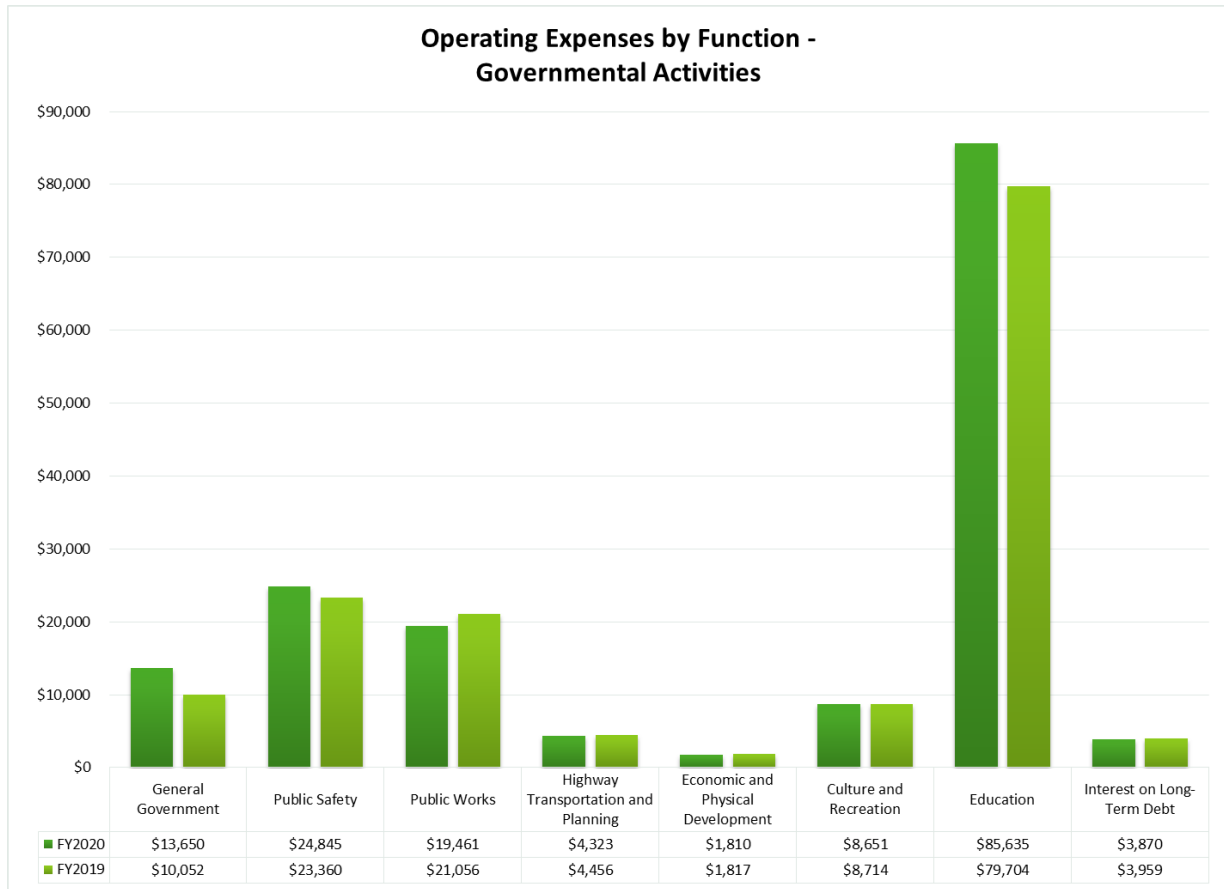
The City's governmental revenues totaling \$165,188 were less than the prior year by \$2,318. A factor of this decrease is one time federal and state capital grants used to build a new transit building to house the City's public transportation services that was received in FY2019. One noteworthy change in governmental revenues was a decrease in charges for services primarily related to leisure service activities shut down due to COVID-19.



**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(amounts expressed in thousands)**

Governmental Activities – Operating Expenses

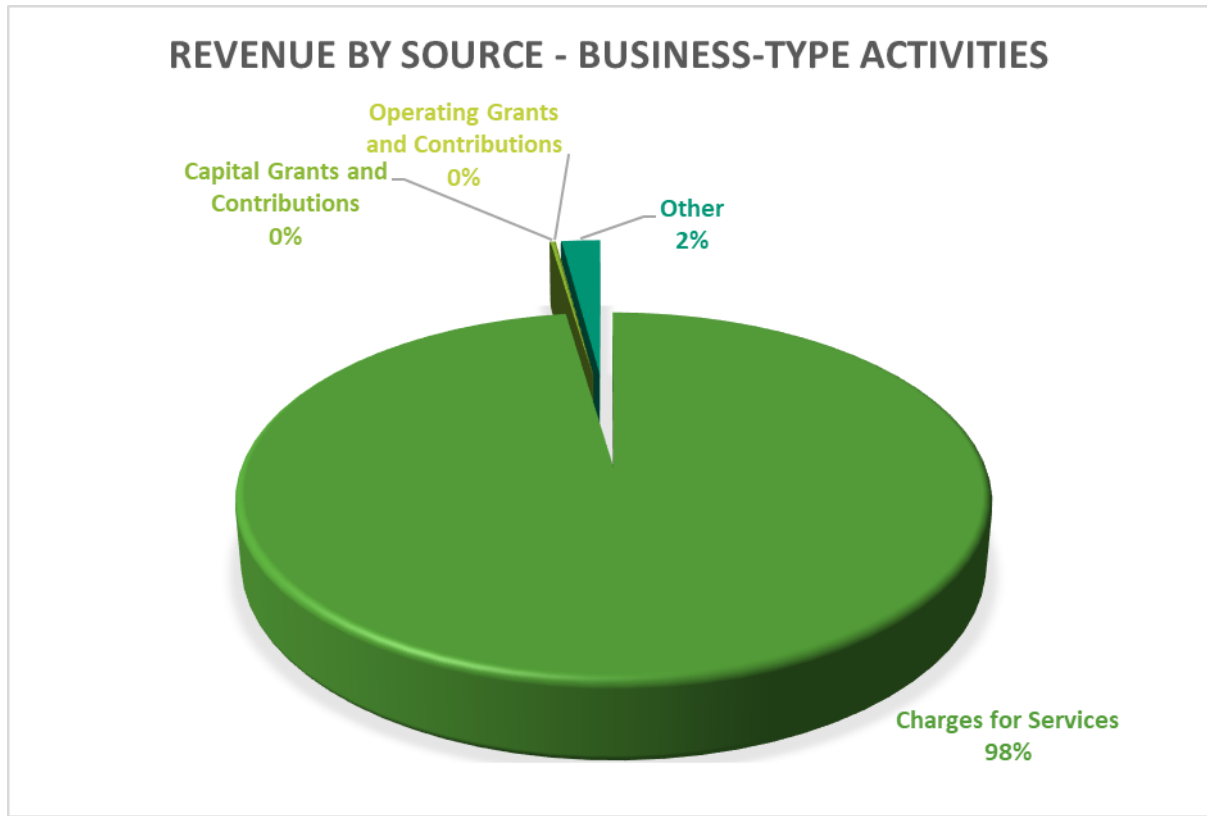
Operating expenses for governmental activities were more than the prior year by \$9,127. The biggest increases in governmental expenses were Education \$5,931; General Government \$3,598; and Public Safety \$1,485. These increases can be attributed to increases in pension and OPEB costs as well as unexpected expenses related to COVID-19.



**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(amounts expressed in thousands)**

Business-Type Activities - Revenue

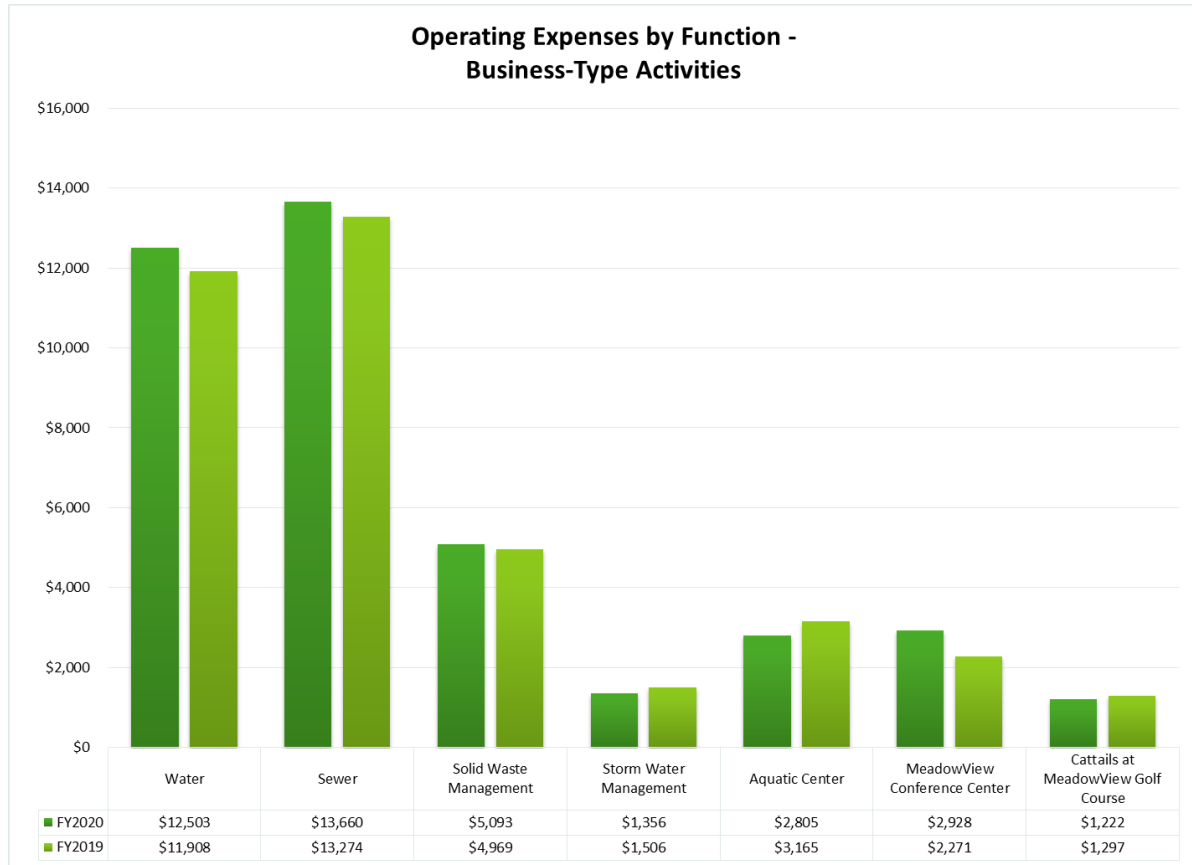
The City's business-type revenues totaling \$36,704 were less than the prior year by \$122. Business-type charges for services were less than the prior year by \$51. The reduction in revenue is directly related to the City's decision to suspend all non-payment fees, late charges, and utility cut-offs effective March 16, 2020. This step was taken to reduce customer traffic in City Hall as well as aid citizens during the pandemic. These fees remain suspended as of the date of this report.



**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(amounts expressed in thousands)**

Business-Type Activities – Operating Expenses

Operating expenses for business-type activities were more than the prior year by \$1,177. Water fund expenses increased by \$595 and MeadowView Conference Center expenses increased by \$657. The MeadowView Conference Center increase is directly related to subsidies to cover operating losses related to COVID-19.



**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(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 \$56,473 a net decrease of \$2,368 in comparison with the prior year. Governmental funds show a current year decrease in fund balance of \$2,523 and a prior period adjustment of \$155 which records a stabilization reserve trust related to a teacher retirement plan. Approximately 31% of this total amount, \$17,717 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance consists of \$545 nonspendable primarily attributed to inventories and a perpetual care trust, \$20,776 restricted primarily for capital projects, \$5,420 committed to special revenue purposes, and \$12,015 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 \$17,717 while total fund balance was \$18,239. Of the total fund balance \$30 is considered nonspendable while \$492 is considered assigned. The majority of the assigned fund balance represents encumbrance carryovers from fiscal year 2020 to fiscal year 2021. 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 22% of total general fund expenditures and transfers out, while total fund balance represents 23% of that same amount. During fiscal year 2020, the fund balance of the City's General Fund increased by \$2,200. This increase is primarily a result of management's decision to pull back cash budgeted for projects that had not yet been started in order to cover expected revenue shortfalls due to the pandemic. By yearend the shortfalls had not been as bad as originally feared.

The general purpose school fund has a total fund balance of \$8,041, of which most is uncommitted. The net decrease in fund balance during the current year in the general purpose school fund was \$312. However, there was a prior period adjustment increase of \$155.

The capital project fund has a total fund balance of \$23,781. Of this amount, \$20,406 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 \$3,375 is assigned to the capital project fund. The net decrease in this fund balance of \$4,235 was primarily due to project expenditures paid from prior years' debt proceeds.

The debt service fund has a total fund balance of \$468. Debt service expenditures (principal and interest) totaled \$12,647 for fiscal year 2020. This was \$251 less than the debt service expenditures paid in fiscal year 2019.

Nonmajor (other) governmental funds have a fund balance of \$5,945. The net decrease in fund balance during the current year in nonmajor governmental funds was \$224.

**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(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 \$5,347 and \$704 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 \$2,130 decrease and are detailed as follows:

\$	(1,360)	Lower Sales Tax Expectation
	(341)	Lower Business Tax Expectation
	(324)	Lower Entrance and Participation Fee Expectation
	<u>(105)</u>	Net Other Budget Changes
\$	<u>(2,130)</u>	

FY2020 budget reductions were enacted due to uncertainties surrounding the COVID-19 shutdowns. By the end of the fiscal year sales tax in particular had not been as negatively impacted as originally feared.

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, 2020, amounts to \$666,476 (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 projects during fiscal year 2020 were various sewer improvement projects through the city. In addition, the aquatic center was nearing completion of a new outdoor pool budgeted at \$2,500. Business-type construction in progress at the close of the fiscal year was \$20,953.
- 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 2020 was the continuation of DB Science and Technology Center which is a \$24,168 budgeted addition to the City's High School. Another significant project in 2020 was the renovation of an old Regions Bank Building to become the new City Hall and consolidated hub of city services. Budget for this project is \$10,876. Governmental construction in progress at the close of the fiscal year was \$71,920.

CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(amounts expressed in thousands)

Additional information on the City's capital assets can be found in Note 4.C on pages 67-72 of this report.

City of Kingsport's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 34,969	\$ 34,827	\$ 9,032	\$ 8,234	\$ 44,001	\$ 43,061
Buildings and Systems	81,828	86,091	269,003	270,780	350,831	356,871
Improvements other than Buildings	23,481	20,867	3,068	3,430	26,549	24,297
Machinery and Equipment	19,111	18,921	2,206	2,260	21,317	21,181
Software	366	188	9	55	375	243
Infrastructure	130,530	136,263	0	0	130,530	136,263
Construction in Progress	71,920	65,020	20,953	17,809	92,873	82,829
Total Capital Assets	<u>\$ 362,205</u>	<u>\$ 362,177</u>	<u>\$ 304,271</u>	<u>\$ 302,568</u>	<u>\$ 666,476</u>	<u>\$ 664,745</u>

Long-term debt

At the end of the current fiscal year, the City had total gross debt outstanding of \$247,110. 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	
	2020	2019	2020	2019	2020	2019
Notes Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Obligation Bonds	114,710	113,409	117,338	116,034	232,048	229,443
Loans from Other Governments	3,140	4,007	11,922	12,510	15,062	16,517
Total Long-term Debt	<u>\$ 117,850</u>	<u>\$ 117,416</u>	<u>\$ 129,260</u>	<u>\$ 128,544</u>	<u>\$ 247,110</u>	<u>\$ 245,960</u>

During the current fiscal year, the City's total gross debt increased by \$1,150. The governmental activities long-term debt increased by \$434 while business-type activities long-term debt increased by \$716. On November 15, 2019, the City issued \$18,615 General Obligation Improvement Bonds, Series 2019. \$8,907 was for governmental activities, while \$9,708 was for business-type activities.

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 November 2020 in conjunction with a recent bond sale.

The City is subject to debt limitations imposed by its Charter. The total bonded indebtedness (excluding general obligation debt supported by utility operations and assessments) shall not exceed 20% of the assessed taxable value of property within the City. The current outstanding general obligation debt is less than the City's debt limitation. Additional information on the City's long-term debt can be found in Note 4.E on pages 75-135 of this report.

**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(amounts expressed in thousands)**

Economic Factors and Next Year's Budgets and Rates

- The City's unemployment rate increased to 9.1% as a direct result of the COVID-19 pandemic.
- Inflationary trends in the region are comparable to national indices.
- 739 building permits with an estimated value of \$72,796 were issued during this fiscal year, compared to 492 building permits with an estimated value of \$101,461 for the previous year.

Short term interest rates on investments for the City's operating funds were approximately 0.38% at the end of fiscal year 2020. Rates have decreased even more since year end. The City's most recent investment bid was awarded as a money market account with 0.15% interest.

All of these factors were considered in preparing the City's budget for the 2021 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$17,717. The City has assigned fund balance of \$98 to cover encumbrances remaining from FY2020.

The FY 2021 general fund budget was adopted with a fund balance appropriation of \$1,600. In November 2020, the BMA appropriated an additional \$1,745 of general fund balance for various projects including \$700 for public safety software and related computer equipment.

For the FY2021 budget year, there were no rate increases for water or sewer customers.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in such. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Kingsport, Finance Department, 225 West Center Street, Kingsport, TN 37660.

B. BASIC FINANCIAL STATEMENTS



CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	Industrial Development Board	Emergency Communications District
ASSETS:					
Cash	\$ 1,121,184	\$ 5,866	\$ 1,127,050	\$ 849,987	\$ 2,229,313
Equity in Pooled Cash and Investments	35,617,013	13,428,010	49,045,023	0	0
Long Term Certificates of Deposit	250,692	0	250,692	0	0
Investments	553,127	0	553,127	0	0
Accounts Receivable, Net	41,807,607	5,031,656	46,839,263	327,501	0
Accrued Interest Receivable	94,127	121,820	215,947	0	0
Due from Other Governments	30,394,793	39,670	30,434,463	0	0
Internal Balances	3,326,006	(3,326,006)	0	0	0
Inventories	676,972	648,013	1,324,985	0	0
Prepays	364,629	39,322	403,951	0	49,228
Land Held for Sale or Development	0	0	0	5,683,406	0
Restricted Assets:					
Cash	24,417,845	29,297,410	53,715,255	0	0
Long Term Certificates of Deposit	1,000,000	0	1,000,000	0	0
Investments	5,096,998	1,456,835	6,553,833	203,681	0
Pension Asset	9,906,032	0	9,906,032	0	0
Receivables	0	0	0	478,162	0
Capital Assets:					
Land	34,968,949	9,032,154	44,001,103	490,919	242,010
Buildings and Systems	190,581,495	447,071,727	637,653,222	8,101,744	2,022,110
Improvements Other Than Buildings	44,394,190	10,732,148	55,126,338	297,625	0
Machinery and Equipment	66,822,409	8,510,233	75,332,642	0	1,209,913
Software	1,143,419	310,517	1,453,936	0	0
Infrastructure	298,015,796	0	298,015,796	0	0
Construction in Progress	71,920,258	20,953,341	92,873,599	2,490,249	0
Less: Accumulated Depreciation	(345,641,936)	(192,338,698)	(537,980,634)	(840,415)	(944,864)
Other Assets, Net	58,994	31,527	90,521	0	0
Total Assets	516,890,599	351,045,545	867,936,144	18,082,859	4,807,710
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Outflows Related to Refunding	2,801,003	1,614,486	4,415,489	0	0
Deferred Outflows Related to OPEB	10,965,731	365,966	11,331,697	0	0
Deferred Outflows Related to Pensions	12,469,050	1,276,769	13,745,819	0	0
Total Deferred Outflows of Resources	26,235,784	3,257,221	29,493,005	0	0
LIABILITIES:					
Accounts Payable and Other Current Liabilities	16,535,322	2,042,503	18,577,825	188,794	9,248
Due to Other Governments	20,459	240,103	260,562	0	0
Compensated Absences Payable	3,633,259	666,027	4,299,286	0	0
Accrued Interest Payable	1,366,922	1,233,609	2,600,531	18,605	0
Unearned Revenue	149,031	12,885	161,916	278,492	0
Liabilities Payable from Restricted Assets	0	403,195	403,195	0	0
Noncurrent Liabilities:					
Due Within One Year	8,892,584	9,152,652	18,045,236	1,400,653	0
Due in More Than One Year	117,370,135	127,883,093	245,253,228	9,929,320	0
Pension Liability	22,478,656	4,105,368	26,584,024	0	0
OPEB Liability	57,599,550	5,107,193	62,706,743	0	0
Total Liabilities	228,045,918	150,846,628	378,892,546	11,815,864	9,248
DEFERRED INFLOWS OF RESOURCES:					
Deferred Inflows Related to Property Taxes	56,700,044	0	56,700,044	0	0
Deferred Inflows Related to Other Taxes	119,679	0	119,679	0	0
Deferred Inflows Related to OPEB	23,551,236	1,367,616	24,918,852	0	0
Deferred Inflows Related to Pensions	12,195,980	585,297	12,781,277	0	0
Total Deferred Inflows of Resources	92,566,939	1,952,913	94,519,852	0	0
NET POSITION:					
Net Investment in Capital Assets	259,148,746	197,585,013	456,733,759	2,499,469	2,529,169
Restricted for Perpetual Care (Nonexpendable)	152,692	0	152,692	0	0
Restricted for Debt Service	0	875,007	875,007	0	0
Restricted for Capital Improvements	3,777,301	749,828	4,527,129	0	0
Restricted for Public Safety	26,891	0	26,891	0	0
Restricted for Tourism	24,671	0	24,671	0	0
Restricted for Pension Asset	9,906,032	0	9,906,032	0	0
Restricted for Future Pension Costs	318,854	0	318,854	0	0
Unrestricted	(50,841,661)	2,293,377	(48,548,284)	3,767,526	2,269,293
Total Net Position	\$ 222,513,526	\$ 201,503,225	\$ 424,016,751	\$ 6,266,995	\$ 4,798,462

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

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	\$ 13,650,464	\$ 1,332,054	\$ 717,568	\$ 1,493,063	\$ (10,107,779)	\$ 0	\$ (10,107,779)		
Public Safety	24,844,743	1,214,122	424,804	0	(23,205,817)	0	(23,205,817)		
Public Works	19,461,480	852,152	0	0	(18,609,328)	0	(18,609,328)		
Highways and Transportation	4,323,380	116,270	3,307,241	909,164	9,295	0	9,295		
Economic and Physical Development	1,809,966	0	381,016	0	(1,428,950)	0	(1,428,950)		
Culture and Recreation	8,650,854	947,440	146,707	0	(7,556,707)	0	(7,556,707)		
Education	85,634,703	2,077,017	41,867,834	0	(41,689,852)	0	(41,689,852)		
Interest on Long Term Debt	3,869,974	0	0	0	(3,869,974)	0	(3,869,974)		
Total Governmental Activities	<u>162,245,564</u>	<u>6,539,055</u>	<u>46,845,170</u>	<u>2,402,227</u>	<u>(106,459,112)</u>	<u>0</u>	<u>(106,459,112)</u>		
Business - Type Activities:									
Water	12,502,667	14,187,690	3,202	33,384	0	1,721,609	1,721,609		
Sewer	13,659,939	14,648,731	4,804	0	0	993,596	993,596		
Solid Waste Management	5,092,975	3,104,370	240	0	0	(1,988,365)	(1,988,365)		
Storm Water Management	1,356,009	1,870,424	480	50,400	0	565,295	565,295		
Aquatic Center	2,805,099	984,822	439	0	0	(1,819,838)	(1,819,838)		
MeadowView Conference Resort and Convention Center	2,927,452	238,806	804	0	0	(2,687,842)	(2,687,842)		
Cattails at MeadowView Golf Course	1,222,051	814,850	0	0	0	(407,201)	(407,201)		
Total Business - Type Activities	<u>39,566,192</u>	<u>35,849,693</u>	<u>9,969</u>	<u>83,784</u>	<u>0</u>	<u>(3,622,746)</u>	<u>(3,622,746)</u>		
Total Primary Government	<u>\$ 201,811,756</u>	<u>\$ 42,388,748</u>	<u>\$ 46,855,139</u>	<u>\$ 2,486,011</u>	<u>(106,459,112)</u>	<u>(3,622,746)</u>	<u>(110,081,858)</u>		
Component Units:									
Industrial Development Board	\$ 1,401,138	\$ 729,587	\$ 823,745	\$ 946,042				\$ 1,098,236	\$ 0
Emergency Communications District	743,129	769,230	38,067	0				0	64,168
Total Component Units	<u>\$ 2,144,267</u>	<u>\$ 1,498,817</u>	<u>\$ 861,812</u>	<u>\$ 946,042</u>				<u>1,098,236</u>	<u>64,168</u>
General Revenues:									
Property Taxes					59,138,963	0	59,138,963	0	0
Sales Taxes					36,662,041	0	36,662,041	0	0
Alcoholic Beverage Taxes					2,041,964	0	2,041,964	0	0
Occupational Licenses and Business Taxes					6,814,149	0	6,814,149	0	0
Hotel / Motel Taxes					1,437,623	0	1,437,623	0	0
Income Taxes					478,717	0	478,717	0	0
Grants and Contributions Not Restricted to Specific Programs					1,268,998	0	1,268,998	0	36,000
Unrestricted Investment Earnings					1,250,933	760,244	2,011,177	6,201	196
Miscellaneous					307,726	0	307,726	0	2,207
Transfers					(5,381,570)	5,381,570	0	0	0
Total General Revenues and Transfers					<u>104,019,544</u>	<u>6,141,814</u>	<u>110,161,358</u>	<u>6,201</u>	<u>38,403</u>
Change in Net Position					(2,439,568)	2,519,068	79,500	1,104,437	102,571
Fund Balance, July 1, 2019					224,945,278	198,984,157	423,929,435	5,162,558	4,695,891
Prior Period Adjustment: Investment Earnings on Stabilization Reserve Trust					7,816	0	7,816	0	0
Net Position - July 1, 2019 (as restated)					<u>224,953,094</u>	<u>198,984,157</u>	<u>423,937,251</u>	<u>5,162,558</u>	<u>4,695,891</u>
Net Position - Ending					<u>\$ 222,513,526</u>	<u>\$ 201,503,225</u>	<u>\$ 424,016,751</u>	<u>\$ 6,266,995</u>	<u>\$ 4,798,462</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSFORT, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	<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>
ASSETS:						
Cash	\$ 12,576	\$ 99	\$ 0	\$ 0	\$ 1,108,509	\$ 1,121,184
Equity in Pooled Cash and Investments	7,894,082	11,185,936	350,698	187,951	2,825,558	22,444,225
Long-Term Certificates of Deposit	0	0	0	0	250,692	250,692
Investments	0	0	0	0	553,127	553,127
Taxes Receivable, net	39,868,927	0	0	0	0	39,868,927
Accounts Receivable, net	1,386,188	15,303	0	0	24,820	1,426,311
Accrued Interest Receivable	0	0	93,572	363	141	94,076
Due from Other Governments	6,434,265	20,788,549	0	454,976	2,717,003	30,394,793
Due from Other Funds	5,682,917	711,776	0	0	0	6,394,693
Due from Component Units	0	0	0	0	0	0
Inventories	2,977	2,452	0	0	281,380	286,809
Prepays	26,688	40,073	0	0	38,770	105,531
Cash - Restricted	0	0	24,209	24,393,636	0	24,417,845
Investments - Restricted	0	318,854	0	125,071	31,279	475,204
Total Assets	<u>\$ 61,308,620</u>	<u>\$ 33,063,042</u>	<u>\$ 468,479</u>	<u>\$ 25,161,997</u>	<u>\$ 7,831,279</u>	<u>\$ 127,833,417</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 381,653	\$ 532,128	\$ 500	\$ 1,129,368	\$ 568,055	\$ 2,611,704
Compensated Absences Payable	25,477	6,299	0	0	0	31,776
Due to Other Governments	20,459	0	0	0	0	20,459
Due to Other Funds	0	0	0	0	1,167,966	1,167,966
Due to Component Units	0	0	0	0	0	0
Contracts Payable	0	0	0	252,093	0	252,093
Other Liabilities	2,852,481	6,453,521	0	0	2,154	9,308,156
Advances from Other Funds	0	0	0	0	0	0
Unearned Revenue	20	500	0	0	148,511	149,031
Total Liabilities	<u>3,280,090</u>	<u>6,992,448</u>	<u>500</u>	<u>1,381,461</u>	<u>1,886,686</u>	<u>13,541,185</u>

(continued)

CITY OF KINGSPORT, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources:						
Unavailable Revenue - Property Taxes	39,669,956	18,030,000	0	0	0	57,699,956
Unavailable Revenue Other	119,679	0	0	0	0	119,679
Total Deferred Inflows of Resources	<u>39,789,635</u>	<u>18,030,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>57,819,635</u>
Fund Balances:						
Nonspendable:						
Inventory	2,977	2,452	0	0	281,380	286,809
Prepays	26,688	40,073	0	0	38,770	105,531
Allandale Trust Principal	0	0	0	0	152,692	152,692
Restricted for:						
Stabilization Reserve Trust Restricted for Future Pension Costs	0	318,854	0	0	0	318,854
Bond Proceeds Restricted for Capital Projects	0	0	0	20,405,882	0	20,405,882
Federal Forfeitures Restricted for Public Safety	0	0	0	0	26,891	26,891
Hotel Tax Restricted for Tourism	0	0	0	0	24,671	24,671
Committed to:						
Education	0		0	0	2,525,851	2,525,851
Community Development	0	0	0	0	16,471	16,471
Other Projects	0	0	0	0	819,376	819,376
Public Safety	0	0	0	0	629,476	629,476
Transportation	0	0	0	0	431,320	431,320
Culture and Recreation	0	0	0	0	938,176	938,176
Allandale	0	0	0	0	59,519	59,519
Assigned to:						
Fund Balance Allocations	98,634	0	0	0	0	98,634
Future Industrial Park	20,927	0	0	0	0	20,927
FTA Grant Matching	373,195	0	0	0	0	373,195
Education	0	7,679,215	0	0	0	7,679,215
Debt Service	0	0	467,979	0	0	467,979
Capital Projects	0	0	0	3,374,654	0	3,374,654
Unassigned	17,716,474	0	0	0	0	17,716,474
Total Fund Balances	<u>18,238,895</u>	<u>8,040,594</u>	<u>467,979</u>	<u>23,780,536</u>	<u>5,944,593</u>	<u>56,472,597</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 61,308,620</u>	<u>\$ 33,063,042</u>	<u>\$ 468,479</u>	<u>\$ 25,161,997</u>	<u>\$ 7,831,279</u>	<u>\$ 127,833,417</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, 2020

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

Total Fund Balance of Governmental Funds	\$ 56,472,597
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	351,100,887
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.	999,912
Net pension asset related to the teacher retirement plan is reported on statement of net position.	9,906,032
Deferred outflows related to refunding is reported is on statement of net position.	2,801,003
Deferred outflows related to OPEB is reported on the statement of net position.	10,965,731
Deferred outflows related to pensions is reported on the statement of net position.	12,469,050
Deferred inflows related to OPEB is reported on the statement of net position.	(23,551,236)
Deferred inflows related to pensions is reported on the statement of net position.	(12,195,980)
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.	24,765,891
Long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(211,220,361)</u>
Net Position of Governmental Activities	<u><u>\$ 222,513,526</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, 2020

	<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>
REVENUES:						
Taxes	\$ 49,458,647	\$ 29,477,666	\$ 0	\$ 0	\$ 4,137,144	\$ 83,073,457
Licenses and Permits	392,623	0	0	0	0	392,623
Intergovernmental	25,326,046	32,427,434	10,941	1,331,639	13,712,642	72,808,702
Charges for Services	2,066,882	1,350,348	0	0	970,279	4,387,509
Fines and Forfeitures	713,493	0	0	0	171,277	884,770
Investment Earnings	244,503	10,052	435,721	309,852	19,535	1,019,663
Contributions and Donations	150,344	0	0	38,176	272,803	461,323
Miscellaneous	191,308	575,825	0	0	130	767,263
Total Revenues	<u>78,543,846</u>	<u>63,841,325</u>	<u>446,662</u>	<u>1,679,667</u>	<u>19,283,810</u>	<u>163,795,310</u>
EXPENDITURES:						
Current:						
General Government	9,086,441	0	0	0	2,306,600	11,393,041
Public Safety	22,393,285	0	0	0	45,299	22,438,584
Public Works	10,721,615	0	0	0	0	10,721,615
Economic and Physical Development	1,414,793	0	0	0	381,016	1,795,809
Transportation	0	0	0	0	4,323,381	4,323,381
Culture and Recreation	4,420,646	0	0	0	1,617,668	6,038,314
Education	0	72,658,191	0	0	9,215,090	81,873,281
Miscellaneous	1,025,990	0	0	0	0	1,025,990
Debt Service:						
Principal	0	0	8,430,318	0	0	8,430,318
Interest	0	0	4,216,949	0	0	4,216,949
Bond Issuance Costs	0	0	0	101,943	0	101,943
Other Costs	0	0	8,538	0	0	8,538
Capital Outlay	88,048	1,087,627	0	15,545,060	1,555,612	18,276,347
Total Expenditures	<u>49,150,818</u>	<u>73,745,818</u>	<u>12,655,805</u>	<u>15,647,003</u>	<u>19,444,666</u>	<u>170,644,110</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>29,393,028</u>	<u>(9,904,493)</u>	<u>(12,209,143)</u>	<u>(13,967,336)</u>	<u>(160,856)</u>	<u>(6,848,800)</u>

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):						
Transfers In	3,414,240	14,450,081	12,256,460	25,542	4,345,424	34,491,747
Transfers Out	(30,607,286)	(4,857,524)	0	0	(4,408,507)	(39,873,317)
Issuance of Debt	0	0	0	8,906,518	0	8,906,518
Premiums on Debt Issued	0	0	0	800,555	0	800,555
Total Other Financing Sources (Uses)	(27,193,046)	9,592,557	12,256,460	9,732,615	(63,083)	4,325,503
Net Change in Fund Balances	2,199,982	(311,936)	47,317	(4,234,721)	(223,939)	(2,523,297)
Fund Balances, July 1, 2019	16,038,913	8,197,712	420,662	28,015,257	6,168,532	58,841,076
Prior Period Adjustment:						
To add Stabilization Reserve Trust	0	154,818	0	0	0	154,818
Fund Balances, July 1, 2019 (as restated)	16,038,913	8,352,530	420,662	28,015,257	6,168,532	58,995,894
Fund Balances, June 30, 2020	<u>\$ 18,238,895</u>	<u>\$ 8,040,594</u>	<u>\$ 467,979</u>	<u>\$ 23,780,536</u>	<u>\$ 5,944,593</u>	<u>\$ 56,472,597</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, 2020

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

Net Change in Fund Balance of Governmental Funds	\$ (2,523,297)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays in the current period were more than depreciation of capital assets.	2,830,847
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The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is a decrease to net position.	(3,255,336)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	23,325
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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.	1,795,712
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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	(379,723)
Increase in Accrued Interest	(79,295)
Increase in OPEB Liabilities and Deferrals	(2,312,819)
Decrease in Pension Liabilities and Deferrals net of pension asset	2,268,502

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 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.	(807,484)
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Change in Net Position of Governmental Activities	\$ (2,439,568)
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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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes:				
General Property	\$ 39,511,900	\$ 39,565,562	\$ 40,183,278	\$ 617,716
Gross Receipts	9,635,400	9,294,604	9,275,369	(19,235)
Licenses and Permits	535,700	392,622	392,623	1
Intergovernmental:				
Federal	0	11,625	11,625	0
State	6,495,700	6,830,427	6,830,421	(6)
County	18,341,200	16,981,270	18,154,941	1,173,671
Local	302,500	329,058	329,059	1
Charges for Services	2,383,000	2,058,142	2,066,882	8,740
Fines and Forfeitures	955,000	713,490	713,493	3
Investment Earnings	150,000	244,503	244,503	0
Contributions and Donations	270,000	200,343	150,344	(49,999)
Miscellaneous	187,400	196,879	191,308	(5,571)
Total Revenues	<u>78,767,800</u>	<u>76,818,525</u>	<u>78,543,846</u>	<u>1,725,321</u>
EXPENDITURES:				
General Government:				
Board of Mayor and Aldermen	158,430	159,721	154,857	4,864
Judicial	28,913	29,000	28,997	3
City Attorney	544,630	515,325	515,315	10
City Manager	469,296	436,389	436,361	28
Assistant to City Manager	0	47,719	47,715	4
Assistant City Manager	277,562	36,906	36,897	9
Budget Office	218,830	182,928	182,924	4
Special Programs	2,866,020	2,658,391	2,658,389	2
Public Information Office	384,846	374,046	374,035	11
Personnel	1,249,799	1,210,756	1,210,745	11
Purchasing	268,755	262,483	262,377	106
Finance Administration	1,878,060	1,888,938	1,885,990	2,948
Records Administration	107,411	101,715	101,709	6
Information Technology	1,211,659	1,239,849	1,188,945	50,904
Community Services Office	0	1,185	1,185	0
Total General Government	<u>9,664,211</u>	<u>9,145,351</u>	<u>9,086,441</u>	<u>58,910</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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Public Safety:				
Police Administration	1,886,641	1,856,641	1,856,609	32
Jail Operations	497,842	392,454	392,447	7
Training	423,301	386,563	386,170	393
Traffic School	21,795	15,931	15,927	4
Investigations	1,772,233	1,494,095	1,494,085	10
Patrol Division	6,183,543	6,009,432	6,005,197	4,235
Central Dispatch	1,449,959	1,371,930	1,371,921	9
Communications	309,333	144,260	144,251	9
Fire Control and Prevention	10,119,649	10,727,489	10,726,678	811
Total Public Safety	22,664,296	22,398,795	22,393,285	5,510
Public Works:				
Administration	206,316	207,172	207,164	8
Engineering	1,200,939	1,198,881	1,198,870	11
Transportation	1,367,492	1,305,459	1,305,442	17
Streets and Sanitation Administration	343,049	318,337	318,325	12
Street Cleaning	500,962	569,999	569,990	9
Street Maintenance	2,492,302	2,342,139	2,341,927	212
Building Maintenance	1,974,742	1,928,879	1,927,561	1,318
Grounds Maintenance	1,430,306	1,530,583	1,530,405	178
Park Maintenance	883,133	723,916	723,904	12
Landscaping	685,517	598,038	598,027	11
Total Public Works	11,084,758	10,723,403	10,721,615	1,788
Economic and Physical Development:				
Administration	431,389	192,671	192,660	11
Planning	331,050	333,509	333,495	14
Geographic Information	408,589	447,693	447,687	6
Code Enforcement	437,750	440,960	440,951	9
Total Economic and Physical Development	1,608,778	1,414,833	1,414,793	40

(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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Culture and Recreation:				
Administration	323,159	299,952	299,635	317
Charter Bus Service	8,150	1,812	1,810	2
Parks and Recreation Centers	878,958	805,452	803,312	2,140
Civic Auditorium	78,800	73,454	73,450	4
Lynn View	57,200	46,433	46,428	5
Farmers Market	38,400	40,790	40,779	11
Program Director	0	38,106	37,899	207
Carousel	75,220	54,311	54,306	5
Splash Pad	20,200	13,278	13,275	3
Athletics	828,974	635,321	635,068	253
Cultural Arts	210,916	192,103	192,046	57
Allandale	237,714	207,714	207,702	12
Senior Citizens Center	758,220	744,296	744,282	14
Bays Mountain Park	1,339,138	1,270,833	1,270,654	179
Total Culture and Recreation	4,855,049	4,423,855	4,420,646	3,209
Miscellaneous	1,151,621	1,106,396	1,025,990	80,406
Capital Outlay	59,600	88,049	88,048	1
Total Expenditures	51,088,313	49,300,682	49,150,818	149,864
Excess of Revenues Over Expenditures	27,679,487	27,517,843	29,393,028	1,875,185
Other Financing Sources (Uses):				
Transfers In	3,594,600	3,414,239	3,414,240	1
Transfers Out	(31,181,887)	(30,932,082)	(30,607,286)	324,796
Net Other Financing Sources (Uses)	(27,587,287)	(27,517,843)	(27,193,046)	324,797
Net Change in Fund Balances	92,200	0	2,199,982	2,199,982
Fund Balances, July 1, 2019	(92,200)	0	16,038,913	16,038,913
Fund Balances, June 30, 2020	\$ 0	\$ 0	\$ 18,238,895	\$ 18,238,895

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, 2020

	<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	\$ 18,925,000	\$ 18,925,000	\$ 18,932,360	\$ 7,360
Gross Receipts Taxes	10,435,000	10,435,000	10,428,889	(6,111)
Other Taxes	44,000	44,000	116,417	72,417
Intergovernmental:				
Federal	108,000	108,000	106,909	(1,091)
State	32,133,400	32,375,684	32,320,525	(55,159)
County	0	0	0	0
Charges for Services	1,690,000	1,690,000	1,350,348	(339,652)
Investment Earnings	0	0	10,052	10,052
Miscellaneous	570,000	611,850	575,825	(36,025)
Total Revenues	<u>63,905,400</u>	<u>64,189,534</u>	<u>63,841,325</u>	<u>(348,209)</u>
EXPENDITURES:				
Instruction:				
Regular	37,476,638	38,627,365	38,505,728	121,637
Special Education	5,784,600	5,737,674	5,646,633	91,041
Vocational	1,510,000	1,499,303	1,480,747	18,556
Total Instruction	<u>44,771,238</u>	<u>45,864,342</u>	<u>45,633,108</u>	<u>231,234</u>
Student Support Services:				
Attendance	78,650	78,804	77,886	918
Health Services	945,329	955,025	949,046	5,979
Other	2,809,450	2,866,734	2,753,841	112,893
Total Student Support Services	<u>3,833,429</u>	<u>3,900,563</u>	<u>3,780,773</u>	<u>119,790</u>
Instructional Staff Support Services:				
Regular	3,214,158	3,184,101	3,028,553	155,548
Special Education	688,000	692,900	671,730	21,170
Vocational	201,300	191,742	187,244	4,498
Technology	2,219,550	2,481,372	2,295,458	185,914
Total Instructional Staff Support Services	<u>6,323,008</u>	<u>6,550,115</u>	<u>6,182,985</u>	<u>367,130</u>
General Administrative Support Services:				
Board of Education	1,287,300	1,255,250	1,221,725	33,525
Office of Superintendent	989,700	1,035,346	1,021,647	13,699
Total General Administrative Support Services	<u>2,277,000</u>	<u>2,290,596</u>	<u>2,243,372</u>	<u>47,224</u>
School Administrative Support Services	<u>3,820,432</u>	<u>3,852,064</u>	<u>3,838,712</u>	<u>13,352</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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Business Administrative Support Services:				
Fiscal Services	478,514	483,396	474,025	9,371
Human Resources	407,800	409,695	402,729	6,966
Total Business Administrative Support Services	886,314	893,091	876,754	16,337
Operations and Maintenance Support Services:				
Operations	5,131,741	5,213,240	4,552,945	660,295
Plant Maintenance	2,366,250	2,741,919	2,666,281	75,638
Total Operations and Maintenance Support Services	7,497,991	7,955,159	7,219,226	735,933
Student Transportation Support Services	1,965,500	1,965,500	1,859,875	105,625
Noninstructional Services:				
After School Programs	570,600	578,837	488,362	90,475
Community Service	577,300	578,240	535,024	43,216
Total Noninstructional Services	1,147,900	1,157,077	1,023,386	133,691
Capital Outlay	1,963,488	1,661,838	1,087,627	574,211
Total Expenditures	74,486,300	76,090,345	73,745,818	2,344,527
Deficiency of Revenues Under Expenditures	(10,580,900)	(11,900,811)	(9,904,493)	1,996,318
OTHER FINANCING SOURCES (USES):				
Transfers In	14,366,000	14,366,000	14,450,081	84,081
Transfers Out	(3,900,100)	(4,904,800)	(4,857,524)	47,276
Total Other Financing Sources (Uses)	10,465,900	9,461,200	9,592,557	131,357
Net Change in Fund Balances	(115,000)	(2,439,611)	(311,936)	2,127,675
Fund Balances, July 1, 2019	115,000	2,439,611	8,197,712	5,758,101
Prior Period Adjustment to add Stabilization Resrve Trust	0	0	154,818	154,818
Fund Balances, July 1, 2019 (as restated)	115,000	2,439,611	8,352,530	5,912,919
Fund Balances, June 30, 2020	\$ 0	\$ 0	\$ 8,040,594	\$ 8,040,594

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business - Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	
ASSETS:							
Current Assets:							
Cash	\$ 0	\$ 0	\$ 3,227	\$ 0	\$ 2,639	\$ 5,866	\$ 0
Equity in Pooled Cash and Investments	8,407,364	3,090,698	0	40,000	1,889,948	13,428,010	13,172,788
Accounts Receivable, Net	2,091,829	2,141,878	34,866	64,376	698,707	5,031,656	512,369
Accrued Interest Receivable	43,932	76,546	771	5	566	121,820	51
Due from Other Governments	39,670	0	0	0	0	39,670	0
Inventories	551,285	0	3,105	0	93,623	648,013	390,163
Prepays	39,322	0	0	0	0	39,322	259,098
Total Current Assets	11,173,402	5,309,122	41,969	104,381	2,685,483	19,314,357	14,334,469
Noncurrent Assets:							
Restricted Assets:							
Cash	35,736	255,819	103,005	85,000	83,000	562,560	0
Cash from Unspent Bonds	12,149,756	13,691,844	1,736,112	329,447	827,691	28,734,850	0
Long Term Certificates of Deposit	0	0	0	0	0	0	1,000,000
Investments	300,060	470,091	76,003	579,931	30,750	1,456,835	4,621,794
Total Restricted Assets	12,485,552	14,417,754	1,915,120	994,378	941,441	30,754,245	5,621,794
Capital Assets:							
Land	852,438	1,519,630	845,711	1,515,497	4,298,878	9,032,154	14,695
Buildings and Systems	145,809,573	235,321,513	19,277,951	43,097,183	3,565,507	447,071,727	14,897
Improvements Other Than Buildings	0	0	0	2,958,692	7,773,456	10,732,148	0
Software	141,493	88,304	0	0	80,720	310,517	0
Machinery and Equipment	1,550,800	1,857,117	237,925	1,460,849	3,403,542	8,510,233	35,044,290
Construction in Progress	5,056,549	10,739,594	2,342,267	24,027	2,790,904	20,953,341	0
Less: Accumulated Depreciation	(59,948,893)	(98,801,225)	(4,690,990)	(19,302,862)	(9,594,728)	(192,338,698)	(23,970,189)
Total Capital Assets	93,461,960	150,724,933	18,012,864	29,753,386	12,318,279	304,271,422	11,103,693
Other Assets:							
Prepaid Landfill Closure Costs	0	0	0	0	31,527	31,527	0
Deposits	0	0	0	0	0	0	58,994
Total Other Assets	0	0	0	0	31,527	31,527	58,994
Total Noncurrent Assets	105,947,512	165,142,687	19,927,984	30,747,764	13,291,247	335,057,194	16,784,481
Total Assets	117,120,914	170,451,809	19,969,953	30,852,145	15,976,730	354,371,551	31,118,950
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows Related to Refunding	136,453	222,775	549,502	654,502	51,254	1,614,486	0
Deferred Outflows Related to Pensions	585,386	366,058	13,404	0	311,921	1,276,769	0
Deferred Outflows Related to OPEB	147,876	118,588	8,142	0	91,360	365,966	0
Total Deferred Outflows of Resources	869,715	707,421	571,048	654,502	454,535	3,257,221	0

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business - Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	
LIABILITIES:							
Current Liabilities:							
Accounts Payable	372,420	955,696	85,823	9,237	144,840	1,568,016	468,167
Due to Other Governments	143,701	96,378	24	0	0	240,103	0
Due to Other Funds	0	0	2,666,097	26,055	633,854	3,326,006	1,900,721
Compensated Absences Payable	234,351	233,870	19,708	0	178,098	666,027	88,969
Retainages Payable	35,736	264,160	103,005	0	294	403,195	0
Accrued Interest Payable	308,848	563,821	162,137	145,474	53,329	1,233,609	0
General Obligation Bonds - Current	2,097,985	3,938,502	1,119,426	992,087	405,504	8,553,504	0
State Revolving Loan Current	599,148	0	0	0	0	599,148	0
Unearned Revenue	0	0	12,885	0	0	12,885	0
Other Payables	458,316	16,171	0	0	0	474,487	3,895,202
Total Current Liabilities	4,250,505	6,068,598	4,169,105	1,172,853	1,415,919	17,076,980	6,353,059
Noncurrent Liabilities:							
General Obligation Bonds Payable (Net of Discounts and Premiums)	29,362,855	55,807,967	14,689,583	12,371,821	4,328,230	116,560,456	0
State Revolving Loan Payable	11,322,637	0	0	0	0	11,322,637	0
OPEB Liability	2,330,026	1,469,940	77,116	0	1,230,111	5,107,193	0
Pension Liability	1,862,813	1,178,749	58,832	0	1,004,974	4,105,368	0
Total Noncurrent Liabilities	44,878,331	58,456,656	14,825,531	12,371,821	6,563,315	137,095,654	0
Total Liabilities	49,128,836	64,525,254	18,994,636	13,544,674	7,979,234	154,172,634	6,353,059
DEFERRED INFLOWS OF RESOURCES:							
Deferred Inflows Related to Pensions	278,204	145,823	5,435	0	155,835	585,297	0
Deferred Inflows Related to OPEB	571,232	420,719	33,086	0	342,579	1,367,616	0
Total Deferred Inflows of Resources	849,436	566,542	38,521	0	498,414	1,952,913	0
NET POSITION:							
Net Investment in Capital Assets	62,365,544	104,893,083	4,489,469	17,373,427	8,463,490	197,585,013	11,103,693
Restricted for Debt Service	300,060	470,091	76,003	1,255	27,598	875,007	0
Restricted for Capital Improvements	0	0	0	663,676	86,152	749,828	0
Unrestricted	5,346,753	704,260	(3,057,628)	(76,385)	(623,623)	2,293,377	13,662,198
Total Net Position	<u>\$ 68,012,357</u>	<u>\$ 106,067,434</u>	<u>\$ 1,507,844</u>	<u>\$ 17,961,973</u>	<u>\$ 7,953,617</u>	<u>\$ 201,503,225</u>	<u>\$ 24,765,891</u>

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, 2020

	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	\$ 13,773,295	\$ 14,512,632	\$ 926,374	\$ 238,806	\$ 5,786,573	\$ 35,237,680	\$ 20,203,206
Penalties and Fines	357,246	120,735	0	0	0	477,981	0
Miscellaneous	57,149	15,364	58,448	0	3,071	134,032	1,015,180
Total Operating Revenue	14,187,690	14,648,731	984,822	238,806	5,789,644	35,849,693	21,218,386
OPERATING EXPENSES:							
Operating Costs	7,915,083	6,410,876	1,655,180	1,005,337	6,900,997	23,887,473	17,276,356
Depreciation	3,423,822	5,512,404	676,129	1,505,309	622,889	11,740,553	2,373,988
Total Operating Expenses	11,338,905	11,923,280	2,331,309	2,510,646	7,523,886	35,628,026	19,650,344
Operating Income (Loss)	2,848,785	2,725,451	(1,346,487)	(2,271,840)	(1,734,242)	221,667	1,568,042
NONOPERATING REVENUES (EXPENSES):							
Investment Earnings	306,737	384,293	36,096	11,402	21,716	760,244	231,270
Federal Interest Subsidy	3,202	4,804	439	804	720	9,969	0
Interest Expense	(1,097,221)	(1,697,496)	(473,790)	(413,091)	(144,496)	(3,826,094)	0
Gain (Loss) on Disposal of Capital Assets	(950)	0	0	0	0	(950)	(3,600)
Bond Issue Cost	(65,591)	(39,163)	0	(3,715)	(2,653)	(111,122)	0
Total Nonoperating Revenues (Expenses)	(853,823)	(1,347,562)	(437,255)	(404,600)	(124,713)	(3,167,953)	227,670
Income (Loss) Before Capital Contributions and Transfers	1,994,962	1,377,889	(1,783,742)	(2,676,440)	(1,858,955)	(2,946,286)	1,795,712
Capital Contributions	33,384	0	0	0	50,400	83,784	0
Transfers In	181,772	0	2,680,740	2,285,233	3,631,303	8,779,048	0
Transfers Out	(1,638,844)	(1,604,283)	(46,215)	0	(108,136)	(3,397,478)	0
Change in Net Position	571,274	(226,394)	850,783	(391,207)	1,714,612	2,519,068	1,795,712
Net Position, July 1, 2019	67,441,083	106,293,828	657,061	18,353,180	6,239,005	198,984,157	22,970,179
Net Position, June 30, 2020	\$ 68,012,357	\$ 106,067,434	\$ 1,507,844	\$ 17,961,973	\$ 7,953,617	\$ 201,503,225	\$ 24,765,891

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, 2020

	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	\$ 14,176,628	\$ 14,582,512	\$ 984,427	\$ 426,451	\$ 5,636,461	\$ 35,806,479	\$ 0
Receipts from Interfund Services Provided	149,180	249,682	9,651	0	154,074	562,587	21,119,451
Payments to Suppliers	(4,374,797)	(2,220,671)	(1,066,976)	(1,056,117)	(4,228,178)	(12,946,739)	(15,350,575)
Payments to Employees	(3,913,930)	(3,217,358)	(468,137)	0	(2,802,055)	(10,401,480)	(1,722,584)
Net Cash Provided (Used) by Operating Activities	6,037,081	9,394,165	(541,035)	(629,666)	(1,239,698)	13,020,847	4,046,292
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers from Other Funds	181,772	0	2,680,740	2,285,233	3,631,303	8,779,048	0
Transfers to Other Funds	(1,638,844)	(1,604,283)	(46,215)	0	(108,136)	(3,397,478)	0
Advances From Other Funds	0	0	1,361,151	(123,243)	(454,345)	783,563	508,427
Net Cash Provided (Used) by Noncapital Financing Activities	(1,457,072)	(1,604,283)	3,995,676	2,161,990	3,068,822	6,165,133	508,427
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Proceeds from Capital Debt	6,180,000	3,690,000	0	350,000	250,000	10,470,000	0
Capital Transfers from Other Funds	0	0	0	0	0	0	0
County Revenue for Capital Projects	0	0	0	0	0	0	0
Acquisition and Construction of Capital Assets	(1,965,690)	(8,530,116)	(2,132,809)	(30,021)	(701,415)	(13,360,051)	(2,826,201)
Principal Paid on Capital Debt	(2,528,916)	(3,794,068)	(1,319,592)	(955,596)	(395,004)	(8,993,176)	0
Interest Paid on Capital Debt	(1,124,801)	(1,914,843)	(555,473)	(460,466)	(166,253)	(4,221,836)	0
Proceeds from Sales of Capital Assets	(950)	0	0	0	0	(950)	(3,600)
Net Cash Used by Capital and Related Financing Activities	559,643	(10,549,027)	(4,007,874)	(1,096,083)	(1,012,672)	(16,106,013)	(2,829,801)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from Sales and Maturities of Investments	0	0	0	0	1,180	1,180	0
Purchase of Investments	(141,002)	(241,780)	(39,070)	(125,269)	(4,643)	(551,764)	(37,888)
Interest Received	309,535	465,972	36,844	11,504	24,123	847,978	231,501
Net Cash Provided (Used) by Investing Activities	168,533	224,192	(2,226)	(113,765)	20,660	297,394	193,613
Net Increase (Decrease) In Cash and Cash Equivalents	5,308,185	(2,534,953)	(555,459)	322,476	837,112	3,377,361	1,918,531
Cash and Cash Equivalents, July 1, 2019	15,284,671	19,573,314	2,397,803	131,971	1,966,166	39,353,925	11,254,257
Cash and Cash Equivalents, June 30, 2020	\$ 20,592,856	\$ 17,038,361	\$ 1,842,344	\$ 454,447	\$ 2,803,278	\$ 42,731,286	\$ 13,172,788

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2020

	Business - Type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Aquatic Center	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating Income (Loss)	\$ 2,848,785	\$ 2,725,451	\$ (1,346,487)	\$ (2,271,840)	\$ (1,734,242)	\$ 221,667		\$ 1,568,042
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Depreciation	3,423,822	5,512,404	676,129	1,505,309	622,889	11,740,553		2,373,988
(Increase) Decrease in Assets:								
Accounts Receivable	111,116	184,558	49,836	187,645	890	534,045		(98,935)
Inventory	(54,619)	0	6,269	0	21,821	(26,529)		28,105
Prepays	0	0	0	0	68,606	68,606		(58,069)
Increase (Decrease) in Liabilities:								
Accounts Payable	(339,023)	625,082	3,781	(50,780)	(256,007)	(16,947)		(134,321)
Benefits Payable	0	0	0	0	0	0		252,546
Pension Liabilities and Deferrals	(25,112)	(20,279)	(1,651)	0	(15,109)	(62,151)		0
Compensated Absences Payable	(4,763)	31,766	(307)	0	20,258	46,954		(6,556)
OPEB Liabilities and Deferrals	75,364	60,987	5,572	0	46,266	188,189		0
Other Payables	23,923	16,171	0	0	0	40,094		121,492
Unearned Revenue	0	0	(36,133)	0	0	(36,133)		0
Retainages Payable	(22,412)	258,025	101,956	0	(15,070)	322,499		0
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,037,081</u>	<u>\$ 9,394,165</u>	<u>\$ (541,035)</u>	<u>\$ (629,666)</u>	<u>\$ (1,239,698)</u>	<u>\$ 13,020,847</u>		<u>\$ 4,046,292</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:								
Cash	\$ 0	\$ 0	\$ 3,227	\$ 0	\$ 2,639	\$ 5,866		\$ 0
Equity in Pooled Cash and Investments	8,407,364	3,090,698	0	40,000	1,889,948	13,428,010		13,172,788
Restricted Cash from Unspent Bonds	12,149,756	13,691,844	1,736,112	329,447	827,691	28,734,850		0
Restricted Cash	35,736	255,819	103,005	85,000	83,000	562,560		0
Cash and Cash Equivalents, June 30, 2020	<u>\$ 20,592,856</u>	<u>\$ 17,038,361</u>	<u>\$ 1,842,344</u>	<u>\$ 454,447</u>	<u>\$ 2,803,278</u>	<u>\$ 42,731,286</u>		<u>\$ 13,172,788</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:								
Capital Assets Contributed by Developers	\$ 33,384	\$ 0	\$ 0	\$ 0	\$ 50,400	\$ 83,784		\$ 0
Federal Interest Subsidy Paid Directly to Bank	<u>\$ 3,202</u>	<u>\$ 4,804</u>	<u>\$ 439</u>	<u>\$ 804</u>	<u>\$ 720</u>	<u>\$ 9,969</u>		<u>\$ 0</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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. 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.

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting entity (continued)

Discretely Presented Component Units

Proprietary Fund Type

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.

B. 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.

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. 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.

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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, 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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.).

D. 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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 acquisition value.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. *Capital assets (continued)*

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.

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, for employees eligible for TCRS retirement, 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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. *Compensated absences (continued)*

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, 2020 are as follows:

Compensated Absences, July 1, 2019	\$ 3,925,189
Compensated Absences Earned - FY 2020	3,695,992
Compensated Absences Used - FY 2020	<u>(3,321,895)</u>
Compensated Absences, June 30, 2020	<u><u>\$ 4,299,286</u></u>

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. Any deferred outflows of resources related to refunding of debt obligations are also 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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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).

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. Deferred outflows for pensions and OPEB occur when there are differences between expected and actual experience, change in assumptions or contributions made after the measurement date. All three are reported in the government-wide statement of net position and the statement of net position for proprietary funds.

These items result from the differences in the carrying value of refunded debt and its reacquisition price 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. Deferred inflows for pension and OPEB occur when there are differences in expected and actual experience, differences in expected and actual investment earnings, and changes in assumptions. These items are deferred inflows found in the entity wide statement of net position.

	Entity- Wide Statements	Governmental Funds
	<u>Governmental</u>	<u>Statements</u>
Property Taxes Receivable - General Fund (unavailable)	\$ 0	\$ 999,912
Property Taxes Receivable - General Fund (unearned / unavailable)	38,670,044	38,670,044
Hall Income Taxes Receivable - General Fund (unearned / unavailable)	119,679	119,679
Property Taxes Receivable - School Fund (unearned / unavailable)	18,030,000	18,030,000
	<u>\$56,819,723</u>	<u>\$57,819,635</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

14. New Accounting Standards

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early adoption is permitted. The City of Kingsport elected to early adopt GASB Statement No. 89 on July 1, 2019.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 \$351,100,887 difference are as follows:

Governmental funds capital assets	\$ 672,772,634
Less: accumulated depreciation	<u>(321,671,747)</u>
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 351,100,887</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 \$(211,220,361) difference are as follows:

Bonds payable, net of premiums and discounts	\$ (123,123,144)
Notes payable	(3,139,575)
Compensated absences	(3,512,514)
OPEB liability	(57,599,550)
Accrued interest payable	(1,366,922)
Pension liability	<u>(22,478,656)</u>
Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (211,220,361)</u>

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 \$2,830,847 difference are as follows:

Capital outlays	\$ 18,276,347
Depreciation expense	<u>(15,445,500)</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>\$ 2,830,847</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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

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

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is a decrease to net position." The details of this \$(3,255,336) difference are as follows:

Capital asset donations reported in statement of activities	\$ 122,481
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	(3,325,516)
Asset disposals	<u>(52,301)</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>\$ (3,255,336)</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 \$23,325 difference are as follows:

Unearned property taxes as of June 30, 2020	\$ 999,912
Prior years' unearned property taxes	<u>(976,587)</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>\$ 23,325</u>

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 \$1,795,712 difference are as follows:

Investment earnings	\$ 231,270
Gain (loss) on disposal of capital assets	(3,600)
Operating gain	1,568,042
Net transfers Out	<u>0</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>\$ 1,795,712</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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

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

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this (\$807,484) difference are as follows:

Principal payments	\$ 8,430,318
Principal payments on HUD Loan	43,000
Issuance of general obligation bonds and notes payable	(8,906,518)
Premium on issuance of general obligation bonds	(800,555)
Amortization of premiums, discounts and refunding costs	426,271
Payments to refunded bond escrow	<u>0</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (807,484)</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020 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	\$ 2,977	\$ 2,452	\$ 0	\$ 0	\$ 281,380	\$ 286,809
Prepays	26,688	40,073	0	0	38,770	105,531
Allandale Trust Principal	0	0	0	0	152,692	152,692
Total Non-spendable	29,665	42,525	0	0	472,842	545,032
<i>Restricted for:</i>						
Stabilization Reserve Trust						
Restricted for Future Pension Costs	0	318,854	0	0	0	318,854
Unspent Bond Proceeds						
Restricted for Capital Projects	0	0	0	20,405,882	0	20,405,882
Unspent Federal Forfeitures						
Restricted for Public Safety	0	0	0	0	26,891	26,891
Unspent Hotel Tax						
Restricted for Tourism	0	0	0	0	24,671	24,671
Total Restricted	0	318,854	0	20,405,882	51,562	20,776,298
<i>Committed to:</i>						
Other Projects	0	0	0	0	819,376	819,376
Community Development	0	0	0	0	16,471	16,471
Allandale	0	0	0	0	59,519	59,519
Education:						
School Nutrition Fund	0	0	0	0	2,455,994	2,455,994
Palmer Center Fund	0	0	0	0	69,857	69,857
Public Safety:						
Criminal Forfeiture Fund	0	0	0	0	201,163	201,163
Drug Fund	0	0	0	0	428,313	428,313
Transportation:						
Federal Transit Fund	0	0	0	0	354,533	354,533
MPO Fund	0	0	0	0	72,144	72,144
State Street Aid Fund	0	0	0	0	4,643	4,643
Culture and Recreation:						
Regional Sales Tax Fund	0	0	0	0	434,416	434,416
Steadman Cemetary Fund	0	0	0	0	7,618	7,618
Library Commission Fund	0	0	0	0	5,070	5,070
Library Governing Board Fund	0	0	0	0	43,348	43,348
Bays Mountain Park Fund	0	0	0	0	222,257	222,257
Senior Citizens Fund	0	0	0	0	225,467	225,467
Total Committed	0	0	0	0	5,420,189	5,420,189
<i>Assigned to:</i>						
Fund Balance Allocations	98,634	0	0	0	0	98,634
Future Industrial Park	20,927	0	0	0	0	20,927
FTA Grant Matching	373,195	0	0	0	0	373,195
Debt Service	0	0	467,979	0	0	467,979
Capital Projects	0	0	0	3,374,654	0	3,374,654
Education	0	7,679,215	0	0	0	7,679,215
Total Assigned	492,756	7,679,215	467,979	3,374,654	0	12,014,604
<i>Unassigned:</i>	17,716,474	0	0	0	0	17,716,474
Total Fund Balances	\$ 18,238,895	\$ 8,040,594	\$ 467,979	\$ 23,780,536	\$ 5,944,593	\$ 56,472,597

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, library governing board, 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, 2020, there were no instances of expenditures exceeding appropriations in any funds.

C. Deficit fund equity

For the fiscal year ended June 30 2020, there were no instances of deficit fund equity in any funds of the City.

D. Legal Debt Limit

City Charter limits total bonded indebtedness to twenty (20) percent of the assessed value of taxable property. Bonds paid from utility revenues are excluded from this limit. The Board maintains a stricter unwritten self-imposed limit of ten (10) percent.

E. Investigations

A state investigation is ongoing with the Office of Community Development. Findings, if any, resulting from the state's investigation will be included in the subsequent audit report.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020, 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, 2020, the City's carrying amount of deposits was \$103,868,686 and the bank balance was \$106,980,881.

The carrying amount of deposits at June 30, 2020 for the IDBK, a discretely presented component unit, was \$849,987, and the bank balance was \$849,987. The IDBK's deposits in financial institutions were entirely insured through FDIC or collateralized through the Tennessee Bank Collateral Pool at June 30, 2020.

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, 2020.

The carrying amount of deposits at June 30, 2020 for the ECD was \$2,229,313 and the deposits in financial institutions were \$2,306,015.

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, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and investments (continued)

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, 2020, 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	1.41
Tennessee Local Government Investment Pool	6,788,106	0.13
Total	<u>\$ 8,038,798</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, 2020.

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.

Restricted Investments – TCRS Stabilization Trust

Legal Provisions. Kingsport City Schools is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The School Department has placed funds into the irrevocable trust as authorized by statute under Tennessee Code Annotated (TCA), Title 8, and Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the School Department.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. Kingsport City Schools may not impose any restrictions on investments placed by the trust on their behalf.

Investment Balances. Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and investments (continued)

Restricted Investments – TCRS Stabilization Trust (continued)

Investments are reported at fair value or amortized cost which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2020, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.

- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.

- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable

Investments using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined using amortized cost which approximates fair value.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes so to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

US Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute ("MAI"), or its equivalent, every three (3) years beginning from the acquisition date of the

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and investments (continued)

Restricted Investments – TCRS Stabilization Trust (continued)

property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

At June 30, 2020, Kingsport City Schools had the following investments held by the trust on its behalf:

Investment Type	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 98,844
Developed Market International Equity	N/A	N/A	44,640
Emerging Market International Equity	N/A	N/A	12,754
U.S. Fixed Income	N/A	N/A	63,771
Real Estate	N/A	N/A	31,885
Short-term Securities	N/A	N/A	3,189
Investments at Amortize Cost using the NAV:			
Private Equity and Strategic Lending:	N/A	N/A	63,771
Total			<u>\$ 318,854</u>

Investment Type	Fair Value	Fair Value Measurement Using			Amortized Cost
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U.S. Equity	\$98,844	98,844	0	0	0
Developed Market International Equity	44,640	44,640	0	0	0
Emerging Market International Equity	12,754	12,754	0	0	0
U.S. Fixed Income	63,771	0	63,771	0	0
Real Estate	31,885	0	0	31,885	0
Short-term Securities	3,189	0	3,189	0	0
Private Equity and Strategic Lending	63,771	0	0	0	63,771
	<u>\$ 318,854</u>	<u>156,238</u>	<u>66,960</u>	<u>31,885</u>	<u>63,771</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Deposits and investments (continued)

Restricted Investments – TCRS Stabilization Trust (continued)

Risks and Uncertainties. The trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Kingsport City Schools does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Kingsport City Schools does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Kingsport City Schools places no limit on the amount the county may invest in one issuer.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of Kingsport City Schools to pay retirement benefits of the School Department employees.

For further information concerning the School Department's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2019/ag18092.pdf>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

Receivables as of June 30, 2020 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	\$ 40,592,080	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,592,080	\$ 0
Accounts	1,776,064	66,871	0	2,172,301	2,486,608	34,866	64,376	24,820	955,414	512,369	8,093,689	327,501
Intergovernmental	6,434,265	20,788,549	454,976	39,670	0	0	0	2,717,003	0	0	30,434,463	0
Gross receivables	48,802,409	20,855,420	454,976	2,211,971	2,486,608	34,866	64,376	2,741,823	955,414	512,369	79,120,232	327,501
Less: Allowances for uncollectibles	(1,113,029)	(51,568)	0	(80,472)	(344,730)	0	0	0	(256,707)	0	(1,846,506)	0
Net total receivables	<u>\$ 47,689,380</u>	<u>\$ 20,803,852</u>	<u>\$ 454,976</u>	<u>\$ 2,131,499</u>	<u>\$ 2,141,878</u>	<u>\$ 34,866</u>	<u>\$ 64,376</u>	<u>\$ 2,741,823</u>	<u>\$ 698,707</u>	<u>\$ 512,369</u>	<u>\$ 77,273,726</u>	<u>\$ 327,501</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	\$ (47,038)
Uncollectibles related to general activities	(12,195)
Uncollectibles related to school activities	(11,632)
Uncollectibles related to water sales	(6,048)
Uncollectibles related to sewer charges	(33,117)
Uncollectibles related to solid waste charges	(38,394)
Uncollectibles related to storm water management fees	3,997
Uncollectibles related to internal service funds activities	0
Total uncollectibles of the current fiscal year	<u>\$ (144,427)</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets

Capital asset activity for the year ended June 30, 2020, was as follows:

Primary government

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 34,826,509	\$ 142,440	\$ 0	\$ 0	\$ 34,968,949
Construction in Progress	65,020,290	13,466,019	(6,518,117)	(47,934)	71,920,258
Total capital assets, not being depreciated	99,846,799	13,608,459	(6,518,117)	(47,934)	106,889,207
Capital assets, being depreciated:					
Buildings	189,698,982	882,513	0	0	190,581,495
Improvements other than buildings	40,005,625	4,388,565	0	0	44,394,190
Equipment	63,232,535	4,973,007	(1,383,133)	0	66,822,409
Software	872,584	303,319	(32,484)	0	1,143,419
Infrastructure	297,696,396	319,400	0	0	298,015,796
Total capital assets, being depreciated	591,506,122	10,866,804	(1,415,617)	0	600,957,309
Less accumulated depreciation for:					
Buildings	(103,607,633)	(5,146,290)	0	0	(108,753,923)
Improvements other than buildings	(19,138,554)	(1,774,666)	0	0	(20,913,220)
Equipment	(44,311,683)	(4,736,923)	1,337,374	0	(47,711,232)
Software	(684,578)	(109,734)	16,242	0	(778,070)
Infrastructure	(161,433,616)	(6,051,875)	0	0	(167,485,491)
Total accumulated depreciation	(329,176,064)	(17,819,488)	1,353,616	0	(345,641,936)
Total capital assets, being depreciated, net	262,330,058	(6,952,684)	(62,001)	0	255,315,373
Governmental activities capital assets, net	\$ 362,176,857	\$ 6,655,775	\$ (6,580,118)	\$ (47,934)	\$ 362,204,580

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

Governmental activities:	
General government	\$ 1,533,305
Economic and physical development	25,231
Public safety	1,783,054
Public works	7,929,733
Culture and recreation	2,373,439
Education	4,174,726
Total depreciation expense - governmental activities	<u>\$ 17,819,488</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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	\$ (950)	\$ 0	\$ 852,438
Construction in Progress	7,066,672	2,008,659	(4,018,782)	0	5,056,549
<u>Sewer</u>					
Land	1,242,871	276,759	0	0	1,519,630
Construction in Progress	3,976,735	8,700,288	(1,937,429)	0	10,739,594
<u>Solid waste management</u>					
Land	1,716,309	0	0	0	1,716,309
Construction in Progress	1,831,505	125,357	0	0	1,956,862
<u>Storm Water</u>					
Land	1,078,799	522,170	0	0	1,600,969
Construction in Progress	1,207,241	472,775	(875,015)	0	805,001
<u>Aquatic Center</u>					
Land	845,711	0	0	0	845,711
Construction in Progress	209,458	2,132,809	0	0	2,342,267
<u>MeadowView Conference Resort and Convention Center</u>					
Land	1,515,497	0	0	0	1,515,497
Construction in Progress	3,493,131	30,021	(3,499,125)	0	24,027
<u>Cattails at Meadowview Golf Course</u>					
Land	981,600	0	0	0	981,600
Construction in Progress	24,571	4,470	0	0	29,041
Total capital assets, not being depreciated	26,043,488	14,273,308	(10,331,301)	0	29,985,495
Capital assets, being depreciated:					
<u>Water</u>					
Buildings and system	141,914,810	3,894,763	0	0	145,809,573
Equipment and machinery	1,435,414	115,386	0	0	1,550,800
Software	141,493	0	0	0	141,493
<u>Sewer</u>					
Buildings and system	233,916,425	1,405,088	0	0	235,321,513
Equipment and machinery	1,771,707	85,410	0	0	1,857,117
Software	88,304	0	0	0	88,304
<u>Solid waste management</u>					
Buildings and system	458,552	61,284	0	0	519,836
Improvements other than Buildings	1,177,264	0	0	0	1,177,264
Equipment and machinery	2,379,276	0	(17,353)	0	2,361,923
Software	6,750	0	0	0	6,750
<u>Storm Water</u>					
Buildings and system	1,377,277	229,249	0	0	1,606,526
Improvements other than Buildings	534,297	0	0	0	534,297
Equipment and machinery	328,563	211,525	0	0	540,088
Software	73,970	0	0	0	73,970
<u>Aquatic Center</u>					
Buildings and system	19,277,951	0	0	0	19,277,951
Equipment and machinery	237,925	0	0	0	237,925
<u>MeadowView Conference Resort and Convention Center</u>					
Buildings	39,758,777	3,338,406	0	0	43,097,183
Improvements other than Buildings	2,914,257	44,435	0	0	2,958,692
Equipment	1,344,566	116,283	0	0	1,460,849
<u>Cattails at Meadowview Golf Course</u>					
Buildings	1,439,145	0	0	0	1,439,145
Improvements other than Buildings	6,061,895	0	0	0	6,061,895
Equipment	501,531	0	0	0	501,531
Total capital assets, being depreciated	457,140,149	9,501,829	(17,353)	0	466,624,625

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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	(55,246,230)	(3,305,912)	0	0	(58,552,142)
Equipment and machinery	(1,155,848)	(102,891)	0	0	(1,258,739)
Software	(122,993)	(15,019)	0	0	(138,012)
<u>Sewer</u>					
Buildings and system	(92,275,238)	(5,373,066)	0	0	(97,648,304)
Equipment and machinery	(945,883)	(121,677)	0	0	(1,067,560)
Software	(67,700)	(17,661)	0	0	(85,361)
<u>Solid waste management</u>					
Buildings and system	(169,753)	(18,626)	0	0	(188,379)
Improvements other than Buildings	(1,177,264)	0	0	0	(1,177,264)
Equipment and machinery	(1,570,990)	(190,125)	17,353	(1)	(1,743,763)
Software	(6,750)	0	0	0	(6,750)
<u>Storm Water</u>					
Buildings and system	(111,695)	(63,081)	0	0	(174,776)
Improvements other than Buildings	(249,339)	(35,620)	0	0	(284,959)
Equipment and machinery	(190,571)	(64,620)	0	0	(255,191)
Software	(58,264)	(13,462)	0	0	(71,726)
<u>Aquatic Center</u>					
Buildings and system	(3,866,144)	(647,063)	0	0	(4,513,207)
Equipment and machinery	(148,717)	(29,066)	0	0	(177,783)
<u>MeadowView Conference Resort and Convention Center</u>					
Buildings	(15,140,700)	(1,256,642)	0	0	(16,397,342)
Improvements other than Buildings	(1,399,644)	(186,119)	0	0	(1,585,763)
Equipment	(1,257,209)	(62,548)	0	0	(1,319,757)
<u>Cattails at MeadowView Golf Course</u>					
Buildings	(553,379)	(41,102)	0	0	(594,481)
Improvements other than Buildings	(4,431,539)	(184,138)	0	1	(4,615,676)
Equipment	(469,648)	(12,115)	0	0	(481,763)
Total accumulated depreciation	(180,615,498)	(11,740,553)	17,353	0	(192,338,698)
Total capital assets, being depreciated, net	276,524,651	(2,238,724)	0	0	274,285,927
Business-type activities capital assets, net	\$ 302,568,139	\$ 12,034,584	\$ (10,331,301)	\$ 0	\$ 304,271,422

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

Business-type activities:	
Water	\$ 3,423,822
Sewer	5,512,404
Solid waste management	208,751
Storm Water	176,783
Aquatic Center	676,129
MeadowView Conference Resort and Convention Center	1,505,309
Cattails at MeadowView Golf Course	237,355
Total depreciation expense - business-type activities	<u>\$ 11,740,553</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020. 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, \$20,405,882 through city bonded debt. In the proprietary funds, funding for construction projects has been provided and is in segregated deposit and investment accounts totaling \$28,734,850. 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, 2020:

Net Investment in Capital Assets

The net investment in capital assets is composed of the following items at June 30, 2020:

	Business-Type						
	Governmental	Water	Sewer	Aquatic Center	MeadowView Conference Center	Other Enterprise Funds	Total Business-Type
Capital Assets	\$ 707,846,516	\$ 153,410,853	\$ 249,526,158	\$ 22,703,854	\$ 49,056,248	\$ 21,913,007	\$ 496,610,120
Less Accumulated Depreciation	(345,641,936)	(59,948,893)	(98,801,225)	(4,690,990)	(19,302,862)	(9,594,728)	(192,338,698)
Net Capital Assets	362,204,580	93,461,960	150,724,933	18,012,864	29,753,386	12,318,279	304,271,422
Deferred Outflows Related to Refunding	2,801,003	136,453	222,775	549,502	654,502	51,254	1,614,486
Total Debt	126,262,719	43,382,625	59,746,469	15,809,009	13,363,908	4,733,734	137,035,745
Less Debt not related to Capital Assets	0	0	0	0	0	0	0
Less Capital related unspent debt proceeds	(20,405,882)	(12,149,756)	(13,691,844)	(1,736,112)	(329,447)	(827,691)	(28,734,850)
Total Capital Debt	105,856,837	31,232,869	46,054,625	14,072,897	13,034,461	3,906,043	108,300,895
Net Investment in Capital Assets	\$ 259,148,746	\$ 62,365,544	\$ 104,893,083	\$ 4,489,469	\$ 17,373,427	\$ 8,463,490	\$ 197,585,013

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,200,238	\$ 0	\$ (709,319)	\$ 490,919
Construction in Progress	886,900	2,490,249	(886,900)	2,490,249
Total capital assets, not being depreciated	2,087,138	2,490,249	(1,596,219)	2,981,168
Capital assets, being depreciated:				
Buildings	7,896,063	2,886,900	(2,681,219)	8,101,744
Improvements other than buildings	528,683	0	(286,480)	242,203
Signs	55,422	0	0	55,422
Total capital assets, being depreciated	8,480,168	2,886,900	(2,967,699)	8,399,369
Less accumulated depreciation for:				
Buildings	(761,176)	(177,544)	265,410	(673,310)
Improvements other than buildings	(147,780)	(16,147)	52,244	(111,683)
Signs	(55,422)	0	0	(55,422)
Total accumulated depreciation	(964,378)	(193,691)	317,654	(840,415)
Total capital assets, being depreciated, net	7,515,790	2,693,209	(2,650,045)	7,558,954
IDBK capital assets, net	<u>\$ 9,602,928</u>	<u>\$ 5,183,458</u>	<u>\$ (4,246,264)</u>	<u>\$ 10,540,122</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020, 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	226,429	0	0	226,429
Office Equipment	9,332	0	0	9,332
Communications Equipment	667,880	218,158	0	886,038
Other Fixed Assets	88,114	0	0	88,114
Total capital assets, being depreciated	3,013,865	218,158	0	3,232,023
Less accumulated depreciation for:				
Building	(189,573)	(50,553)	0	(240,126)
Furniture and Fixtures	(81,117)	(22,993)	0	(104,110)
Office Equipment	(5,428)	(1,458)	0	(6,886)
Communications Equipment	(488,623)	(77,452)	0	(566,075)
Other Fixed Assets	(21,742)	(5,925)	0	(27,667)
Total accumulated depreciation	(786,483)	(158,381)	0	(944,864)
Total capital assets, being depreciated, net	2,227,382	59,777	0	2,287,159
ECD capital assets, net	<u>\$2,469,392</u>	<u>\$ 59,777</u>	<u>\$ 0</u>	<u>\$2,529,169</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Inter-fund receivables, payables, and transfers

The composition of Inter-fund balances as of June 30, 2020, 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)	\$ 2,666,097
	Cattails Golf Course Fund (nonmajor)	97,856
	Community Development Fund (nonmajor)	23,226
	Fleet Maintenance Fund (internal service)	1,900,721
	M P O Fund (nonmajor)	67,270
	MeadowView Convention Center Fund (major)	26,055
	Regional Sales Tax Fund (nonmajor)	216,158
	State Street Aid Fund (nonmajor)	149,536
	Storm Water Management Fund (nonmajor)	535,998
		<u>5,682,917</u>
General Purpose School Fund (major)	Public Law 93-380 Fund (nonmajor)	574,573
	Special School Projects Fund (nonmajor)	137,203
		<u>711,776</u>
Total		<u>\$ 6,394,693</u>

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

Inter-fund 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, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

Inter-fund transfers (continued)

Transfers in:												
Transfers out:	General	General Purpose School	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental	Water	Aquatic Center	Meadow View Conference Resort and Convention Center	Nonmajor Proprietary	Total Proprietary	Total
General	\$ 0	\$ 14,330,155	\$ 8,731,854	\$ (1,154,158)	\$ 4,205,740	\$ 26,113,591	\$ 0	\$ 1,000,000	\$ 0	\$ 3,493,695	\$ 4,493,695	\$ 30,607,286
General Purpose School	188,534	0	3,524,606	1,004,700	139,684	4,857,524	0	0	0	0	0	4,857,524
Capital Projects	0	0	0	0	0	0	0	0	0	0	0	0
Nonmajor Governmental	10,000	119,926	0	175,000	0	304,926	0	1,680,740	2,285,233	137,608	4,103,581	4,408,507
Total Governmental	198,534	14,450,081	12,256,460	25,542	4,345,424	31,276,041	0	2,680,740	2,285,233	3,631,303	8,597,276	39,873,317
Water	1,638,844	0	0	0	0	1,638,844	0	0	0	0	0	1,638,844
Sewer	1,444,411	0	0	0	0	1,444,411	159,872	0	0	0	159,872	1,604,283
Storm Water	86,236	0	0	0	0	86,236	21,900	0	0	0	21,900	108,136
Aquatic Center	46,215	0	0	0	0	46,215	0	0	0	0	0	46,215
Cattails at Meadow View	0	0	0	0	0	0	0	0	0	0	0	0
Total Proprietary	3,215,706	0	0	0	0	3,215,706	181,772	0	0	0	181,772	3,397,478
Fleet Maintenance	0	0	0	0	0	0	0	0	0	0	0	0
Health Insurance	0	0	0	0	0	0	0	0	0	0	0	0
Total Internal Service	0	0	0	0	0	0	0	0	0	0	0	0
Total	\$ 3,414,240	\$ 14,450,081	\$ 12,256,460	\$ 25,542	\$ 4,345,424	\$ 34,491,747	\$ 181,772	\$ 2,680,740	\$ 2,285,233	\$ 3,631,303	\$ 8,779,048	\$ 43,270,795

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 November 15, 2019, the City issued General Obligation Improvement Bonds, Series 2019 at a total par value of \$18,615,000. The portion of these bonds related to general government activities totals \$8,906,518 while \$9,152,122 related to Water and Sewer activities and \$556,360 related to Meadowview and Cattails activities and carry an average interest rate of 3.78%. The Bonds are issued for the purposes of financing a portion of the costs of 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 transmission upgrades; the acquisition, construction, renovation, improvement and equipping of public buildings within the Municipality, including a satellite salt facility and renovations to court facilities and fire facilities; acquisition of public works equipment, including fire equipment and improvements to technology infrastructure and back office improvements; acquisition, construction, improvement and equipping of public parks and recreational facilities, including Bays Mountain Nature Center and Miracle Field; construction and improvement of the Municipality's convention center, including roof replacement; construction, improvement and equipping of the Municipality's golf course; construction, expansion and improvement of the Municipality's water system; construction, expansion and improvement of the Municipality's sewer system; the acquisition of all property real and personal, appurtenant thereto or connected with such work; and to pay legal, fiscal, administrative, and engineering costs, to reimburse the Municipality for the costs of any of the above projects, to pay capitalized interest, and to pay costs incident to the issuance and sale of the Bonds.

The Series 2019 net proceeds of \$20,075,131 consisted of the par amount of \$18,615,000 General Obligation Bonds, plus a net premium of \$1,673,195, less an underwriter's discount and other issuance costs of \$213,064. With the implementation of GASB 65, bond issuance costs are expensed in the year incurred. The objective of the bond issue was to take advantage of low interest rates and finance the City's FY 2019-2020 Capital Improvement Program as quickly as possible.

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, 2020, \$220,293 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, 2020, \$103,267 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, 2020, \$472,708 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, 2020, \$469,000 is outstanding.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Notes Payable (continued)

Governmental Activities (continued):

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, 2020, \$1,874,308 is outstanding.

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
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>\$ 220,293</u>	<u>\$ 103,267</u>	<u>\$ 472,708</u>	<u>\$ 469,000</u>	<u>\$ 1,874,308</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, 2020, the City issued General Obligation Improvement Bonds, Series 2019 at par value of \$18,615,000. The portion of these bonds related to general governmental activities totals \$8,906,518 while \$9,152,122 related to Water and Sewer activities and \$556,360 related to Meadowview and Cattails activities and carry an average coupon rate of 3.78%.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (Continued)

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:

Debt Service Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2020
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	\$ 10,742,779	2.000%-4.000%	\$ 7,760,892
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	4,790,338	2.000%-4.000%	2,908,096
2013 General Obligation Refunding	02/01, 05/01	02/08/13	12,177,052	2.500%-3.750%	6,484,206
2013B General Obligation Public Improvement	03/01, 09/01	10/21/13	13,406,846	2.000%-5.000%	10,248,854
2014A General Obligation Public Improvement	03/01, 09/01	10/31/14	14,596,848	2.000%-5.000%	11,262,166
2015 General Obligation Refunding	03/01, 09/01	02/06/15	17,695,000	2.000%-4.000%	16,020,000
2015A General Obligation Refunding and Improvement	03/01, 09/01	10/27/15	8,054,686	1.000%-4.000%	5,919,034
2016A General Obligation Refunding	03/01, 09/01	06/03/16	6,928,927	2.000%-4.000%	6,350,123
2016B General Obligation Refunding	03/01, 09/01	06/03/16	4,330,138	2.000%-4.000%	4,211,837
2016 (NOV) General Obligation Public Improvement	03/01, 09/01	11/04/16	7,821,325	3.000%-4.000%	6,908,501
2017A General Obligation Public Improvement	03/01, 09/01	09/08/17	14,690,288	2.000%-5.000%	13,597,540
2018A General Obligation Public Improvement	03/01, 09/01	09/28/18	7,040,000	3.000%-5.000%	6,755,000
2019 General Obligation Refunding	03/01, 09/01	05/01/19	7,377,513	3.000%-5.000%	7,377,513
2019 General Obligation Improvement	03/01, 09/01	11/15/19	8,906,518	3.000%-5.000%	8,906,518
Total General Obligation Bonds (before net premiums and discounts of \$8,412,863)					<u>\$ 114,710,280</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	745,471	57,034	802,505
2032	<u>775,424</u>	<u>29,078</u>	<u>804,502</u>
	<u>\$ 7,760,892</u>	<u>\$ 1,878,006</u>	<u>\$ 9,638,898</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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
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>\$ 2,908,096</u>	<u>\$ 562,980</u>	<u>\$ 3,471,076</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
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>\$ 6,484,206</u>	<u>\$ 749,368</u>	<u>\$ 7,233,574</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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:

Fiscal Year Ending June 30	Principal	Interest	Total
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	882,093	72,848	954,941
2034	916,208	37,565	953,773
	<u>\$ 10,248,854</u>	<u>\$ 3,410,069</u>	<u>\$ 13,658,923</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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:

Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 11,262,166</u>	<u>\$ 3,303,787</u>	<u>\$ 14,565,953</u>

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
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>\$ 16,020,000</u>	<u>\$ 2,794,150</u>	<u>\$ 18,814,150</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	327,946	43,033	370,979
2034	338,611	33,195	371,806
2035	349,276	22,613	371,889
2036	359,941	11,698	371,639
	<u>\$ 5,919,034</u>	<u>\$ 1,368,467</u>	<u>\$ 7,287,501</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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
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	802,385	24,072	826,457
	<u>\$ 6,350,123</u>	<u>\$ 1,080,545</u>	<u>\$ 7,430,668</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
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>\$ 4,211,837</u>	<u>\$ 758,990</u>	<u>\$ 4,970,827</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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
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	538,896	16,167	555,063
	<u>\$ 6,908,501</u>	<u>\$ 2,083,475</u>	<u>\$ 8,991,976</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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
2021	\$ 588,402	\$ 441,784	\$ 1,030,186
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	815,853	213,086	1,028,939
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>\$ 13,597,540</u>	<u>\$ 3,926,710</u>	<u>\$ 17,524,250</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Public Improvement Bonds, Series 2018A, issued September 28, 2018 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 295,000	\$ 252,450	\$ 547,450
2022	315,000	237,700	552,700
2023	325,000	221,950	546,950
2024	345,000	205,700	550,700
2025	360,000	188,450	548,450
2026	375,000	170,450	545,450
2027	395,000	151,700	546,700
2028	405,000	139,850	544,850
2029	340,000	127,700	467,700
2030	350,000	117,500	467,500
2031	365,000	107,000	472,000
2032	375,000	96,050	471,050
2033	385,000	84,331	469,331
2034	400,000	71,819	471,819
2035	410,000	58,819	468,819
2036	425,000	45,494	470,494
2037	440,000	31,150	471,150
2038	450,000	15,750	465,750
	<u>\$ 6,755,000</u>	<u>\$ 2,323,863</u>	<u>\$ 9,078,863</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation Refunding Bonds, Series 2019, issued May 01, 2019 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 606,944	\$ 368,876	\$ 975,820
2022	630,490	338,528	969,018
2023	661,883	307,004	968,887
2024	701,126	273,910	975,036
2025	708,974	238,854	947,828
2026	737,751	203,405	941,156
2027	774,377	166,517	940,894
2028	811,003	127,798	938,801
2029	850,245	87,248	937,493
2030	894,720	44,736	939,456
	<u>\$ 7,377,513</u>	<u>\$ 2,156,876</u>	<u>\$ 9,534,389</u>

General Obligation Improvement Bonds, Series 2019, issued November 15, 2019 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 186,599	\$ 331,010	\$ 517,609
2022	382,767	321,680	704,447
2023	401,906	302,542	704,448
2024	421,044	282,446	703,490
2025	442,575	261,394	703,969
2026	464,105	239,265	703,370
2027	488,028	216,060	704,088
2028	511,951	191,659	703,610
2029	533,482	166,061	699,543
2030	550,228	150,057	700,285
2031	397,121	133,550	530,671
2032	409,083	121,636	530,719
2033	421,044	109,364	530,408
2034	433,006	96,733	529,739
2035	444,967	85,907	530,874
2036	456,929	72,558	529,487
2037	471,282	58,851	530,133
2038	483,244	44,712	527,956
2039	497,598	30,215	527,813
2040	509,559	15,287	524,846
	<u>\$ 8,906,518</u>	<u>\$ 3,230,987</u>	<u>\$ 12,137,505</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 8,021,494	\$ 4,179,539	\$ 12,201,033
2022	8,244,556	3,872,588	12,117,144
2023	8,909,973	3,535,215	12,445,188
2024	9,237,167	3,173,764	12,410,931
2025	9,520,202	2,788,425	12,308,627
Next Five Years	41,578,278	8,639,908	50,218,186
Next Five Years	22,598,226	3,007,950	25,606,176
Next Five Years	<u>6,600,384</u>	<u>430,884</u>	<u>7,031,268</u>
	<u>\$ 114,710,280</u>	<u>\$ 29,628,273</u>	<u>\$ 144,338,553</u>

The total on the statement of net assets has been adjusted by net premiums and discounts of \$8,412,863.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020 the outstanding principal balance was \$11,921,785. 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:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2038	134,113	299	134,412
	<u>\$ 11,921,785</u>	<u>\$ 1,922,855</u>	<u>\$ 13,844,640</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020, the City issued General Obligation Improvement Bonds, Series 2019 at par value of \$18,615,000. The portion of these bonds related to general governmental activities totals \$8,906,518 while \$9,152,122 related to Water and Sewer activities and \$556,360 related to Meadowview and Cattails activities and carry an average coupon rate of 3.78%.

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:

Solid Waste Management Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2020
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	\$ 1,141,983	2.000%-4.000%	\$ 311,886
2013 General Obligation Refunding	05/01, 11/01	02/08/13	132,948	2.500%-4.000%	70,794
2013B General Obligation Public Improvement	03/01, 09/01	10/21/13	289,856	2.000%-5.000%	221,580
2014A General Obligation Public Improvement	03/01, 09/01	10/31/14	2,371,107	2.000%-5.000%	2,017,834
2019 General Obligation Refunding	03/01, 09/01	05/01/19	161,953	3.000%-5.000%	161,953
Total Solid Waste Management Fund (before net premiums and discounts of \$217,359)					<u>\$ 2,784,047</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020</u>
2016A General Obligation Refunding	03/01, 09/01	06/03/16	\$ 9,221,015	2.000%-4.000%	\$ 8,450,743
2016 (NOV) General Obligation Public Improvement	03/01, 09/01	11/04/16	3,266,427	3.000%-4.000%	2,885,203
2019 General Obligation Refunding	03/01, 09/01	05/01/19	542,374	3.000%-5.000%	542,374
2019 (NOV) General Obligation Improvement	03/01, 09/01	11/15/19	324,543	3.000%-5.000%	<u>324,543</u>
Total MeadowView Conference Resort and Convention Center Fund (before net premiums and discounts of \$1,161,045)					<u><u>\$ 12,202,863</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%-4.000%	\$ 374,553
2019 (NOV) General Obligation Improvement	03/01, 09/01	11/15/19	231,817	3.000%-5.000%	<u>231,817</u>
Total Cattails at MeadowView Golf Course Fund (before net premiums and discounts of \$24,326)					<u><u>\$ 606,370</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020</u>
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	\$ 395,414	2.000%-4.000%	\$ 285,657
2016A General Obligation Refunding	03/01, 09/01	06/03/16	430,058	2.000%-4.000%	394,134
2019 General Obligation Refunding	03/01, 09/01	05/01/19	323,907	3.000%-5.000%	323,907
Total Storm Water Fund (before net premiums and discounts of \$97,934)					<u>\$ 1,003,698</u>
<u>Aquatic Center Fund</u>					
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	\$ 160,000	2.000%-4.000%	\$ 115,590
2012A General Obligation Public Improvement	04/01, 10/01	06/22/12	3,110,000	2.000%-5.000%	2,250,000
2013A General Obligation Public Improvement	03/01, 09/01	10/21/13	1,310,000	3.000%-4.000%	1,005,000
2016B General Obligation Refunding	03/01, 09/01	06/03/16	9,029,862	2.000%-4.000%	8,783,163
2017A General Obligation Public Improvement	03/01, 09/01	09/08/17	164,712	2.000%-5.000%	152,459
2018C General Obligation Public Improvement	03/01, 09/01	09/28/18	2,360,000	3.000%-5.000%	2,265,000
2019 General Obligation Refunding	03/01, 09/01	05/01/19	295,809	3.000%-5.000%	295,809
Total Aquatic Center Fund (before net premiums and discounts of \$941,988)					<u>\$ 14,867,021</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020</u>
2008 Tennessee Municipal Bond Fund	Monthly	10/17/08	\$ 9,698,196	Variable	\$ 4,148,196
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	2,430,991	2.000%-4.000%	1,756,218
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	1,181,362	2.000%-4.000%	854,675
2013 General Obligation Refunding	05/01, 11/01	02/08/13	3,025,000	2.500%-3.750%	145,000
2013B General Obligation Public Improvement	03/01, 09/01	10/21/13	4,262,308	2.000%-5.000%	3,258,319
2014B General Obligation Public Improvement	03/01, 09/01	10/31/14	2,717,899	2.000%-3.000%	2,248,841
2015A General Obligation Refunding and Improvement	03/01, 09/01	10/27/15	2,226,419	1.000%-4.000%	1,636,098
2016 (NOV) General Obligation Public Improvement	03/01, 09/01	11/04/16	3,294,425	3.000%-4.000%	2,909,934
2017B General Obligation Public Improvement	03/01, 09/01	09/08/17	1,167,095	2.000%-5.000%	1,077,877
2018B General Obligation Public Improvement	03/01, 09/01	09/28/18	3,966,023	3.000%-5.000%	3,826,930
2019 General Obligation Refunding	03/01, 09/01	05/01/19	2,159,378	3.000%-5.000%	2,159,377
2019 (NOV) General Obligation Improvement	03/01, 09/01	11/15/19	5,730,508	3.000%-5.000%	<u>5,730,508</u>
Total Water Fund (before net premiums and discounts of \$1,708,867)					<u>\$ 29,751,973</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020</u>
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	\$ 2,410,816	2.000%-4.000%	\$ 1,741,643
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	1,673,596	2.000%-4.000%	1,210,789
2013 General Obligation Refunding	05/01, 11/01	02/08/13	27,760,000	2.500%-4.000%	13,500,000
2013B General Obligation Public Improvement	03/01, 09/01	10/21/13	9,550,990	2.000%-5.000%	7,301,248
2014B General Obligation Public Improvement	03/01, 09/01	10/31/14	6,582,101	2.000%-3.000%	5,446,159
2015A General Obligation Refunding and Improvement	03/01, 09/01	10/27/15	4,823,895	1.000%-4.000%	3,544,868
2016 (NOV) General Obligation Public Improvement	03/01, 09/01	11/04/16	6,952,823	3.000%-4.000%	6,141,362
2017B General Obligation Public Improvement	03/01, 09/01	09/08/17	10,082,905	2.000%-5.000%	9,312,123
2018B General Obligation Public Improvement	03/01, 09/01	09/28/18	1,308,977	3.000%-5.000%	1,263,070
2019 General Obligation Refunding	03/01, 09/01	05/01/19	3,239,067	3.000%-5.000%	3,239,067
2019 (NOV) General Obligation Improvement	03/01, 09/01	11/15/19	3,421,614	3.000%-5.000%	<u>3,421,614</u>
Total Sewer Fund (before net premiums and discounts of \$3,624,526)					<u>\$ 56,121,943</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 153,544	\$ 9,357	\$ 162,901
2022	158,342	4,750	163,092
	<u>\$ 311,886</u>	<u>\$ 14,107</u>	<u>\$ 325,993</u>

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
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>\$ 70,794</u>	<u>\$ 8,182</u>	<u>\$ 78,976</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 221,580</u>	<u>\$ 73,725</u>	<u>\$ 295,305</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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
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>\$ 2,017,834</u>	<u>\$ 591,938</u>	<u>\$ 2,609,772</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Refunding Bonds, Series 2019, issued May 01, 2019 debt service requirements to maturity for the Solid Waste Fund portion are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 13,324	\$ 8,098	\$ 21,422
2022	13,841	7,432	21,273
2023	14,530	6,739	21,269
2024	15,391	6,013	21,404
2025	15,564	5,243	20,807
2026	16,195	4,465	20,660
2027	16,999	3,655	20,654
2028	17,803	2,806	20,609
2029	18,665	1,915	20,580
2030	19,641	982	20,623
	<u>\$ 161,953</u>	<u>\$ 47,348</u>	<u>\$ 209,301</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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>
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>\$ 8,450,743</u>	<u>\$ 1,437,990</u>	<u>\$ 9,888,733</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 (Nov), issued November 04, 2016 debt service requirements to maturity for the MeadowView Conference Resort and Convention Center Fund portion are as

Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 2,885,203</u>	<u>\$ 870,124</u>	<u>\$ 3,755,327</u>

General Obligation Refunding Bonds, Series 2019, issued May 01, 2019 debt service requirements to maturity for the MeadowView Conference Resort and Convention Center Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 44,621	\$ 27,119	\$ 71,740
2022	46,352	24,888	71,240
2023	48,660	22,570	71,230
2024	51,545	20,137	71,682
2025	52,122	17,560	69,682
2026	54,237	14,954	69,191
2027	56,930	12,242	69,172
2028	59,623	9,395	69,018
2029	62,507	6,414	68,921
2030	65,777	3,289	69,066
	<u>\$ 542,374</u>	<u>\$ 158,568</u>	<u>\$ 700,942</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Improvement Bonds, Series 2019, issued November 15, 2019 debt service requirements to maturity for the MeadowView Conference Resort and Convention Center Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 6,799	\$ 12,062	\$ 18,861
2022	13,948	11,722	25,670
2023	14,645	11,024	25,669
2024	15,342	10,292	25,634
2025	16,127	9,525	25,652
2026	16,911	8,719	25,630
2027	17,783	7,873	25,656
2028	18,655	6,984	25,639
2029	19,439	6,051	25,490
2030	20,050	5,468	25,518
2031	14,471	4,866	19,337
2032	14,907	4,432	19,339
2033	15,342	3,985	19,327
2034	15,778	3,525	19,303
2035	16,214	3,130	19,344
2036	16,650	2,644	19,294
2037	17,173	2,145	19,318
2038	17,609	1,629	19,238
2039	18,132	1,101	19,233
2040	18,568	557	19,125
	<u>\$ 324,543</u>	<u>\$ 117,734</u>	<u>\$ 442,277</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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
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>\$ 374,553</u>	<u>\$ 79,822</u>	<u>\$ 454,375</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Improvement Bonds, Series 2019, issued November 15, 2019 debt service requirements to maturity for the Cattails at MeadowView Golf Course Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 4,857	\$ 8,615	\$ 13,472
2022	9,963	8,373	18,336
2023	10,461	7,874	18,335
2024	10,959	7,351	18,310
2025	11,519	6,803	18,322
2026	12,080	6,228	18,308
2027	12,702	5,624	18,326
2028	13,325	4,988	18,313
2029	13,885	4,322	18,207
2030	14,321	3,906	18,227
2031	10,336	3,476	13,812
2032	10,647	3,166	13,813
2033	10,959	2,846	13,805
2034	11,270	2,518	13,788
2035	11,582	2,236	13,818
2036	11,893	1,889	13,782
2037	12,266	1,532	13,798
2038	12,578	1,164	13,742
2039	12,951	786	13,737
2040	13,263	398	13,661
	<u>\$ 231,817</u>	<u>\$ 84,095</u>	<u>\$ 315,912</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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>
2021	\$ 19,721	\$ 9,793	\$ 29,514
2022	20,579	9,005	29,584
2023	21,192	8,387	29,579
2024	21,926	7,751	29,677
2025	22,539	7,094	29,633
2026	23,029	6,395	29,424
2027	24,009	5,646	29,655
2028	24,744	4,836	29,580
2029	25,479	3,970	29,449
2030	26,459	3,078	29,537
2031	27,439	2,099	29,538
2032	28,541	1,070	29,611
	<u>\$ 285,657</u>	<u>\$ 69,124</u>	<u>\$ 354,781</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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
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>\$ 394,134</u>	<u>\$ 67,066</u>	<u>\$ 461,200</u>

General Obligation Refunding Bonds, Series 2019, issued May 01, 2019 debt service requirements to maturity for the Storm Water Fund are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 26,648	\$ 16,195	\$ 42,843
2022	27,681	14,863	42,544
2023	29,060	13,479	42,539
2024	30,782	12,026	42,808
2025	31,127	10,487	41,614
2026	32,391	8,930	41,321
2027	33,999	7,311	41,310
2028	35,607	5,611	41,218
2029	37,330	3,831	41,161
2030	39,282	1,964	41,246
	<u>\$ 323,907</u>	<u>\$ 94,697</u>	<u>\$ 418,604</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 7,981	\$ 3,963	\$ 11,944
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	9,318	2,588	11,906
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	11,550	433	11,983
	<u>\$ 115,590</u>	<u>\$ 27,970</u>	<u>\$ 143,560</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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>
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>\$ 2,250,000</u>	<u>\$ 470,464</u>	<u>\$ 2,720,464</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,005,000</u>	<u>\$ 314,144</u>	<u>\$ 1,319,144</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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>
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>\$ 8,783,163</u>	<u>\$ 1,582,761</u>	<u>\$ 10,365,924</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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
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>\$ 152,459</u>	<u>\$ 44,027</u>	<u>\$ 196,486</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation, Series 2018C, issued September 28, 2018 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>
2021	\$ 95,000	\$ 71,319	\$ 166,319
2022	100,000	68,469	168,469
2023	105,000	65,469	170,469
2024	105,000	62,319	167,319
2025	110,000	59,169	169,169
2026	110,000	55,869	165,869
2027	115,000	52,568	167,568
2028	120,000	49,119	169,119
2029	125,000	45,518	170,518
2030	125,000	41,769	166,769
2031	130,000	38,018	168,018
2032	135,000	34,119	169,119
2033	140,000	29,900	169,900
2034	140,000	25,350	165,350
2035	145,000	20,800	165,800
2036	150,000	16,087	166,087
2037	155,000	11,025	166,025
2038	160,000	5,600	165,600
	<u>\$ 2,265,000</u>	<u>\$ 752,487</u>	<u>\$ 3,017,487</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Refunding Bonds, Series 2019, issued May 01, 2019 debt service requirements to maturity for the Aquatic Center Fund portion are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 24,336	\$ 14,790	\$ 39,126
2022	25,280	13,574	38,854
2023	26,539	12,310	38,849
2024	28,112	10,983	39,095
2025	28,427	9,577	38,004
2026	29,581	8,156	37,737
2027	31,049	6,677	37,726
2028	32,518	5,124	37,642
2029	34,092	3,498	37,590
2030	35,875	1,794	37,669
	<u>\$ 295,809</u>	<u>\$ 86,483</u>	<u>\$ 382,292</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 Ending June 30</u>	<u>Principal</u>	<u>Interest *</u>	<u>Total</u>
2021	\$ 655,000	\$ 34,686	\$ 689,686
2022	655,000	29,209	684,209
2023	710,000	23,732	733,732
2024	735,000	17,795	752,795
2025	735,000	11,650	746,650
2026	658,196	5,504	663,700
	<u>\$ 4,148,196</u>	<u>\$ 122,576</u>	<u>\$ 4,270,772</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, 2020, to calculate an estimated annual effective interest rate of 0.836%.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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>
2021	\$ 121,247	\$ 60,209	\$ 181,456
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	175,472	6,580	182,052
	<u>\$ 1,756,218</u>	<u>\$ 424,975</u>	<u>\$ 2,181,193</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 854,675</u>	<u>\$ 182,138</u>	<u>\$ 1,036,813</u>

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
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>\$ 145,000</u>	<u>\$ 10,375</u>	<u>\$ 155,375</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,258,319</u>	<u>\$ 1,084,129</u>	<u>\$ 4,342,448</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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:

Fiscal Year Ending June 30	Principal	Interest	Total
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	176,809	8,132	184,941
2035	182,654	2,740	185,394
	<u>\$ 2,248,841</u>	<u>\$ 530,918</u>	<u>\$ 2,779,759</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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:

Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 1,636,098</u>	<u>\$ 378,262</u>	<u>\$ 2,014,360</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 (Nov), 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
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>\$ 2,909,934</u>	<u>\$ 877,583</u>	<u>\$ 3,787,517</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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
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	63,282	18,310	81,592
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>\$ 1,077,877</u>	<u>\$ 309,592</u>	<u>\$ 1,387,469</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation, Series 2018B, issued September 28, 2018 debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 146,611	\$ 140,719	\$ 287,330
2022	154,130	133,388	287,518
2023	161,648	125,682	287,330
2024	172,926	117,599	290,525
2025	180,445	108,953	289,398
2026	187,963	99,931	287,894
2027	199,241	90,532	289,773
2028	203,000	84,555	287,555
2029	210,519	78,465	288,984
2030	218,037	72,150	290,187
2031	221,797	65,609	287,406
2032	229,315	58,955	288,270
2033	236,834	51,789	288,623
2034	244,352	44,091	288,443
2035	251,871	36,150	288,021
2036	259,389	27,964	287,353
2037	270,667	19,210	289,877
2038	278,185	9,736	287,921
	<u>\$ 3,826,930</u>	<u>\$ 1,365,478</u>	<u>\$ 5,192,408</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Refunding Bonds, Series 2019, issued May 01, 2019 debt service requirements to maturity for the Water Fund portion are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 177,651	\$ 107,969	\$ 285,620
2022	184,543	99,086	283,629
2023	193,731	89,859	283,590
2024	205,217	80,173	285,390
2025	207,515	69,912	277,427
2026	215,938	59,536	275,474
2027	226,658	48,739	275,397
2028	237,378	37,406	274,784
2029	248,864	25,537	274,401
2030	261,882	13,094	274,976
	<u>\$ 2,159,377</u>	<u>\$ 631,311</u>	<u>\$ 2,790,688</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Improvement Bonds, Series 2019, issued November 15, 2019 debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 120,059	\$ 212,974	\$ 333,033
2022	246,275	206,971	453,246
2023	258,589	194,657	453,246
2024	270,902	181,728	452,630
2025	284,755	168,183	452,938
2026	298,608	153,945	452,553
2027	314,000	139,014	453,014
2028	329,393	123,314	452,707
2029	343,246	106,845	450,091
2030	354,020	96,547	450,567
2031	255,510	85,927	341,437
2032	263,206	78,262	341,468
2033	270,902	70,365	341,267
2034	278,599	62,238	340,837
2035	286,295	55,273	341,568
2036	293,991	46,685	340,676
2037	303,226	37,865	341,091
2038	310,922	28,768	339,690
2039	320,157	19,440	339,597
2040	327,853	9,836	337,689
	<u>\$ 5,730,508</u>	<u>\$ 2,078,837</u>	<u>\$ 7,809,345</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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>
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>\$ 1,741,643</u>	<u>\$ 421,448</u>	<u>\$ 2,163,091</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 Sewer Fund are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 1,210,789</u>	<u>\$ 258,030</u>	<u>\$ 1,468,819</u>

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
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>\$ 13,500,000</u>	<u>\$ 2,408,639</u>	<u>\$ 15,908,639</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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
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>\$ 7,301,248</u>	<u>\$ 2,429,321</u>	<u>\$ 9,730,569</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	428,191	19,693	447,884
2035	442,346	6,635	448,981
	<u>\$ 5,446,159</u>	<u>\$ 1,285,757</u>	<u>\$ 6,731,916</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,544,868</u>	<u>\$ 819,566</u>	<u>\$ 4,364,434</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 (Nov), 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
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>\$ 6,141,362</u>	<u>\$ 1,852,120</u>	<u>\$ 7,993,482</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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:

Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 9,312,123</u>	<u>\$ 2,674,668</u>	<u>\$ 11,986,791</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation, Series 2018B, issued September 28, 2018 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>
2021	\$ 48,389	\$ 46,444	\$ 94,833
2022	50,870	44,024	94,894
2023	53,352	41,481	94,833
2024	57,074	38,813	95,887
2025	59,555	35,960	95,515
2026	62,037	32,982	95,019
2027	65,759	29,880	95,639
2028	67,000	27,907	94,907
2029	69,481	25,897	95,378
2030	71,963	23,813	95,776
2031	73,203	21,654	94,857
2032	75,685	19,458	95,143
2033	78,166	17,093	95,259
2034	80,648	14,552	95,200
2035	83,129	11,931	95,060
2036	85,611	9,230	94,841
2037	89,333	6,340	95,673
2038	91,815	3,214	95,029
	<u>\$ 1,263,070</u>	<u>\$ 450,673</u>	<u>\$ 1,713,743</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Refunding Bonds, Series 2019, issued May 01, 2019 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>
2021	\$ 266,476	\$ 161,953	\$ 428,429
2022	276,814	148,630	425,444
2023	290,597	134,789	425,386
2024	307,826	120,259	428,085
2025	311,272	104,868	416,140
2026	323,907	89,304	413,211
2027	339,987	73,109	413,096
2028	356,068	56,109	412,177
2029	373,297	38,306	411,603
2030	392,823	19,641	412,464
	<u>\$ 3,239,067</u>	<u>\$ 946,968</u>	<u>\$ 4,186,035</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

General Obligation Improvement Bonds, Series 2019, issued November 15, 2019 debt service requirements to maturity for the Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 71,686	\$ 127,164	\$ 198,850
2022	147,048	123,580	270,628
2023	154,400	116,227	270,627
2024	161,752	108,507	270,259
2025	170,024	100,420	270,444
2026	178,295	91,918	270,213
2027	187,486	83,004	270,490
2028	196,676	73,629	270,305
2029	204,948	63,796	268,744
2030	211,381	57,647	269,028
2031	152,562	51,306	203,868
2032	157,157	46,729	203,886
2033	161,752	42,014	203,766
2034	166,348	37,162	203,510
2035	170,943	33,003	203,946
2036	175,538	27,875	203,413
2037	181,052	22,609	203,661
2038	185,647	17,177	202,824
2039	191,162	11,607	202,769
2040	195,757	5,873	201,630
	<u>\$ 3,421,614</u>	<u>\$ 1,241,247</u>	<u>\$ 4,662,861</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020, 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>
2021	\$ 8,553,504	\$ 3,970,639	\$ 12,524,143
2022	8,570,445	3,699,291	12,269,736
2023	8,255,028	3,379,442	11,634,470
2024	8,542,831	3,079,584	11,622,415
2025	8,744,800	2,763,469	11,508,269
Next Five Years	43,209,916	9,244,843	52,454,759
Next Five Years	24,511,778	3,182,941	27,694,719
Next Five Years	6,949,613	457,258	7,406,871
	<u>\$ 117,337,915</u>	<u>\$ 29,777,467</u>	<u>\$ 147,115,382</u>

The total on the statement of net position has been adjusted by net premiums and discounts of \$7,776,045.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
General Obligation Debt	\$ 113,409,176	\$ 8,906,518	\$ (7,605,414)	\$ 114,710,280	\$ 8,021,494
Plus: Net Premiums and discounts	8,378,078	800,554	(765,769)	8,412,863	0
Total Bonds Payable	121,787,254	9,707,072	(8,371,183)	123,123,143	8,021,494
Notes Payable-State	1,197,200	0	(400,932)	796,268	400,934
School Energy Efficiency Note	2,298,281	0	(423,973)	1,874,308	427,156
Hud 108 Note	512,000	0	(43,000)	469,000	43,000
Total Governmental Activities	<u>\$ 125,794,735</u>	<u>\$ 9,707,072</u>	<u>\$ (9,239,088)</u>	<u>\$ 126,262,719</u>	<u>\$ 8,892,584</u>
Business-type activities:					
General Obligation Debt	\$ 116,034,021	\$ 9,708,482	\$ (8,404,588)	\$ 117,337,915	\$ 8,553,504
Local Option Sales Tax					
Revenue and Tax Bonds	0	0	0	0	0
Water and Sewer Revenue					
and Tax Bonds	0	0	0	0	0
Plus: Net Premiums and discounts	7,569,786	872,641	(666,382)	7,776,045	0
Total Bonds Payable	123,603,807	10,581,123	(9,070,970)	125,113,960	8,553,504
State Revolving Note	12,510,373	0	(588,588)	11,921,785	599,148
Total Business-type Activities	<u>\$ 136,114,180</u>	<u>\$ 10,581,123</u>	<u>\$ (9,659,558)</u>	<u>\$ 137,035,745</u>	<u>\$ 9,152,652</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020.

In June, 2020 a consolidation loan was issued in the amount of \$6,640,000 for Anita's Snack Foods. This loan will replace two loans for properties in use by Anita's Snack Foods. The original loan issued on May 15, 2015 for \$6,540,000 that was used to purchase 33.75 acres and to construct an industrial building for lease to Pure Foods. In February 2017, Pure Foods, Inc. filed for Chapter 11 Bankruptcy. In May 2018, the IDBK entered into a lease agreement with Anita's Snack Foods Corp for this property. The second loan being consolidated was originally issued in March, 2019. This was a construction loan agreement known as the Anita's Snack Foods Loan, and was issued in the amount of \$1,900,000 for the purposes of expansion. As a condition of providing the consolidation loan, the IDBK has entered into a negative pledge agreement. IDBK has agreed not to encumber or otherwise transfer any interest in the property while the loan is outstanding.

Emergency Communications District (ECD)

The ECD, a discretely presented component unit of the City, reports no long-term liabilities at June 30, 2020.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020, the estimated remaining useful life is 26 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 2020 financial assurance amount of, \$2,120,401, was adjusted for inflation by 1.8%, resulting in an amended amount of \$2,158,569 at June 30, 2020.

The City's actual closure costs for the 30-year period through June 30, 2020 exceeded the liability amount by \$31,527. The City has recorded this \$31,527 in pre-paid landfill closing costs as of June 30, 2020, which will be offset as future closure costs are accrued.

	Ending June 30, 2020	Ending June 30, 2019	Ending June 30, 2018	Ending June 30, 2017	Ending June 30, 2016
Landfill closure costs paid	\$ 1,398,655	\$ 1,398,655	\$ 1,398,655	\$ 1,398,655	\$ 1,384,655
Landfill closure costs accrued	<u>1,367,128</u>	<u>1,298,522</u>	<u>1,220,410</u>	<u>1,153,321</u>	<u>1,096,753</u>
Pre-paid landfill closure costs	<u>\$ 31,527</u>	<u>\$ 100,133</u>	<u>\$ 178,245</u>	<u>\$ 245,334</u>	<u>\$ 287,902</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020. The estimated reserve requirements were as follows:

ESTIMATED REQUIRED RESERVES

	<u>Low</u>	<u>Expected</u>	<u>High</u>
Workers Compensation *	\$ 2,333,086	\$ 2,592,317	\$ 2,851,549
Public Liability *	\$ 794,597	\$ 882,885	\$ 971,174

* Calculation utilizes U.S. Treasury yields as of June 30, 2020

Liabilities have been accrued to reflect the discounted expected claims of \$2,592,317 for workers compensation and \$882,885 for public liability, at June 30, 2020. The Insurance Reserve Fund has total assets of \$7,212,170 at June 30, 2020. 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, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>
Claims Accrued, Beginning	\$ 2,399,771	\$ 2,268,885	\$ 2,346,965	\$ 2,255,616	\$ 2,111,500
Claims Incurred	1,074,299	831,313	318,401	778,042	688,740
Claims Paid	<u>(881,753)</u>	<u>(700,427)</u>	<u>(396,481)</u>	<u>(686,693)</u>	<u>(544,624)</u>
Claims Accrued, Ending	<u>\$ 2,592,317</u>	<u>\$ 2,399,771</u>	<u>\$ 2,268,885</u>	<u>\$ 2,346,965</u>	<u>\$ 2,255,616</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, 2020

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, 2020</u>	Year Ended <u>June 30, 2019</u>	Year Ended <u>June 30, 2018</u>	Year Ended <u>June 30, 2017</u>	Year Ended <u>June 30, 2016</u>
Claims Accrued, Beginning	\$ 761,393	\$ 802,303	\$ 842,334	\$ 903,287	\$ 1,186,835
Claims Incurred	499,175	153,810	270,775	285,118	127,873
Claims Paid	<u>(377,683)</u>	<u>(194,720)</u>	<u>(310,806)</u>	<u>(346,071)</u>	<u>(411,421)</u>
Claims Accrued, Ending	<u>\$ 882,885</u>	<u>\$ 761,393</u>	<u>\$ 802,303</u>	<u>\$ 842,334</u>	<u>\$ 903,287</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. 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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020 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, 2020, 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 the fiscal year 2019, there were no property sales in the industrial park, resulting in no reduction of the City's 31% proportionate share of the debt. 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 \$96,917 for the repayment of the associated debt principal and interest. As of June 30, 2020, a total of \$4,515,000 of principal debt was outstanding, with \$1,399,650 representing the City's 31% contingent share.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

5. OTHER INFORMATION (CONTINUED)

B. Contingencies (continued)

Primary government (continued)

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 Municipality entered into an agreement with the Kingsport Housing & Redevelopment Authority (KHRA) to provide financial support in the program to redevelop public housing facilities within the Municipality. The estimated \$50,500,000 project will rehabilitate 378 existing public housing units and construct 51 replacement units. The Municipality 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 Municipality. KHRA received an award of approximately \$14,900,000 of low income housing tax credits for this project in May 2018.

Component Unit – Industrial Development Board

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 in June 2014. Subsequent contributions will be made, on or before each December 1 and June 1 annually. 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, 2020 the outstanding

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

5. OTHER INFORMATION (CONTINUED)

B. Contingencies (continued)

Component Unit – Industrial Development Board (continued)

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 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.

On December 10, 2020 the IDBK entered into a renewal and extension of the remaining \$3,289,320 loan for General Shale. Pursuant to the renewal and extension promissory note dated December 10, 2020, the loan is renewed and extended to December 30, 2023. Remaining funds will be advanced from time to time as requested by IDBK, provided, however, IDBK acknowledges that the loan is not a revolving credit facility.

On June 15, 2020, the IDBK closed on a loan totaling \$6,640,000 in order to consolidate two previously held loans. The first loan for \$6,540,000 was used for the acquisition of 33.75 acres for industrial development and an industrial building that is leased by Anita's Snack Foods. The second loan for \$1,900,000 was used for the construction of a warehouse for Anita's Snack Foods. The construction of the warehouse is now complete and the Lender has determined that it is appropriate to consolidate the two loans. At the time of consolidation the acquisition loan balance was \$4,740,075 and the expansion loan balance was \$1,899,661. The outstanding principal balance under the loan consolidation note shall bear interest at a fixed rate of 3.15% per annum. The maturity date of the loan will be June 15, 2030. At June 30, 2020 the outstanding principal balance on the loan was \$6,640,000. IDBK has entered into a negative pledge agreement. IDBK has agreed they will not encumber or otherwise transfer any interest in the property while the loan is outstanding.

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.

In October, 2019 the IDBK entered into a construction loan agreement in the amount of \$1,800,000 to build a Miracle League Ball Field, which is specifically designed for safe use by special needs children and adults. The loan bears interest at a rate per annum of 3.25% and matures July, 2030. The loan will be paid from donations raised privately in the community, as well as through lease payments made by the City of Kingsport. The outstanding balance on this loan as of June 30, 2020 was \$1,400,653.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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's original share of the Aerospace Park Bonds was \$1,589,500. The City's principal portion outstanding at June 30, 2020 is \$1,480,000, 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
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>\$ 1,480,000</u>	<u>\$ 539,989</u>	<u>\$ 2,019,989</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, 2020

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 <https://treasury.tn.gov/retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	908
Inactive employees entitled to but not yet receiving benefits	731
Active employees	618
	<u>2,257</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, 2020

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, 2020, the Actuarially Determined Contribution (ADC) for the City was \$5,807,519 based on an aggregate employer rate of 20.82 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 19.77 percent and the employer rate for public safety officers was 23.27 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, 2019 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, 2019 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 8.72 to 3.44 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, 2019 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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

5. OTHER INFORMATION (CONTINUED)

D. 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. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 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, 2020

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 6/30/18	\$ 222,308,483	\$ 195,350,864	26,957,619
Changes for the year:			
Service Cost	2,563,093	0	2,563,093
Interest	15,902,804	0	15,902,804
Differences between expected and actual experience	1,300,327	0	1,300,327
Changes in Assumptions	0		0
Contributions by employer	0	5,735,438	(5,735,438)
Contributions by employees	0	111,298	(111,298)
Net Investment income	0	14,350,101	(14,350,101)
Benefit payments, including refunds of employee contributions	(11,045,104)	(11,045,104)	0
Administrative expense	0	(57,018)	57,018
Net Changes	<u>8,721,120</u>	<u>9,094,715</u>	<u>(373,595)</u>
Balance at 6/30/19	<u><u>\$ 231,029,603</u></u>	<u><u>\$ 204,445,579</u></u>	<u><u>\$ 26,584,024</u></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><u>\$ 54,603,939</u></u>	<u><u>\$ 26,584,024</u></u>	<u><u>\$ 3,049,406</u></u>

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

Pension expense

For the year ended June 30, 2020, the City recognized pension expense of \$5,424,983.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020, 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	\$ 1,253,255	\$ 1,723,483
Net difference between projected and actual earning on pension plan investments	0	2,401,692
Changes in Assumptions	1,221,074	0
Contributions subsequent to the measurement date June 30, 2019	<u>5,807,519</u>	<u>(not applicable)</u>
	<u><u>\$ 8,281,848</u></u>	<u><u>\$ 4,125,175</u></u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2019", 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:

2021	\$ (156,029)
2022	\$ (1,285,032)
2023	\$ (134,245)
2024	\$ (75,540)
2025	\$ 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, 2020, the City reported a payable of \$455,474 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020, \$128,440 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, 2020 were \$1,942,369 and consisted of \$953,635 made by the City and \$988,734 made by employees.

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

Plan description

Teachers employed by Kingsport City Schools with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 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 <https://retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

CITY OF KINGSPORT, TENNESSEE
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For the Fiscal Year Ended June 30, 2020

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

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

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 if 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-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.

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, 2020 to the Teacher Legacy Pension Plan were \$3,301,019, which is 10.63 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, 2020, the Kingsport City Schools reported an asset of \$9,515,735 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, 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, 2019, Kingsport City Schools' proportion was 0.925493 percent. The proportion measured as of June 30, 2018 was 0.899791 percent.

Pension expense

For the year ended June 30, 2020, Kingsport City Schools recognized pension expense of \$1,390,314.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020, Kingsport City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 463,297	\$ 5,812,400
Changes in assumptions	1,282,294	0
Net difference between projected and actual earnings on pension plan investments	0	2,718,829
Changes in proportion of Net Pension Liability (Asset)	205,000	16,353
Kingsport City Schools contributions subsequent to the measurement date of June 30, 2019	3,301,019	(not applicable)
	<u>\$ 5,251,610</u>	<u>\$ 8,547,582</u>

Kingsport City Schools employer contributions of \$3,301,019, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2021. 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:

2021	\$ (1,821,189)
2022	\$ (2,668,372)
2023	\$ (1,200,733)
2024	\$ (906,697)
2025	\$ 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, 2020

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, 2019 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 8.72 to 3.44 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, 2019 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.

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, 2020

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)	<u>\$ 19,456,930</u>	<u>\$ (9,515,735)</u>	<u>\$ (32,562,687)</u>

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, 2020, Kingsport City Schools reported a payable of \$581,252 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

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

Plan description

Teachers employed by Kingsport City Schools with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 are provided with pensions through the Teacher Legacy Pension 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 <https://treasury.tn.gov/retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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 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 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. Amounts paid by Kingsport City Schools for the year ended June 30, 2020 to the Teacher Retirement Plan total \$315,578, which is 4 percent of covered payroll. Of this amount \$161,595 is considered employer

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

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

Contributions (continued)

contribution, while the remaining \$153,983 is an increase to the Stabilization Reserve Trust. 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, 2020, Kingsport City Schools reported an asset of \$390,297 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, 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, 2019 Kingsport City Schools' proportion was 0.691416 percent. The proportion measured as of June 30, 2018 was 0.741257 percent.

Pension expense

For the year ended June 30, 2020, Kingsport City Schools recognized pension expense of \$121,981.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2020, Kingsport City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 16,183	\$ 68,134
Net difference between projected and actual earnings on pension plan investments	0	16,501
Changes in assumptions	13,561	0
Changes in proportion of Net Pension Liability (Asset)	21,022	23,885
Kingsport City Schools contributions subsequent to the measurement date of June 30, 2019	161,595	(not applicable)
	<u>\$ 212,361</u>	<u>\$ 108,520</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 \$161,595 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase of net pension asset in the year ended June 30, 2021. 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:

2021	\$ (8,780)
2022	\$ (11,305)
2023	\$ (6,676)
2024	\$ (4,317)
2025	\$ (3,644)
Thereafter	\$ (23,032)

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, 2019 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 8.72 to 3.44 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, 2019 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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 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, 2020

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)	\$ 123,661	\$ (390,297)	\$ (770,203)

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, 2020, Kingsport City Schools reported a payable of \$29,326 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

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 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, 2020 were \$892,852 and consisted of \$391,438 made by the Kingsport City Schools and \$501,414 made by teachers.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Summary of Retirement Plans

The following is a summary of the financial statement elements of the defined benefit retirement plans discussed throughout the note:

	Governmental Activities	Business-Type Activities	Total Primary Government
Net Pension Asset			
Defined Benefit City of Kingsport	\$ 0	\$ 0	\$ 0
Defined Benefit Teacher Legacy	9,515,735	0	9,515,735
Defined Benefit Teacher Retirement	390,297	0	390,297
Total Net Pension Asset	<u>\$ 9,906,032</u>	<u>\$ 0</u>	<u>\$ 9,906,032</u>
Deferred Outflows Related to Pensions			
Defined Benefit City of Kingsport	\$ 7,005,079	\$ 1,276,769	\$ 8,281,848
Defined Benefit Teacher Legacy	5,251,610	0	5,251,610
Defined Benefit Teacher Retirement	212,361	0	212,361
Total Net Pension Asset	<u>\$ 12,469,050</u>	<u>\$ 1,276,769</u>	<u>\$ 13,745,819</u>
Net Pension Liability			
Defined Benefit City of Kingsport	\$ 22,478,656	\$ 4,105,368	\$ 26,584,024
Defined Benefit Teacher Legacy	0	0	0
Defined Benefit Teacher Retirement	0	0	0
Total Net Pension Asset	<u>\$ 22,478,656</u>	<u>\$ 4,105,368</u>	<u>\$ 26,584,024</u>
Deferred Inflows Related to Pensions			
Defined Benefit City of Kingsport	\$ 3,539,878	\$ 585,297	\$ 4,125,175
Defined Benefit Teacher Legacy	8,547,582	0	8,547,582
Defined Benefit Teacher Retirement	108,520	0	108,520
Total Net Pension Asset	<u>\$ 12,195,980</u>	<u>\$ 585,297</u>	<u>\$ 12,781,277</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 June 30, 2020 was as follows:

Active employees - health & life insurance benefits	613
Active employees - life insurance benefit only	123
Retired employees - health & life insurance benefits	138
Retired employees - life insurance benefit only	<u>225</u>
Total	<u>1,099</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 \$26,643,109 was measured as of June 30, 2020 and was determined based on an actuarial valuation performed as of June 30, 2020.

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, 2020
Discount Rate	3.51% as of July 1, 2019 and 2.66% as of June 30, 2020
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 June 2020
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	SOA Pub-2010 Total Dataset Mortality Table fully generational using Scale MP-2019
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, 2020

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>
	2020	8.0%	2024	6.0%
	2021	7.5%	2025	5.5%
	2022	7.0%	2026	5.0%
	2023	6.5%	2027+	4.5%

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, 2020 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, 2022 valuation.

Changes in the total OPEB liability

Balance at June 30, 2019	<u>\$ 28,010,256</u>
Changes for the year:	
Service cost	1,226,041
Interest	1,020,734
Benefit changes	0
Differences between expected and actual experience	(4,819,997)
Assumption or other input changes	1,519,904
Benefit payments	<u>(313,829)</u>
Net changes	<u>(1,367,147)</u>
Balance at June 30, 2020	<u><u>\$ 26,643,109</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 (1.66%) or one percentage point higher (3.66%) than the current discount rate:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB liability	\$ 29,325,878	\$ 26,643,109	\$ 24,309,825

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 (7.00%) or one percentage point higher (9.00%) than the current healthcare cost trend rates:

	1% Decrease (7.00%)	Current Healthcare Cost Trend Rates (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 24,535,979	\$ 26,643,109	\$ 29,084,007

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$1,321,798. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 7,430,825
Changes in Assumptions	1,986,775	15,777
Contributions subsequent to the measurement date	0	(not applicable)
Net difference between projected and actual earnings in OPEB plan investments	0	0
	<u>\$ 1,986,775</u>	<u>\$ 7,446,602</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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:

2021	\$	(924,977)
2022	\$	(924,977)
2023	\$	(924,977)
2024	\$	(924,977)
2025	\$	(924,982)
Thereafter	\$	(834,937)

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 cost-sharing 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 premier preferred provider organization (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, 2020**

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, 2019, the following employees of KCS were covered by the benefit terms of the TGOP.

Inactive employees currently receiving benefit payments	71
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees eligible for future benefits	705
Active employees not eligible for future benefits*	<u>26</u>
Total*	<u><u>802</u></u>

*Note: Non-grandfathered employees who retire after attaining eligibility for Medicare benefits will not be eligible for coverage through the Local Education Employee Group Plan.

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 \$841,079 to the TGOP for OPEB benefits as they came due.

Total OPEB liability

The KCS collective total OPEB liability of \$18,848,112 was measured as of June 30, 2019 and was determined based on an actuarial valuation performed as of June 30, 2019, of which \$14,722,995 (78.11%) and \$4,125,117 (21.89%) represented the KCS and non-employer contributor's proportionate share respectively.

Actuarial Methods and Assumptions

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

Inflation	2.20%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	5.84% for 2020, decreasing annually to an ultimate rate of 4.53% for 2028 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, 2020

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, 2019, valuations were the same as those employed in the July 1, 2019 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 3.51 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, 2018	<u>\$ 10,404,937</u>
Changes for the year:	
Service cost	621,886
Interest	379,447
Benefit changes	1,721,006
Differences between expected and actual experience	8,278,348
Assumption or other input changes	(1,458,039)
Benefit payments	<u>(1,099,473)</u>
Net changes	<u>8,443,175</u>
Balance at June 30, 2019	<u><u>\$ 18,848,112</u></u>
Non-employer contributing entities proportionate share of the collective total OPEB liability	<u><u>\$ 4,125,117</u></u>
Employer's proportionate share of the collective total OPEB liability	<u><u>\$ 14,722,995</u></u>
Employer's proportion of the collective total OPEB liability	<u><u>78.11%</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 \$614,695 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 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2018. 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 (2.51%) or 1-percentage-point higher (4.51%) than the current discount rate.

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Proportionate share of collective total OPEB liability	\$ 15,774,265	\$ 14,722,995	\$ 13,724,225

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 (4.50% decreasing to 3.50%) or 1-percentage-point higher (4.50% increasing to 5.50%) than the current healthcare cost trend rate.

	1% Decrease (3.50%)	Current Healthcare Cost Trend Rates (4.50%)	1% Increase (5.50%)
Proportionate share of collective total OPEB liability	\$ 13,208,337	\$ 14,722,995	\$ 16,502,921

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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, 2020, KCS recognized OPEB expense of \$2,504,074. For the fiscal year ended June, 30, 2020, KCS reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,778,610	\$ 6,188,126
Changes in Assumptions	168,527	1,483,007
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.	96,337	703,076
Employer payments subsequent to the measurement date	<u>841,079</u>	<u>0</u>
	<u>\$ 6,884,553</u>	<u>\$ 8,374,209</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:

2021	(237,146)
2022	(237,146)
2023	(237,146)
2024	(237,146)
2025	(237,146)
Thereafter	(1,145,005)

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, 2020

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 a cost sharing 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 July 1, 2020, the following employees of KCS were covered by the benefit terms of the TNP.

Inactive employees currently receiving benefit payments	320
Inactive employees entitled to but not yet receiving benefit payments	92
Active employees	<u>737</u>
Total	<u><u>1,149</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 \$279,236 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, 2020

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 \$24,380,246 was measured as of June 30, 2019 and was determined based on an actuarial valuation performed as of June 30, 2019, of which \$21,340,639 (87.53%) and \$3,039,607 (12.47%) represented the KCS and non-employer contributor's proportionate share respectively.

Actuarial Methods and Assumptions

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

Inflation	2.20%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	Local Premium subsidy of \$138.47 is expected to increase 1.50% for 2019 plan year, 5.025% for 2020 plan year and grade down to the ultimate level of 4.50% over a period of 3 years. Premium subsidies provided by the State are assumed to remain unchanged for the entire projection.
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, 2019, valuations were the same as those employed in the July 1, 2019 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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

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

Discount rate - The discount rate used to measure the total OPEB liability was 3.51 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, 2018	<u>\$ 19,638,393</u>
Changes for the year:	
Service cost	1,602,798
Interest	760,193
Benefit changes	0
Differences between expected and actual experience	1,005,059
Assumption or other input changes	1,860,890
Benefit payments	<u>(487,087)</u>
Net changes	<u>4,741,853</u>
Balance at June 30, 2019	<u><u>\$ 24,380,246</u></u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	<u><u>\$ 3,039,607</u></u>
Employer's proportionate share of the collective total OPEB liability	<u><u>\$ 21,340,639</u></u>
Employer's proportion of the collective total OPEB liability	<u><u>87.53%</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 \$240,206 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 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. 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, 2020

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 TNP, 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 (2.51%) or 1-percentage-point higher (4.51%) than the current discount rate.

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Proportionate share of collective total OPEB liability	\$ 26,269,903	\$ 21,340,639	\$ 17,556,200

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 TNP, 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 (4.50% decreasing to 3.50 %) or 1-percentage-point higher (3.50% increasing to 5.50 %) than the current healthcare cost trend rate.

	1% Decrease (3.50%)	Current Healthcare Cost Trend Rates (4.50%)	1% Increase (5.50%)
Proportionate share of collective total OPEB liability	\$ 17,126,447	\$ 21,340,639	\$ 27,081,915

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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

For the fiscal year ended June, 30, 2020, KCS recognized OPEB expense of \$1,020,837. For the fiscal year ended June, 30, 2020, KCS reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 764,902	\$ 5,922,127
Changes in Assumptions	1,416,231	2,471,351
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	704,563
Employer payments subsequent to the measurement date	<u>279,236</u>	<u>0</u>
	<u>\$ 2,460,369</u>	<u>\$ 9,098,041</u>

The amount shown above for "Employer payments subsequent to the measurement date", will be recognized as a reduction (increase) to total OPEB 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:

2020	(1,287,754)
2021	(1,287,754)
2022	(1,287,754)
2023	(1,287,754)
2024	(1,287,754)
Thereafter	(478,138)

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, 2020

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

Summary of OPEB Plans

The following is a summary of the financial statement elements of the OPEB plans discussed throughout the note:

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred Outflows Related to OPEB			
Post Employment City of Kingsport	\$ 1,620,809	\$ 365,966	\$ 1,986,775
Post Employment City Schools Pre 65	6,884,553	0	6,884,553
Post Employment City Schools Post 65	2,460,369	0	2,460,369
Total Deferred Outflows Related to OPEB	<u>\$ 10,965,731</u>	<u>\$ 365,966</u>	<u>\$ 11,331,697</u>
Net OPEB Liability			
Post Employment City of Kingsport	\$ 21,535,916	\$ 5,107,193	\$ 26,643,109
Post Employment City Schools Pre 65	14,722,995	0	14,722,995
Post Employment City Schools Post 65	21,340,639	0	21,340,639
Total Net OPEB Liability	<u>\$ 57,599,550</u>	<u>\$ 5,107,193</u>	<u>\$ 62,706,743</u>
Deferred Inflows Related to OPEB			
Post Employment City of Kingsport	\$ 6,078,986	\$ 1,367,616	\$ 7,446,602
Post Employment City Schools Pre 65	8,374,209	0	8,374,209
Post Employment City Schools Post 65	9,098,041	0	9,098,041
Total Deferred Inflows Related to OPEB	<u>\$ 23,551,236</u>	<u>\$ 1,367,616</u>	<u>\$ 24,918,852</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 OPEB Plan

The State of Tennessee made contribution (on-behalf payments) for retired teachers who participated in the State-administered Teacher Group OPEB Plan through TCRS. The on-behalf payments for fiscal year 2020 was \$264,827 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 2020, on-behalf payments made by the State of Tennessee totaled, \$127,871, and have been recorded as revenue and expenditure in the general purpose school fund.

During the year ended June 30, 2020, Kingsport City Schools contributed \$808,721 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, 2018 and 2019, the taxes assessed on the previously mentioned taxpayer, accounted for approximately 23.7% and 21.9% 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, 2020 is valued as follows:

Note Receivable from Phipps Bend Venture	\$ 478,162
20% interest in capital of Phipps Bend Joint Venture	<u>203,681</u>
Total Investment	<u><u>\$ 681,843</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

5. OTHER INFORMATION (CONTINUED)

G. Joint Ventures (continued)

Audited information for the Phipps Bend joint venture as of June 30, 2020 is as follows:

	<u>Phipps Bend Joint Venture</u>
Operating Revenues	\$ 2,100
Operating Expenses	(23,261)
Non Operating Revenues	732
Non Operating Expenses	0
Capital Transactions	
Return of capital to Hawkins County	0
Accounting fees paid by Hawkins County	<u>4,000</u>
Change in Net Position	(16,429)
Net Position, July 1	<u>1,061,664</u>
Net Postion, June 30	<u><u>\$ 1,045,235</u></u>
 Total Assets	 \$ 2,427,578
Total Liabilities	<u>(1,382,343)</u>
 Total Net Position	 <u><u>\$ 1,045,235</u></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, 2020

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, 2020 is presented below:

	<u>Tri-Cities Airport Authority</u>
Operating Revenues	\$ 6,780,245
Operating Expenses	(7,050,275)
Depreciation	(6,029,869)
Non Operating Revenues	2,744,872
Non Operating Expenses	(330,312)
Capital Contributions	<u>4,727,326</u>
Change in Net Position	841,987
Beginning Net Position, July 1	<u>91,030,806</u>
Net Position, June 30	<u><u>\$ 91,872,793</u></u>
 Total Assets	 \$ 103,385,005
Total Deferred Outflows of Resources	374,257
Total Liabilities	(11,715,543)
Total Deferred Inflows of Resources	<u>(170,926)</u>
 Total Net Position	 <u><u>\$ 91,872,793</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

5. OTHER INFORMATION (CONTINUED)

I. Subsequent Events

In July 2020, the IDBK entered into a lease agreement with Anita's Snack Foods. The lease will begin on July 1, 2020, and will end on June 30, 2030.

In July 2020, the City was awarded \$249,332 for the Community Development Block Grant Fund through the CARES Act.

In July 2020, the City was awarded \$1,203,985 for the Urban Mass Transit Fund through the CARES Act.

In July 2020, the City was awarded \$1,223,374 as a one-time direct appropriation grant from the State of Tennessee Department of Finance and Administration to supplant revenue losses due to the coronavirus pandemic.

In August 2020, the Kingsport Area Transportation Service was awarded an Improve Act Grant from the Tennessee Department of Transportation in the amount of \$2,446,907 for the construction of a vehicle storage / maintenance facility and associated parking area. The grant will be matched with local funds of \$815,635.

In September 2020, the City accepted \$811,140 in Cares Act funds from the State of Tennessee for expenses related to the coronavirus pandemic.

In September 2020, the Industrial Development Board of the City of Kingsport was awarded a \$1,500,000 Fast Track Economic Development Grant for use at the Domtar Paper Plant.

On August 11, 2020, The City authorized the Industrial Development Board of the City of Kingsport to negotiate and execute a Payment in Lieu of Taxes (PILOT) agreement with Domtar Paper Company, LLC. The PILOT agreement is in conjunction with Domtar's plans to invest approximately \$300-\$350 million into their Kingsport Mill in order to convert production from uncoated free sheet paper to linerboard.

On October 6, 2020 the City authorized the issuance, sale and payment of \$2.0 million qualified, tax-exempt General Obligation School Capital Outlay Note, Series 2020, for the purpose of purchasing certain property in the Press Building. On October 30, 2020 the City closed on the twelve year Note at an interest rate of 1.99%.

On October 6, 2020 the City approved a resolution authorizing the issuance, sale and payment of General Obligation Refunding Bonds, Series 2020 (federally taxable) to advance refund certain General Obligation Public Improvement Bonds, Series 2011 and certain General Obligation Public Improvement Bonds, Series 2012C. On November 9, 2020 \$14,925,000 of bonds were sold by competitive bid resulting in a net present value savings of \$1,042,777 or 6.987% over the life of the bonds and a true interest cost (TIC) of 1.544%.

In conjunction with the sale of the \$14,925,000 taxable, General Obligation Bonds, Series 2020, Moody's Investors Service reaffirmed the City's Aa2 rating and S&P Global Ratings reaffirmed the City's AA rating.

On October 20, 2020, the City approved the appropriation of \$500,000 of fund balance from the Fleet Fund in order to fund encumbered vehicle purchases which rolled over from FY2020.

On November 3, 2020, the City approved the appropriation of \$1,745,000 of General Fund Balance for a variety of one-time expenditures.

On August 11, 2020, the IDKB filed a report on debt obligation related to the negotiated sale of \$8,500,000 in Collateralized Multifamily Housing Bonds for the Kingsport West Apartments project. Proceeds will be used to acquire, construct, rehabilitate, and equip a 103-unit housing facility known as Kingsport West Apartments located in the Kingsport by the Kingsport West II, L.P. The bonds will be issued with a variable

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

OTHER INFORMATION (CONTINUED)

I. Subsequent Events (continued)

rate to begin at .35% through August 1, 2022 tender date and then subject to remarketing.

On August 11, 2020, the IDBK entered into a lease agreement with Kingsport West II, L.P. for the 103-unit housing facility known as Kingsport West Apartments. The Kingsport West II, L.P. agrees to pay as basic rent \$1 each January 1 during the lease term. In addition, Kingsport West II, L.P. agrees to pay all liabilities and obligations related to the acquisition, construction, rehabilitation, and equipping of the Kingsport West Apartment complex. This will include all debt payments for the \$8,500,000 bond issue. The lease will be effect until the fifteenth anniversary of the completion date of Kingsport West Apartments.

In addition to basic rent and additional rent, Kingsport West II, L.P. shall pay directly to the City payments in lieu of taxes each tax year during the period commencing on August 11, 2020 through the end of the calendar year during which the completion date occurs. The PILOT payments will be paid over 15 years with payments ranging from \$23,780 to \$28,000.

Kingsport West II, L.P. shall have an irrevocable and exclusive option to purchase the leased property as a whole or any part thereof at any time during the term or within thirty days after the termination or expiration of the lease for the amount of \$1 plus any other amounts that are then due or that have accrued under this lease.

J. Prior Period Adjustments

Restatement

During the fiscal year 2020, the City recognized corrections related to the TCRS Stabilization Trust Reserve. These corrections required a restatement of beginning net position in the Government wide Statement of Activities and to the Governmental Funds Statement of Revenues, Expenses, and Changes in Fund Balances. The effect on the Governmental Activities beginning net position was an increase \$7,816 in interest earnings. The effect on the School Fund beginning fund balance was a decrease of \$147,002 in pension expense, and an increase of \$7,816 in interest earnings.

Statement of Activities - Government Wide	Governmental Activities	Business-Type Activities	Total
Net Position, July 1, 2019, as previously reported	\$ 224,945,278	\$ 198,984,157	\$ 423,929,435
Correction of Restricted Investment Assets	7,816	0	7,816
Net Position, July 1, 2019, as restated	<u>\$ 224,953,094</u>	<u>\$ 198,984,157</u>	<u>\$ 423,937,251</u>

Statement of Revenues, Expenses, and Changes in Fund Net Position - Governmental Funds	School Fund	Governmental Funds
Net Position, July 1, 2019, as previously reported	\$ 8,197,712	\$ 58,841,076
Correction of Restricted Investment Assets	154,818	154,818
Net Position, July 1, 2019, as restated	<u>\$ 8,352,530</u>	<u>\$ 58,995,894</u>

CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2020

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

	2015	2016	2017	2018	2019
Total Pension Liability					
Service Cost	\$ 2,928,686	\$ 2,641,482	\$ 2,561,651	\$ 2,682,495	\$ 2,563,093
Interest	14,225,977	14,899,301	15,290,619	15,337,903	15,902,804
Changes in Benefit Terms	0	0	0	0	0
Differences Between Actual & Expected Experience	1,727,975	(2,335,240)	(5,025,737)	556,022	1,300,327
Change of Assumptions	0	0	4,884,302	0	0
Benefit Payments, Including Refunds of Employee Contributions	(9,432,488)	(9,803,076)	(10,013,182)	(10,285,453)	(11,045,104)
Net Change in Total Pension Liability	9,450,150	5,402,467	7,697,653	8,290,967	8,721,120
Total Pension Liability-Beginning	191,467,246	200,917,396	206,319,863	214,017,516	222,308,483
Total Pension Liability-Ending (a)	\$200,917,396	\$206,319,863	\$214,017,516	\$222,308,483	\$231,029,603
Plan Fiduciary Net Position					
Contributions-Employer	\$ 5,677,773	\$ 5,449,196	\$ 5,411,825	\$ 5,297,090	\$ 5,735,438
Contributions-Employee	138,269	128,305	125,734	121,321	111,298
Net Investment Income	5,146,329	4,463,037	19,072,897	15,161,522	14,350,101
Benefit Payments, Including Refunds of Employee Contributions	(9,432,488)	(9,803,076)	(10,013,182)	(10,285,453)	(11,045,104)
Administrative Expense	(43,337)	(59,140)	(63,078)	(66,245)	(57,018)
Net Change in Plan Fiduciary Net Position	1,486,546	178,322	14,534,196	10,228,235	9,094,715
Plan Fiduciary Net Position-Beginning	168,923,565	170,410,111	170,588,433	185,122,629	195,350,864
Plan Fiduciary Net Position-Ending (b)	\$170,410,111	\$170,588,433	\$185,122,629	\$195,350,864	\$204,445,579
Net Pension Liability (Asset)- Ending (a) - (b)	\$ 30,507,285	\$ 35,731,430	\$ 28,894,887	\$ 26,957,619	\$ 26,584,024
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.82%	82.68%	86.50%	87.87%	88.49%
Covered Payroll	\$ 33,574,550	\$ 32,180,488	\$ 31,970,958	\$ 30,929,617	\$ 29,333,269
Net Pension Liability as a Percentage of Covered Payroll	90.86%	111.03%	90.38%	87.16%	90.63%

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, 2020**

**City of Kingsport
Schedule of Contributions
Based on Participation in the Public Employee 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>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 6,099,494	\$ 5,677,773	\$ 5,449,196	\$ 5,390,303	\$ 5,297,090	\$ 5,735,438	\$ 5,807,519
Contributions in Relation to the Actuarially Determined Contribution	<u>6,099,494</u>	<u>5,677,773</u>	<u>5,449,196</u>	<u>5,411,825</u>	<u>5,297,090</u>	<u>5,735,438</u>	<u>5,807,519</u>
Contribution Deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (21,522)</u>	<u>\$ 0</u>	<u>\$ 0</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>\$30,929,617</u>	<u>\$29,333,269</u>	<u>\$27,887,755</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>17.13%</u>	<u>19.55%</u>	<u>20.82%</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, 2020**

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

Valuation Date

Actuarially determined contribution rates for Fiscal Year 2020 were calculated based on the June 30, 2019 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	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation
Investment Rate of Return	7.25 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	2.25 percent

Changes in 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
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2020

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>	<u>2018</u>	<u>2019</u>
Proportion of the Net Pension Liability (Asset)	<u>0.83%</u>	<u>0.86%</u>	<u>0.88%</u>	<u>0.89%</u>	<u>0.90%</u>	<u>0.93%</u>
Proportionate Share of the Net Pension Liability (Asset)	<u>\$ (135,007)</u>	<u>\$ 350,455</u>	<u>\$ 5,468,376</u>	<u>\$ (291,014)</u>	<u>\$ (3,166,290)</u>	<u>\$ (9,515,735)</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>	<u>\$30,974,844</u>
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	<u>-0.41%</u>	<u>1.09%</u>	<u>17.31%</u>	<u>-0.93%</u>	<u>-10.05%</u>	<u>-30.72%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>100.08%</u>	<u>99.81%</u>	<u>97.14%</u>	<u>100.14%</u>	<u>101.49%</u>	<u>104.28%</u>

*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, 2020**

**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>	<u>2019</u>	<u>2020</u>
Contractually Required Contribution	\$ 2,895,779	\$ 2,895,224	\$ 2,855,408	\$ 2,842,315	\$ 2,860,912	\$ 3,246,064	\$ 3,301,019
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>	<u>3,246,064</u>	<u>3,301,019</u>
Contribution Deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<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>	<u>\$ 30,974,844</u>	<u>\$ 31,053,801</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>	<u>10.48%</u>	<u>10.63%</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.

Changes in 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
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2020**

**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>	<u>2018</u>	<u>2019</u>
Proportion of the Net Pension Liability (Asset)	<u>0.42%</u>	<u>0.56%</u>	<u>0.71%</u>	<u>0.74%</u>	<u>0.69%</u>
Proportionate Share of the Net Pension Liability (Asset)	<u>\$ (16,828)</u>	<u>\$ (58,657)</u>	<u>\$ (187,351)</u>	<u>\$ (336,181)</u>	<u>\$ (390,297)</u>
Covered Payroll	<u>\$ 869,128</u>	<u>\$2,479,203</u>	<u>\$4,660,725</u>	<u>\$6,477,700</u>	<u>\$7,316,600</u>
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	<u>-1.94%</u>	<u>-2.37%</u>	<u>-4.02%</u>	<u>-5.19%</u>	<u>-5.33%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>127.46%</u>	<u>121.88%</u>	<u>126.81%</u>	<u>126.97%</u>	<u>123.07%</u>

*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, 2020

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually Required Contribution	\$ 21,728	\$ 62,059	\$ 186,429	\$ 259,108	\$ 141,942	\$ 161,595
Contributions in Relation to the Contractually Required Contribution	<u>34,765</u>	<u>99,168</u>	<u>186,429</u>	<u>259,108</u>	<u>141,942</u>	<u>161,595</u>
Contribution Deficiency (excess)	<u>\$ (13,037)</u>	<u>\$ (37,109)</u>	<u>\$ 0</u>	<u>\$ 0</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>	<u>\$ 7,316,600</u>	<u>\$ 7,960,345</u>
Contributions as a Percentage of Covered Payroll	<u>4.00%</u>	<u>4.00%</u>	<u>4.00%</u>	<u>4.00%</u>	<u>1.94%</u>	<u>2.03%</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.

Changes in 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.

In FY 2019 the School Department placed the actuarially determined contribution rate (1.94%) of covered payroll into the pension plan and placed 2.06 percent of covered payroll into the Pension Stabilization Reserve Trust.

CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2020

City of Kingsport
Schedule of Changes in Net OPEB Liability and Related Ratios
City Employees Post Employment Health and Life Insurance
June 30, 2020

Primary Government - Local Plan

	Plan Year 2018	Plan Year 2019	Plan Year 2020
Total OPEB Liability			
Service cost	\$ 1,337,168	\$ 1,121,257	\$ 1,226,041
Interest on total OPEB liability	1,054,578	1,050,014	1,020,734
Changes in benefit terms	0	0	0
Difference between expected and actual experience	(3,995,091)	(955,196)	(4,819,997)
Changes in assumptions	(25,242)	875,811	1,519,904
Benefit payments	(773,365)	(183,288)	(313,829)
Net change in total OPEB liability	(2,401,952)	1,908,598	(1,367,147)
Total OPEB liability - beginning	28,503,610	26,101,658	28,010,256
Total OPEB liability - ending	26,101,658	28,010,256	26,643,109
Plan Fiduciary Net Position			
Contributions - employer	773,365	183,288	313,829
Contributions - employee	0	0	0
Net investment income	0	0	0
Benefit payments	(773,365)	(183,288)	(313,829)
Administrative expenses	0	0	0
Other	0	0	0
Net change in plan fiduciary net position	0	0	0
Plan fiduciary net position - beginning	0	0	0
Plan fiduciary net position - ending	0	0	0
Net OPEB liability - ending	\$ 26,101,658	\$ 28,010,256	\$ 26,643,109
Plan fiduciary net position as a percentage of total OPEB liability	0%	0%	0%
Covered payroll	\$ 32,082,945	\$ 32,104,506	\$ 31,803,203
Net OPEB liability as a percentage of covered payroll	81.4%	87.2%	83.8%

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2020

City of Kingsport
Schedule of OPEB Contributions
City Employees Post Employment Health and Life Insurance
June 30, 2020

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	\$ 0	\$ 32,082,945	2.41%
2019	\$ 183,289	\$ 183,289	\$ 0	\$ 32,104,506	0.57%
2020	\$ 313,829	\$ 313,829	\$ 0	\$ 31,803,203	0.99%

Schedule is intended to show information for 10 years. 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, 2020

Kingsport City Schools
Schedule of Changes in Net OPEB Liability and Related Ratios
Pre 65 Employees Post Employment Health and Life Insurance
June 30, 2020

Schools - Pre 65			
	<u>Plan Year 2017</u>	<u>Plan Year 2018</u>	<u>Plan Year 2019</u>
Total OPEB Liability			
Service cost	\$ 1,242,765	\$ 1,153,973	\$ 621,886
Interest on total OPEB liability	602,104	728,693	379,447
Changes in benefit terms	0	(822,660)	1,721,006
Difference between expected and actual experience	0	(9,682,354)	8,278,348
Changes in assumptions	(858,352)	263,689	(1,458,039)
Benefit payments	(994,943)	(1,102,686)	(1,099,473)
Net change in total OPEB liability	(8,426)	(9,461,345)	8,443,175
Total OPEB liability - beginning	<u>19,874,708</u>	<u>19,866,282</u>	<u>10,404,937</u>
Total OPEB liability - ending	<u>19,866,282</u>	<u>10,404,937</u>	<u>18,848,112</u>
Plan Fiduciary Net Position			
Contributions - employer	1,757,282	116,177	1,889,379
Contributions - employee	0	0	0
Net investment income	0	0	0
Benefit payments	(1,757,282)	(116,177)	(1,889,379)
Administrative expenses	0	0	0
Other	0	0	0
Net change in plan fiduciary net position	0	0	0
Plan fiduciary net position - beginning	<u>0</u>	<u>0</u>	<u>0</u>
Plan fiduciary net position - ending	<u>0</u>	<u>0</u>	<u>0</u>
Net OPEB liability - ending	<u>\$ 19,866,282</u>	<u>\$ 10,404,937</u>	<u>\$ 18,848,112</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>0%</u>	<u>0%</u>	<u>0%</u>
Covered payroll	<u>\$ 43,240,715</u>	<u>\$ 43,037,850</u>	<u>\$ 43,598,029</u>
Net OPEB liability as a percentage of covered payroll	<u>45.9%</u>	<u>24.2%</u>	<u>43.2%</u>
Non-employer contributing entities proportionate share of the	<u>\$ 3,599,631</u>	<u>\$ 2,333,848</u>	<u>\$ 4,125,117</u>
Employer's proportionate share of the collective total OPEB	<u>\$ 16,266,651</u>	<u>\$ 8,071,089</u>	<u>\$ 14,722,995</u>
Employer's proportionate share of collective total OPEB liability as	<u>37.6%</u>	<u>18.8%</u>	<u>33.8%</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 2019 information was presented in the entity's fiscal year 2020 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. Additional years will be included as they become available.

CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2020

Kingsport City Schools
Schedule of Employer's Share of Net OPEB Liability
Pre 65 Employees Post Employment Health and Life Insurance
June 30, 2020

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	81.9%	\$ 16,266,651	\$ 43,240,715	37.6%	0.0%
2019	77.6%	\$ 8,071,089	\$ 43,037,850	18.8%	0.0%
2020	78.1%	\$ 14,722,995	\$ 43,598,029	33.8%	0.0%

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.

Kingsport City Schools
Schedule of OPEB Contributions
Pre 65 Employees Post Employment Health and Life Insurance
June 30, 2020

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	\$ 0	\$ 43,240,715	4.1%
2019	\$ 116,177	\$ 116,177	\$ 0	\$ 43,037,850	0.3%
2020	\$ 2,504,074	\$ 2,504,074	\$ 0	\$ 43,598,029	5.7%

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, 2020

Kingsport City Schools
Schedule of Changes in Net OPEB Liability and Related Ratios
Post 65 Employees Post Employment Health and Life Insurance
June 30, 2020

Schools - Post 65			
	Plan Year 2017	Plan Year 2018	Plan Year 2019
Total OPEB Liability			
Service cost	\$ 2,165,989	\$ 1,762,492	\$ 1,602,798
Interest on total OPEB liability	878,623	1,034,874	760,193
Changes in benefit terms	0	0	0
Difference between expected and actual experience	0	(9,139,536)	1,005,059
Changes in assumptions	(3,180,197)	(1,089,679)	1,860,890
Benefit payments	(488,960)	(473,540)	(487,087)
Net change in total OPEB liability	(624,545)	(7,905,389)	4,741,853
Total OPEB liability - beginning	28,168,327	27,543,782	19,638,393
Total OPEB liability - ending	27,543,782	19,638,393	24,380,246
Plan Fiduciary Net Position			
Contributions - employer	2,656,783	1,081,068	1,020,837
Contributions - employee	0	0	0
Net investment income	0	0	0
Benefit payments	(2,656,783)	(1,081,068)	(1,020,837)
Administrative expenses	0	0	0
Other	0	0	0
Net change in plan fiduciary net position	0	0	0
Plan fiduciary net position - beginning	0	0	0
Plan fiduciary net position - ending	0	0	0
Net OPEB liability - ending	\$ 27,543,782	\$ 19,638,393	\$ 24,380,246
Plan fiduciary net position as a percentage of total OPEB liability	0%	0%	0%
Covered payroll	\$ 43,240,715	\$ 43,037,850	\$ 43,598,029
Net OPEB liability as a percentage of covered payroll	63.7%	45.6%	55.9%
Non-employer contributing entities proportionate share of the	\$ 2,725,511	\$ 2,135,375	\$ 3,039,607
Employer's proportionate share of the collective total OPEB	\$ 24,818,271	\$ 17,503,018	\$ 21,340,639
Employer's proportionate share of collective total OPEB liability as	57.4%	40.7%	48.9%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2019 information was presented in the entity's fiscal year 2020 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. Additional years will be included as they become available.

CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2020

Kingsport City Schools
Schedule of Employer's Share of Net OPEB Liability
Post 65 Employees Post Employment Health and Life Insurance
June 30, 2020

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	90.1%	\$ 24,818,270	\$ 43,240,715	57.4%	0.0%
2019	89.1%	\$ 17,503,018	\$ 43,037,850	40.7%	0.0%
2020	87.5%	\$ 21,340,639	\$ 43,598,029	48.9%	0.0%

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.

Kingsport City Schools
Schedule of OPEB Contributions
Post 65 Employees Post Employment Health and Life Insurance
June 30, 2020

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	\$ 0	\$ 43,240,715	6.1%
2019	\$ 1,081,068	\$ 1,081,068	\$ 0	\$ 43,037,850	2.5%
2020	\$ 1,020,837	\$ 1,020,837	\$ 0	\$ 43,598,029	2.3%

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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	\$ 279,800	\$ 287,651	\$ 435,721	\$ 148,070
Federal Interest Subsidy	0	10,941	10,941	0
Total Revenues	279,800	298,592	446,662	148,070
EXPENDITURES:				
Principal	8,473,318	8,587,235	8,430,318	156,917
Interest	4,342,387	4,246,081	4,216,949	29,132
Miscellaneous	20,400	8,539	8,538	1
Total Expenditures	12,836,105	12,841,855	12,655,805	186,050
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,556,305)	(12,543,263)	(12,209,143)	334,120
OTHER FINANCING SOURCES (USES):				
Transfers In	12,556,305	12,543,263	12,256,460	(286,803)
Total Other Financing Sources (Uses)	12,556,305	12,543,263	12,256,460	(286,803)
Net Change in Fund Balances	0	0	47,317	47,317
Fund Balances, July 1, 2019	0	0	420,662	420,662
Fund Balances, June 30, 2020	\$ 0	\$ 0	\$ 467,979	\$ 467,979

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Special Revenue Funds							Permanent Fund	
	Community Development Fund	Special Revenue General Projects Fund	Public Safety Funds	Transportation Funds	Culture & Recreation Funds	Education Funds	Total Special Revenue Funds	Allandale Trust Fund	Total Nonmajor Governmental Funds
ASSETS:									
Cash	\$ 0	\$ 0	\$ 4,356	\$ 100	\$ 0	\$ 1,104,053	\$ 1,108,509	\$ 0	\$ 1,108,509
Equity in Pooled Cash & Investments	0	745,728	688,251	1,447	118,890	1,262,953	2,817,269	8,289	2,825,558
Long Term Certificates of Deposit	0	0	0	0	0	98,000	98,000	152,692	250,692
Investments	0	0	0	0	432,181	69,857	502,038	51,089	553,127
Accounts Receivable	0	0	0	0	24,820	0	24,820	0	24,820
Accrued Interest Receivable	0	0	0	0	0	0	0	141	141
Due from Other Governments	125,170	81,297	4,254	801,252	665,422	1,039,608	2,717,003	0	2,717,003
Due from Other Funds	0	0	0	0	0	0	0	0	0
Prepays	0	0	0	0	0	38,770	38,770	0	38,770
Inventories	0	0	0	0	0	281,380	281,380	0	281,380
Restricted Cash	0	0	0	0	0	0	0	0	0
Restricted Investments	0	0	26,891	4,388	0	0	31,279	0	31,279
Total Assets	<u>\$ 125,170</u>	<u>\$ 827,025</u>	<u>\$ 723,752</u>	<u>\$ 807,187</u>	<u>\$ 1,241,313</u>	<u>\$ 3,894,621</u>	<u>\$ 7,619,068</u>	<u>\$ 212,211</u>	<u>\$ 7,831,279</u>
LIABILITIES AND FUND BALANCES:									
Liabilities:									
Accounts Payable	\$ 85,473	\$ 7,100	\$ 1,642	\$ 159,061	\$ 62,308	\$ 252,471	\$ 568,055	\$ 0	\$ 568,055
Other Liabilities	0	0	0	0	0	2,154	2,154	0	2,154
Due to Other Funds	23,226	0	0	216,806	216,158	711,776	1,167,966	0	1,167,966
Due to Other Governments	0	0	0	0	0	0	0	0	0
Unearned Revenue	0	549	65,743	0	0	82,219	148,511	0	148,511
Total Liabilities	<u>108,699</u>	<u>7,649</u>	<u>67,385</u>	<u>375,867</u>	<u>278,466</u>	<u>1,048,620</u>	<u>1,886,686</u>	<u>0</u>	<u>1,886,686</u>
Fund Balances:									
Nonspendable:									
Inventory	0	0	0	0	0	281,380	281,380	0	281,380
Allandale Trust Principal	0	0	0	0	0	0	0	152,692	152,692
Prepays	0	0	0	0	0	38,770	38,770	0	38,770
Restricted:									
Unspent Federal Forfeitures	0	0	26,891	0	0	0	26,891	0	26,891
Unspent Hotel Tax	0	0	0	0	24,671	0	24,671	0	24,671
Committed	16,471	819,376	629,476	431,320	938,176	2,525,851	5,360,670	59,519	5,420,189
Total Fund Balances	<u>16,471</u>	<u>819,376</u>	<u>656,367</u>	<u>431,320</u>	<u>962,847</u>	<u>2,846,001</u>	<u>5,732,382</u>	<u>212,211</u>	<u>5,944,593</u>
Total Liabilities and Fund Balances	<u>\$ 125,170</u>	<u>\$ 827,025</u>	<u>\$ 723,752</u>	<u>\$ 807,187</u>	<u>\$ 1,241,313</u>	<u>\$ 3,894,621</u>	<u>\$ 7,619,068</u>	<u>\$ 212,211</u>	<u>\$ 7,831,279</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, 2020

	Special Revenue Funds							Permanent Fund	
	Community Development Fund	Special Revenue General Projects Fund	Public Safety Funds	Transportation Funds	Culture & Recreation Funds	Education Funds	Total Special Revenue Funds	Allandale Trust Fund	Total Nonmajor Governmental Funds
REVENUES:									
Local Option Sales Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,777,738	\$ 0	\$ 3,777,738	\$ 0	\$ 3,777,738
Hotel/Motel Tax Allocation	0	0	0	0	359,406	0	359,406	0	359,406
Federal Government	381,016	127,907	23,540	1,610,621	0	7,734,238	9,877,322	0	9,877,322
State Government	0	328,351	0	2,503,989	0	987,980	3,820,320	0	3,820,320
County Government	0	0	0	0	15,000	0	15,000	0	15,000
Charges for Services	0	0	0	116,270	127,341	726,668	970,279	0	970,279
Fines and Forfeitures	0	13,440	145,362	0	12,475	0	171,277	0	171,277
Investment Earnings	0	0	1,134	6	10,302	3,046	14,488	5,047	19,535
Contributions and Donations	0	54,989	0	0	75,454	142,360	272,803	0	272,803
Other	0	0	0	0	130	0	130	0	130
Total Revenues	381,016	524,687	170,036	4,230,886	4,377,846	9,594,292	19,278,763	5,047	19,283,810
EXPENDITURES:									
General & Administrative	0	2,306,600	0	0	0	0	2,306,600	0	2,306,600
School Food Service	0	0	0	0	0	3,936,918	3,936,918	0	3,936,918
School Federal Projects	0	0	0	0	0	4,203,696	4,203,696	0	4,203,696
Economic & Physical Development	381,016	0	0	0	0	0	381,016	0	381,016
Public Safety	0	0	45,299	0	0	0	45,299	0	45,299
Transportation	0	0	0	4,323,381	0	0	4,323,381	0	4,323,381
Culture and Recreation	0	0	0	0	1,617,668	0	1,617,668	0	1,617,668
Education	0	0	0	0	0	1,074,476	1,074,476	0	1,074,476
Capital Outlay	0	12,158	134,252	893,421	37,108	478,673	1,555,612	0	1,555,612
Total Expenditures	381,016	2,318,758	179,551	5,216,802	1,654,776	9,693,763	19,444,666	0	19,444,666
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(1,794,071)	(9,515)	(985,916)	2,723,070	(99,471)	(165,903)	5,047	(160,856)
OTHER FINANCING SOURCES (USES):									
Transfers In	0	2,292,564	0	584,276	1,328,900	139,684	4,345,424	0	4,345,424
Transfers Out	0	0	0	0	(4,288,581)	(119,926)	(4,408,507)	0	(4,408,507)
Total Other Financing Sources (Uses)	0	2,292,564	0	584,276	(2,959,681)	19,758	(63,083)	0	(63,083)
Net Change in Fund Balances	0	498,493	(9,515)	(401,640)	(236,611)	(79,713)	(228,986)	5,047	(223,939)
Fund Balances, July 1, 2019	16,471	320,883	665,882	832,960	1,199,458	2,925,714	5,961,368	207,164	6,168,532
Fund Balances, June 30, 2020	\$ 16,471	\$ 819,376	\$ 656,367	\$ 431,320	\$ 962,847	\$ 2,846,001	\$ 5,732,382	\$ 212,211	\$ 5,944,593

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - PUBLIC SAFETY
June 30, 2020

	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	201,163	487,088	0	688,251
Due from Other Governments	0	4,254	0	4,254
Restricted Investments	26,891	0	0	26,891
Total Assets	\$ 228,054	\$ 495,698	\$ 0	\$ 723,752
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 0	\$ 1,642	\$ 0	\$ 1,642
Due to Other Funds	0	0	0	0
Unearned Revenue	0	65,743	0	65,743
Total Liabilities	0	67,385	0	67,385
Fund Balances:				
Restricted:				
Unspent Federal Forfeitures	26,891	0	0	26,891
Committed	201,163	428,313	0	629,476
Total Fund Balances	228,054	428,313	0	656,367
Total Liabilities and Fund Balances	\$ 228,054	\$ 495,698	\$ 0	\$ 723,752

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - PUBLIC SAFETY
For the Fiscal Year Ended June 30, 2020

	Criminal Forfeiture Fund	Drug Fund	Justice Assistance Grant Fund	Total Public Safety Funds
REVENUES:				
Federal Government	\$ 0	\$ 0	\$ 23,540	\$ 23,540
State Government	0	0	0	0
Fines and Forfeitures	34,112	111,250	0	145,362
Miscellaneous	0	0	0	0
Investment Earnings	1,134	0	0	1,134
	<u>35,246</u>	<u>111,250</u>	<u>23,540</u>	<u>170,036</u>
Total Revenues	<u>35,246</u>	<u>111,250</u>	<u>23,540</u>	<u>170,036</u>
EXPENDITURES:				
General and Administrative	0	0	0	0
Public Safety	0	45,299	0	45,299
Capital Outlay	94,735	15,977	23,540	134,252
	<u>94,735</u>	<u>61,276</u>	<u>23,540</u>	<u>179,551</u>
Total Expenditures	<u>94,735</u>	<u>61,276</u>	<u>23,540</u>	<u>179,551</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(59,489)</u>	<u>49,974</u>	<u>0</u>	<u>(9,515)</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	<u>(59,489)</u>	<u>49,974</u>	<u>0</u>	<u>(9,515)</u>
Fund Balances, July 1, 2019	<u>287,543</u>	<u>378,339</u>	<u>0</u>	<u>665,882</u>
Fund Balances, June 30, 2020	<u>\$ 228,054</u>	<u>\$ 428,313</u>	<u>\$ 0</u>	<u>\$ 656,367</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - TRANSPORTATION
June 30, 2020

	Federal Transit Administration Fund	Metropolitan Planning Office Fund	State Street Aid Fund	Total Transportation Funds
ASSETS:				
Cash	\$ 100	\$ 0	\$ 0	\$ 100
Equity in Pooled Cash and Investments	1,447	0	0	1,447
Due from Other Governments	363,488	135,530	302,234	801,252
Restricted Investments	0	4,388	0	4,388
Total Assets	\$ 365,035	\$ 139,918	\$ 302,234	\$ 807,187
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 10,502	\$ 504	\$ 148,055	\$ 159,061
Due to Other Governments	0	0	0	0
Due to Other Funds	0	67,270	149,536	216,806
Total Liabilities	10,502	67,774	297,591	375,867
Fund Balances:				
Committed	354,533	72,144	4,643	431,320
Total Fund Balances	354,533	72,144	4,643	431,320
Total Liabilities and Fund Balances	\$ 365,035	\$ 139,918	\$ 302,234	\$ 807,187

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, 2020

	Federal Transit Administration Fund	Metropolitan Planning Office Fund	State Street Aid Fund	Total Transportation Funds
REVENUES:				
Federal Government	\$ 1,369,838	\$ 240,783	\$ 0	\$ 1,610,621
State Government	674,894	6,889	1,822,206	2,503,989
Charges for Services	116,270	0	0	116,270
Investment Earnings	0	6	0	6
Total Revenues	2,161,002	247,678	1,822,206	4,230,886
EXPENDITURES:				
Transportation	1,729,729	298,199	2,295,453	4,323,381
Capital Outlay	863,421	0	30,000	893,421
Total Expenditures	2,593,150	298,199	2,325,453	5,216,802
Excess (Deficiency) of Revenues Over (Under) Expenditures	(432,148)	(50,521)	(503,247)	(985,916)
OTHER FINANCING SOURCES (USES):				
Transfers In	3,106	75,962	505,208	584,276
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	3,106	75,962	505,208	584,276
Net Change in Fund Balances	(429,042)	25,441	1,961	(401,640)
Fund Balances, July 1, 2019	783,575	46,703	2,682	832,960
Fund Balances, June 30, 2020	<u>\$ 354,533</u>	<u>\$ 72,144</u>	<u>\$ 4,643</u>	<u>\$ 431,320</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CULTURE AND RECREATION
June 30, 2020

	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	351	1,510	691	88,734	9,983	17,621	118,890
Investments	152	0	6,258	4,379	0	212,274	209,118	432,181
Accounts Receivable	0	24,320	0	0	0	0	500	24,820
Due from Other Governments	650,422	0	0	0	15,000	0	0	665,422
Due from Other Funds	0	0	0	0	0	0	0	0
Total Assets	\$ 650,574	\$ 24,671	\$ 7,768	\$ 5,070	\$ 103,734	\$ 222,257	\$ 227,239	\$ 1,241,313
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Accounts Payable	\$ 0	\$ 0	\$ 150	\$ 0	\$ 60,386	\$ 0	\$ 1,772	\$ 62,308
Due to Other Governments	0	0	0	0	0	0	0	0
Due to Other Funds	216,158	0	0	0	0	0	0	216,158
Total Liabilities	216,158	0	150	0	60,386	0	1,772	278,466
Fund Balances:								
Restricted For:								
Unspent Hotel Tax	0	24,671	0	0	0	0	0	24,671
Committed	434,416	0	7,618	5,070	43,348	222,257	225,467	938,176
Total Fund Balances	434,416	24,671	7,618	5,070	43,348	222,257	225,467	962,847
Total Liabilities and Fund Balances	\$ 650,574	\$ 24,671	\$ 7,768	\$ 5,070	\$ 103,734	\$ 222,257	\$ 227,239	\$ 1,241,313

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, 2020

	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	\$ 3,777,738	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,777,738
Hotel/Motel Tax Allocation	0	359,406	0	0	0	0	0	359,406
County Government	0	0	0	0	15,000	0	0	15,000
Fines and Forfeitures	0	0	0	0	12,475	0	0	12,475
Charges for Services	0	0	0	0	9,304	0	118,037	127,341
Investment Earnings	3,698	0	129	68	0	3,461	2,946	10,302
Contributions and Donations	0	0	0	0	766	22,538	52,150	75,454
Other	0	0	0	0	130	0	0	130
Total Revenues	3,781,436	359,406	129	68	37,675	25,999	173,133	4,377,846
EXPENDITURES:								
Culture and Recreation	0	21,550	930	0	1,385,604	14,778	194,806	1,617,668
Capital Outlay	0	13,800	0	0	0	23,308	0	37,108
Total Expenditures	0	35,350	930	0	1,385,604	38,086	194,806	1,654,776
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,781,436	324,056	(801)	68	(1,347,929)	(12,087)	(21,673)	2,723,070
OTHER FINANCING SOURCES (USES):								
Transfers In	0	0	0	0	1,328,900	0	0	1,328,900
Transfers Out	(3,839,400)	(449,181)	0	0	0	0	0	(4,288,581)
Total Other Financing Sources (Uses)	(3,839,400)	(449,181)	0	0	1,328,900	0	0	(2,959,681)
Net Change in Fund Balances	(57,964)	(125,125)	(801)	68	(19,029)	(12,087)	(21,673)	(236,611)
Fund Balances, July 1, 2019	492,380	149,796	8,419	5,002	62,377	234,344	247,140	1,199,458
Fund Balances, June 30, 2020	<u>\$ 434,416</u>	<u>\$ 24,671</u>	<u>\$ 7,618</u>	<u>\$ 5,070</u>	<u>\$ 43,348</u>	<u>\$ 222,257</u>	<u>\$ 225,467</u>	<u>\$ 962,847</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EDUCATION
June 30, 2020

	School Nutrition Services Fund	Special School Projects Fund	Public Law 93- 380 Fund	Palmer Center Fund	Total Education Funds
ASSETS:					
Cash	\$ 1,104,053	\$ 0	\$ 0	\$ 0	\$ 1,104,053
Equity in Pooled Cash and Investments	1,262,953	0	0	0	1,262,953
Long Term Certificates of Deposit	98,000	0	0	0	98,000
Investments	0	0	0	69,857	69,857
Accounts Receivable	0	0	0	0	0
Due from Other Governments	213,972	161,150	664,486	0	1,039,608
Prepays	38,770	0	0	0	38,770
Inventories	281,380	0	0	0	281,380
Total Assets	<u>\$ 2,999,128</u>	<u>\$ 161,150</u>	<u>\$ 664,486</u>	<u>\$ 69,857</u>	<u>\$ 3,894,621</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 155,898	\$ 8,814	\$ 87,759	\$ 0	\$ 252,471
Other Liabilities	0	0	2,154	0	2,154
Due to Other Funds	0	137,203	574,573	0	711,776
Due to Other Governments	0	0	0	0	0
Unearned Revenue	67,086	15,133	0	0	82,219
Total Liabilities	<u>222,984</u>	<u>161,150</u>	<u>664,486</u>	<u>0</u>	<u>1,048,620</u>
Fund Balances:					
Nonspendable:					
Inventory	281,380	0	0	0	281,380
Prepays	38,770	0	0	0	38,770
Committed	2,455,994	0	0	69,857	2,525,851
Total Fund Balances	<u>2,776,144</u>	<u>0</u>	<u>0</u>	<u>69,857</u>	<u>2,846,001</u>
Total Liabilities and Fund Balances	<u>\$ 2,999,128</u>	<u>\$ 161,150</u>	<u>\$ 664,486</u>	<u>\$ 69,857</u>	<u>\$ 3,894,621</u>

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, 2020

	School Nutrition Services Fund	Special School Projects Fund	Public Law 93- 380 Fund	Palmer Center Fund	Total Education Funds
REVENUES:					
Federal Government	\$ 3,236,824	\$ 0	\$ 4,497,414	\$ 0	\$ 7,734,238
State Government	30,193	957,787	0	0	987,980
Charges for Services	611,877	114,791	0	0	726,668
Investment Earnings	1,958	0	0	1,088	3,046
Contributions and Donations	142,360	0	0	0	142,360
Total Revenues	4,023,212	1,072,578	4,497,414	1,088	9,594,292
EXPENDITURES:					
School Food Service	3,936,918	0	0	0	3,936,918
School Federal Projects	0	0	4,203,696	0	4,203,696
Education	0	1,074,476	0	0	1,074,476
Capital Outlay	111,709	150,006	216,958	0	478,673
Total Expenditures	4,048,627	1,224,482	4,420,654	0	9,693,763
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,415)	(151,904)	76,760	1,088	(99,471)
OTHER FINANCING SOURCES (USES):					
Transfers In	0	96,518	43,166	0	139,684
Transfers Out	0	0	(119,926)	0	(119,926)
Total Other Financing Sources (Uses)	0	96,518	(76,760)	0	19,758
Net Change in Fund Balances	(25,415)	(55,386)	0	1,088	(79,713)
Fund Balances, July 1, 2019	2,801,559	55,386	0	68,769	2,925,714
Fund Balances, June 30, 2020	\$ 2,776,144	\$ 0	\$ 0	\$ 69,857	\$ 2,846,001

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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal Government	\$ 0	\$ 0	\$ 0	\$ 0
Fines and Forfeitures	6,000	34,113	34,112	(1)
Investment Earnings	0	1,134	1,134	0
Contributions and Donations	0	0	0	0
Total Revenues	6,000	35,247	35,246	(1)
EXPENDITURES:				
Public Safety	6,000	6,000	0	6,000
Capital Outlay	0	94,789	94,735	54
Total Expenditures	6,000	100,789	94,735	6,054
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(65,542)	(59,489)	6,053
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	(65,542)	(59,489)	6,053
Fund Balances, July 1, 2019	0	65,542	287,543	222,001
Fund Balances, June 30, 2020	\$ 0	\$ 0	\$ 228,054	\$ 228,054

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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
State Government	\$ 0	\$ 0	\$ 0	\$ 0
Fines and Forfeitures	157,100	157,100	111,250	(45,850)
Miscellaneous	0	0	0	0
Total Revenues	157,100	157,100	111,250	(45,850)
EXPENDITURES:				
General and Administrative	0	0	0	0
Public Safety	107,100	107,100	45,299	61,801
Capital Outlay	50,000	50,000	15,977	34,023
Total Expenditures	157,100	157,100	61,276	95,824
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	49,974	49,974
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	49,974	49,974
Fund Balances, July 1, 2019	0	0	378,339	378,339
Fund Balances, June 30, 2020	\$ 0	\$ 0	\$ 428,313	\$ 428,313

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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
State Government	\$ 1,939,000	\$ 1,939,000	\$ 1,822,206	\$ (116,794)
Investment Earnings	0	0	0	0
Miscellaneous	0	0	0	0
Total Revenues	1,939,000	1,939,000	1,822,206	(116,794)
EXPENDITURES:				
Highways and Streets	2,784,000	2,790,156	2,295,453	494,703
Capital Outlay	0	30,000	30,000	0
Total Expenditures	2,784,000	2,820,156	2,325,453	494,703
Excess (Deficiency) of Revenues Over (Under) Expenditures	(845,000)	(881,156)	(503,247)	377,909
OTHER FINANCING SOURCES (USES):				
Transfers In	845,000	845,000	505,208	(339,792)
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	845,000	845,000	505,208	(339,792)
Net Change in Fund Balances	0	(36,156)	1,961	38,117
Fund Balances, July 1, 2019	0	36,156	2,682	(33,474)
Fund Balances, June 30, 2020	\$ 0	\$ 0	\$ 4,643	\$ 4,643

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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Local Option Sales Tax	\$ 3,839,400	\$ 3,835,701	\$ 3,777,738	\$ (57,963)
Investment Earnings	0	3,699	3,698	(1)
Total Revenues	3,839,400	3,839,400	3,781,436	(57,964)
EXPENDITURES:				
Culture and Recreation	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,839,400	3,839,400	3,781,436	(57,964)
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	(3,839,400)	(3,839,400)	(3,839,400)	0
Total Other Financing Sources (Uses)	(3,839,400)	(3,839,400)	(3,839,400)	0
Net Change in Fund Balances	0	0	(57,964)	(57,964)
Fund Balances, July 1, 2019	0	0	492,380	492,380
Fund Balances, June 30, 2020	\$ 0	\$ 0	\$ 434,416	\$ 434,416

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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 425,000	\$ 425,000	\$ 359,406	\$ (65,594)
Other	0	0	0	0
Total Revenues	425,000	425,000	359,406	(65,594)
EXPENDITURES:				
Culture and Recreation	146,500	21,550	21,550	0
Capital Outlay	38,300	13,800	13,800	0
Total Expenditures	184,800	35,350	35,350	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	240,200	389,650	324,056	(65,594)
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	(240,200)	(467,950)	(449,181)	18,769
Total Other Financing Sources (Uses)	(240,200)	(467,950)	(449,181)	18,769
Net Change in Fund Balances	0	(78,300)	(125,125)	(46,825)
Fund Balances, July 1, 2019	0	78,300	149,796	71,496
Fund Balances, June 30, 2020	\$ 0	\$ 0	\$ 24,671	\$ 24,671

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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	\$ 50	\$ 128	\$ 129	\$ 1
Total Revenues	50	128	129	1
EXPENDITURES:				
Culture and Recreation	2,550	2,550	930	1,620
Total Expenditures	2,550	2,550	930	1,620
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,500)	(2,422)	(801)	1,621
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(2,500)	(2,422)	(801)	1,621
Fund Balances, July 1, 2019	2,500	2,422	8,419	5,997
Fund Balances, June 30, 2020	\$ 0	\$ 0	\$ 7,618	\$ 7,618

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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	\$ 10	\$ 10	\$ 68	\$ 58
Contributions and Donations	0	0	0	0
Total Revenues	10	10	68	58
EXPENDITURES:				
Culture and Recreation	10	10	0	10
Total Expenditures	10	10	0	10
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	68	68
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	68	68
Fund Balances, July 1, 2019	0	0	5,002	5,002
Fund Balances, June 30, 2020	\$ 0	\$ 0	\$ 5,070	\$ 5,070

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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for Services	\$ 9,600	\$ 9,302	\$ 9,304	\$ 2
County Government	15,000	15,000	15,000	0
Fines and Forfeitures	21,800	12,475	12,475	0
Investment Earnings	0	0	0	0
Other	0	129	130	1
Contributions and Donations	0	766	766	0
Total Revenues	46,400	37,672	37,675	3
EXPENDITURES:				
Culture and Recreation	1,379,779	1,389,318	1,385,604	3,714
Total Expenditures	1,379,779	1,389,318	1,385,604	3,714
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,333,379)	(1,351,646)	(1,347,929)	3,717
OTHER FINANCING SOURCES (USES):				
Transfers In	1,328,900	1,328,900	1,328,900	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	1,328,900	1,328,900	1,328,900	0
Net Change in Fund Balances	(4,479)	(22,746)	(19,029)	3,717
Fund Balances, July 1, 2019	4,479	22,746	62,377	39,631
Fund Balances, June 30, 2020	\$ 0	\$ 0	\$ 43,348	\$ 43,348

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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	\$ 1,000	\$ 3,461	\$ 3,461	\$ 0
Contributions and Donations	15,000	22,538	22,538	0
Total Revenues	16,000	25,999	25,999	0
EXPENDITURES:				
Capital Outlay	0	23,310	23,308	2
Culture and Recreation	46,000	22,690	14,778	7,912
Total Expenditures	46,000	46,000	38,086	7,914
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,000)	(20,001)	(12,087)	7,914
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(30,000)	(20,001)	(12,087)	7,914
Fund Balances, July 1, 2019	30,000	20,001	234,344	214,343
Fund Balances, June 30, 2020	\$ 0	\$ 0	\$ 222,257	\$ 222,257

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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for Services	\$ 308,800	\$ 118,037	\$ 118,037	\$ 0
Investment Earnings	400	2,945	2,946	1
Contributions and Donations	65,400	52,151	52,150	(1)
Other	0	0	0	0
Total Revenues	374,600	173,133	173,133	0
EXPENDITURES:				
Culture and Recreation	374,600	374,600	194,806	179,794
Total Expenditures	374,600	374,600	194,806	179,794
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(201,467)	(21,673)	179,794
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	(201,467)	(21,673)	179,794
Fund Balances, July 1, 2019	0	201,467	247,140	45,673
Fund Balances, June 30, 2020	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 225,467</u>	<u>\$ 225,467</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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal Government	\$ 2,521,500	\$ 2,721,500	\$ 3,236,824	\$ 515,324
State Government	30,000	30,000	30,193	193
Charges for Services	762,500	762,500	611,877	(150,623)
Investment Earnings	2,000	2,000	1,958	(42)
Contributions and Donations	209,000	209,000	142,360	(66,640)
Total Revenues	3,525,000	3,725,000	4,023,212	298,212
EXPENDITURES:				
School Food Service	3,395,000	3,941,942	3,936,918	5,024
Capital Outlay	880,000	692,112	111,709	580,403
Total Expenditures	4,275,000	4,634,054	4,048,627	585,427
Excess (Deficiency) of Revenues Over (Under) Expenditures	(750,000)	(909,054)	(25,415)	883,639
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	(750,000)	(909,054)	(25,415)	883,639
Fund Balances, July 1, 2019	750,000	909,054	2,801,559	1,892,505
Fund Balances, June 30, 2020	\$ 0	\$ 0	\$ 2,776,144	\$ 2,776,144

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, 2020

	<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>\$ 1,088</u>	<u>\$ 988</u>
Total Revenues	<u>100</u>	<u>100</u>	<u>1,088</u>	<u>988</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>1,088</u>	<u>1,088</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>1,088</u>	<u>1,088</u>
Fund Balances, July 1, 2019	<u>0</u>	<u>0</u>	<u>68,769</u>	<u>68,769</u>
Fund Balances, June 30, 2020	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 69,857</u></u>	<u><u>\$ 69,857</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, 2020

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	\$ 2,500	\$ 5,046	\$ 5,047	\$ 1
Total Revenues	2,500	5,046	5,047	1
EXPENDITURES:				
Culture and Recreation	17,500	17,500	0	17,500
Total Expenditures	17,500	17,500	0	17,500
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,000)	(12,454)	5,047	17,501
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	(15,000)	(12,454)	5,047	17,501
Fund Balances, July 1, 2019	15,000	12,454	207,164	194,710
Fund Balances, June 30, 2020	\$ 0	\$ 0	\$ 212,211	\$ 212,211

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2020

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
ASSETS:				
Current Assets:				
Cash	\$ 2,639	\$ 0	\$ 0	\$ 2,639
Equity in Pooled Cash and Investments	846,631	1,042,328	989	1,889,948
Accounts Receivable, Net	363,793	252,400	82,514	698,707
Accrued Interest Receivable	566	0	0	566
Inventories	0	0	93,623	93,623
Total Current Assets	1,213,629	1,294,728	177,126	2,685,483
Noncurrent Assets:				
Restricted Assets:				
Cash	0	0	83,000	83,000
Cash from Unspent Bonds	575,354	33	252,304	827,691
Investments	27,508	90	3,152	30,750
Total Restricted Assets	602,862	123	338,456	941,441
Capital Assets:				
Land	1,716,309	1,600,969	981,600	4,298,878
Buildings and Systems	519,836	1,606,526	1,439,145	3,565,507
Improvements Other Than Buildings	1,177,264	534,297	6,061,895	7,773,456
Software	6,750	73,970	0	80,720
Machinery and Equipment	2,361,923	540,088	501,531	3,403,542
Construction in Progress	1,956,862	805,001	29,041	2,790,904
Less: Accumulated Depreciation	(3,116,156)	(786,652)	(5,691,920)	(9,594,728)
Total Capital Assets	4,622,788	4,374,199	3,321,292	12,318,279
Other Assets:				
Prepaid Landfill Closure Costs	31,527	0	0	31,527
Total Other Assets	31,527	0	0	31,527
Total Noncurrent Assets	5,257,177	4,374,322	3,659,748	13,291,247
Total Assets	6,470,806	5,669,050	3,836,874	15,976,730
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflows Related to Refunding	11,659	39,595	0	51,254
Deferred Outflows Related to Pensions	234,503	77,418	0	311,921
Deferred Outflows Related to OPEB	70,428	20,932	0	91,360
Total Deferred Outflows of Resources	316,590	137,945	0	454,535

(continued)

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2020

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
LIABILITIES:				
Current Liabilities:				
Accounts Payable	49,801	42,224	52,815	144,840
Due to Other Funds	0	535,998	97,856	633,854
Compensated Absences Payable	138,633	39,465	0	178,098
Retainages Payable	0	0	294	294
Accrued Interest Payable	34,312	13,270	5,747	53,329
General Obligation Bonds - Current	290,257	83,850	31,397	405,504
Other Payables	0	0	0	0
Total Current Liabilities	513,003	714,807	188,109	1,415,919
Noncurrent Liabilities:				
General Obligation Bonds Payable (Net of Deferred Refunding Costs, Discounts and Premiums)	2,711,149	1,017,782	599,299	4,328,230
OPEB Liability	979,478	250,633	0	1,230,111
Pension Liability	750,528	254,446	0	1,004,974
Total Noncurrent Liabilities	4,441,155	1,522,861	599,299	6,563,315
Total Liabilities	4,954,158	2,237,668	787,408	7,979,234
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflows Related to Pensions	111,931	43,904	0	155,835
Deferred Inflows Related to OPEB	257,256	85,323	0	342,579
Total Deferred Inflows of Resources	369,187	129,227	0	498,414
NET POSITION:				
Net Investment in Capital Assets	2,208,395	3,312,195	2,942,900	8,463,490
Restricted for Debt Service	27,508	90	0	27,598
Restricted for Capital Improvements	0	0	86,152	86,152
Unrestricted	(771,852)	127,815	20,414	(623,623)
Total Net Position	\$ 1,464,051	\$ 3,440,100	\$ 3,049,466	\$ 7,953,617

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, 2020

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES:				
Charges and Fees	\$ 3,104,370	\$ 1,867,353	\$ 814,850	\$ 5,786,573
Penalties and Fines	0	0	0	0
Miscellaneous	0	3,071	0	3,071
Total Operating Revenue	3,104,370	1,870,424	814,850	5,789,644
OPERATING EXPENSES:				
Operating Costs	4,791,912	1,143,442	965,643	6,900,997
Depreciation	208,751	176,783	237,355	622,889
Total Operating Expenses	5,000,663	1,320,225	1,202,998	7,523,886
Operating Income (Loss)	(1,896,293)	550,199	(388,148)	(1,734,242)
NONOPERATING REVENUES:				
Investment Earnings	12,264	7,481	1,971	21,716
Federal Interest Subsidy	240	480	0	720
Interest Expense	(92,312)	(35,784)	(16,400)	(144,496)
Bond Issue Cost	0	0	(2,653)	(2,653)
Total Nonoperating Revenues	(79,808)	(27,823)	(17,082)	(124,713)
Income (Loss) Before Capital Contributions and Transfers	(1,976,101)	522,376	(405,230)	(1,858,955)
Capital Contributions	0	50,400	0	50,400
Transfers In	3,493,695	0	137,608	3,631,303
Transfers Out	0	(108,136)	0	(108,136)
Change in Net Position	1,517,594	464,640	(267,622)	1,714,612
Net Position, July 1, 2019	(53,543)	2,975,460	3,317,088	6,239,005
Net Position, June 30, 2020	\$ 1,464,051	\$ 3,440,100	\$ 3,049,466	\$ 7,953,617

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2020

	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	\$ 3,065,348	\$ 1,799,511	\$ 771,602	\$ 5,636,461
Receipts from Interfund Services Provided	69,513	84,561	0	154,074
Payments to Suppliers	(2,603,488)	(704,340)	(920,350)	(4,228,178)
Payments to Employees	(2,092,876)	(709,179)	0	(2,802,055)
Net Cash Provided (Used) by Operating Activities	<u>(1,561,503)</u>	<u>470,553</u>	<u>(148,748)</u>	<u>(1,239,698)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from Other Funds	3,493,695	0	137,608	3,631,303
Transfers to Other Funds	0	(108,136)	0	(108,136)
Advances From Other Funds	(667,164)	161,331	51,488	(454,345)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,826,531</u>	<u>53,195</u>	<u>189,096</u>	<u>3,068,822</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Capital Debt	0	0	250,000	250,000
Capital Transfers from Other Funds	0	0	0	0
County Revenue for Capital Projects	0	0	0	0
Acquisition and Construction of Capital Assets	(186,640)	(510,304)	(4,471)	(701,415)
Principal Paid on Capital Debt	(282,468)	(86,743)	(25,793)	(395,004)
Interest Paid on Capital Debt	(111,934)	(39,699)	(14,620)	(166,253)
Proceeds from Sales of Capital Assets	0	0	0	0
Net Cash Used by Capital and Related Financing Activities	<u>(581,042)</u>	<u>(636,746)</u>	<u>205,116</u>	<u>(1,012,672)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from Sales and Maturities of Investments	0	1,180	0	1,180
Purchase of Investments	(4,594)	0	(49)	(4,643)
Interest Received	14,671	7,481	1,971	24,123
Net Cash Provided (Used) by Investing Activities	<u>10,077</u>	<u>8,661</u>	<u>1,922</u>	<u>20,660</u>
 Net Increase (Decrease) In Cash and Cash Equivalents	 694,063	 (104,337)	 247,386	 837,112
 Cash and Cash Equivalents, July 1, 2019	 <u>730,561</u>	 <u>1,146,698</u>	 <u>88,907</u>	 <u>1,966,166</u>
 Cash and Cash Equivalents, June 30, 2020	 <u>\$ 1,424,624</u>	 <u>\$ 1,042,361</u>	 <u>\$ 336,293</u>	 <u>\$ 2,803,278</u>

(continued)

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2020

	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)	\$ (1,896,293)	\$ 550,199	\$ (388,148)	\$ (1,734,242)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	208,751	176,783	237,355	622,889
(Increase) Decrease in Assets:				
Accounts Receivable	30,491	13,647	(43,248)	890
Inventory	0	0	21,821	21,821
Prepays	68,606	0	0	68,606
Increase (Decrease) in Liabilities:				
Accounts Payable	(9,434)	(270,045)	23,472	(256,007)
Pension Liabilities and Deferrals	(11,697)	(3,412)	0	(15,109)
Compensated Absences Payable	12,617	7,641	0	20,258
OPEB Liabilities and Deferrals	35,456	10,810	0	46,266
Other Payables	0	0	0	0
Retainages Payable	0	(15,070)	0	(15,070)
Net Cash Provided (Used) by Operating Activities	\$ (1,561,503)	\$ 470,553	\$ (148,748)	\$ (1,239,698)
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:				
Cash on Hand	\$ 2,639	\$ 0	\$ 0	\$ 2,639
Equity in Pooled Cash and Investments	846,631	1,042,328	989	1,889,948
Restricted Cash from Unspent Bonds	575,354	33	252,304	827,691
Restricted Cash	0	0	83,000	83,000
Cash and Cash Equivalents, June 30, 2020	\$ 1,424,624	\$ 1,042,361	\$ 336,293	\$ 2,803,278
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Capital Assets Contributed by Developers	\$ 0	\$ 50,400	\$ 0	\$ 50,400
Federal Interest Subsidy Paid Directly to Bank	\$ 240	\$ 480	\$ 0	\$ 720

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2020

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	Total Internal Service Funds
ASSETS:					
Current Assets:					
Equity in Pooled Cash and Investments	\$ 7,689	\$ 6,423,440	\$ 4,368,521	\$ 2,373,138	\$ 13,172,788
Accounts Receivable	280,007	3,806	212,238	16,318	512,369
Accrued Interest Receivable	45	6	0	0	51
Inventories	353,714	0	36,449	0	390,163
Prepays	0	254,918	3,069	1,111	259,098
Total Current Assets	641,455	6,682,170	4,620,277	2,390,567	14,334,469
Capital Assets:					
Land	14,695	0	0	0	14,695
Buildings and Improvements	0	0	14,897	0	14,897
Machinery and Equipment	35,044,290	0	0	0	35,044,290
Less: Accumulated Depreciation	(23,959,637)	0	(10,552)	0	(23,970,189)
Net Capital Assets	11,099,348	0	4,345	0	11,103,693
Other Assets:					
Deposits	0	30,000	26,920	2,074	58,994
Total Other Assets	0	30,000	26,920	2,074	58,994
Restricted Assets:					
Long Term Certificates of Deposit	500,000	500,000	0	0	1,000,000
Investments	4,621,794	0	0	0	4,621,794
Total Restricted Assets	5,121,794	500,000	0	0	5,621,794
Total Assets	16,862,597	7,212,170	4,651,542	2,392,641	31,118,950

(continued)

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2020

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	Total Internal Service Funds
LIABILITIES:					
Current Liabilities:					
Accounts Payable	250,682	136,550	80,935	0	468,167
Due to Other Funds	1,900,721	0	0	0	1,900,721
Claims Payable	0	882,885	0	0	882,885
Benefits Payable	0	2,592,317	390,000	30,000	3,012,317
Compensated Absences Payable	77,993	9,111	1,865	0	88,969
Total Current Liabilities	<u>2,229,396</u>	<u>3,620,863</u>	<u>472,800</u>	<u>30,000</u>	<u>6,353,059</u>
Total Liabilities	<u>2,229,396</u>	<u>3,620,863</u>	<u>472,800</u>	<u>30,000</u>	<u>6,353,059</u>
NET POSITION:					
Net Investment in Capital Assets	11,099,348	0	4,345	0	11,103,693
Unrestricted	<u>3,533,853</u>	<u>3,591,307</u>	<u>4,174,397</u>	<u>2,362,641</u>	<u>13,662,198</u>
Total Net Position	<u>\$ 14,633,201</u>	<u>\$ 3,591,307</u>	<u>\$ 4,178,742</u>	<u>\$ 2,362,641</u>	<u>\$ 24,765,891</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, 2020

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	Total Internal Service Funds
OPERATING REVENUE:					
Charges for Sales and Services	\$ 7,865,026	\$ 2,196,433	\$ 9,091,570	\$ 1,050,177	\$ 20,203,206
Miscellaneous	128,176	21,989	832,970	32,045	1,015,180
Total Operating Revenue	<u>7,993,202</u>	<u>2,218,422</u>	<u>9,924,540</u>	<u>1,082,222</u>	<u>21,218,386</u>
OPERATING EXPENSES:					
Personnel Services and Benefits	1,347,851	311,309	56,868	0	1,716,028
Materials and Supplies	3,879,704	1,268	571,525	0	4,452,497
Contractual Services	70,192	245,046	455,530	635	771,403
Insurance	12,825	565,974	441,847	43,462	1,064,108
Insurance Claims	0	1,291,026	6,484,439	565,066	8,340,531
Depreciation	2,372,498	0	1,490	0	2,373,988
Miscellaneous	137,306	26,901	736,711	30,871	931,789
Total Operating Expenses	<u>7,820,376</u>	<u>2,441,524</u>	<u>8,748,410</u>	<u>640,034</u>	<u>19,650,344</u>
Operating Income (Loss)	<u>172,826</u>	<u>(223,102)</u>	<u>1,176,130</u>	<u>442,188</u>	<u>1,568,042</u>
NONOPERATING REVENUES:					
Gain (Loss) on Disposal of Fixed Assets	(3,600)	0	0	0	(3,600)
Investment Earnings	81,576	83,933	40,574	25,187	231,270
Total Nonoperating Revenues	<u>77,976</u>	<u>83,933</u>	<u>40,574</u>	<u>25,187</u>	<u>227,670</u>
Income (Loss) Before Transfers	250,802	(139,169)	1,216,704	467,375	1,795,712
Transfers In	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Position	250,802	(139,169)	1,216,704	467,375	1,795,712
Net Position, July 1, 2019	<u>14,382,399</u>	<u>3,730,476</u>	<u>2,962,038</u>	<u>1,895,266</u>	<u>22,970,179</u>
Net Position, June 30, 2020	<u>\$ 14,633,201</u>	<u>\$ 3,591,307</u>	<u>\$ 4,178,742</u>	<u>\$ 2,362,641</u>	<u>\$ 24,765,891</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2020

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Interfund Services Provided	\$ 7,882,012	\$ 2,214,616	\$ 9,933,193	\$ 1,089,630	\$ 21,119,451
Payments to Suppliers	(4,250,444)	(1,841,529)	(8,628,568)	(630,034)	(15,350,575)
Payments to Employees	(1,346,141)	(319,780)	(56,663)	0	(1,722,584)
Net Cash Provided (Used) by Operating Activities	2,285,427	53,307	1,247,962	459,596	4,046,292
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers (to) from Other Funds	0	0	0	0	0
Advances (to) from Other Funds	508,228	199	0	0	508,427
Net Cash Provided (Used) by Noncapital Financing Activities	508,228	199	0	0	508,427
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of Capital Assets	(2,826,201)	0	0	0	(2,826,201)
Proceeds from Sales of Capital Assets	(3,600)	0	0	0	(3,600)
Net Cash Used by Capital and Related Financing Activities	(2,829,801)	0	0	0	(2,829,801)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments	(37,888)	0	0	0	(37,888)
Interest Received	81,723	84,017	40,574	25,187	231,501
Net Cash Provided (Used) by Investing Activities	43,835	84,017	40,574	25,187	193,613
Net Increase (Decrease) In Cash and Cash Equivalents	7,689	137,523	1,288,536	484,783	1,918,531
Cash and Cash Equivalents, July 1, 2019	0	6,285,917	3,079,985	1,888,355	11,254,257
Cash and Cash Equivalents, June 30, 2020	\$ 7,689	\$ 6,423,440	\$ 4,368,521	\$ 2,373,138	\$ 13,172,788

(continued)

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2020

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	Total Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 172,826	\$ (223,102)	\$ 1,176,130	\$ 442,188	\$ 1,568,042
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	2,372,498	0	1,490	0	2,373,988
(Increase) Decrease in Assets:					
Accounts Receivable	(111,190)	(3,806)	8,653	7,408	(98,935)
Due From Other Governments	0	0	0	0	0
Inventory	30,016	0	(1,911)	0	28,105
Prepays	0	(58,069)	0	0	(58,069)
Increase (Decrease) in Liabilities:					
Accounts Payable	(180,433)	32,717	13,395	0	(134,321)
Benefits Payable	0	192,546	50,000	10,000	252,546
Claims Payable	0	121,492	0	0	121,492
Compensated Absences Payable	1,710	(8,471)	205	0	(6,556)
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,285,427</u>	<u>\$ 53,307</u>	<u>\$ 1,247,962</u>	<u>\$ 459,596</u>	<u>\$ 4,046,292</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:					
Equity in Pooled Cash and Investments	\$ 7,689	\$ 6,423,440	\$ 4,368,521	\$ 2,373,138	\$ 13,172,788
Restricted Assets Cash in Bank	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash and Cash Equivalents, June 30, 2020	<u>\$ 7,689</u>	<u>\$ 6,423,440</u>	<u>\$ 4,368,521</u>	<u>\$ 2,373,138</u>	<u>\$ 13,172,788</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2020

	Industrial Development Board	Emergency Communications District
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers and Users	\$ 1,424,798	\$ 807,297
Payments to Suppliers	(865,759)	(549,428)
Net Cash Provided (Used) by Operating Activities	<u>559,039</u>	<u>257,869</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Noncapital Grants	0	38,207
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>38,207</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Note Proceeds	2,597,083	0
Proceeds from Sale of Capital Assets	2,430,409	0
Purchases of Capital Assets	(3,479,702)	(218,158)
Capital Grants	845,950	0
Payments to Grantees	0	0
Principal Paid on Capital Debt	(2,927,402)	0
Interest Paid on Capital Debt	(349,549)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(883,211)</u>	<u>(218,158)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Maturities of Investments	0	0
Interest Received	6,201	196
Net Cash Provided by Investing Activities	<u>6,201</u>	<u>196</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (317,971)	 78,114
Cash and Cash Equivalents, July 1, 2019	<u>1,167,958</u>	<u>2,151,199</u>
Cash and Cash Equivalents, June 30, 2020	<u><u>\$ 849,987</u></u>	<u><u>\$ 2,229,313</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 504,029	\$ 64,168
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	212,192	158,381
(Increase) Decrease in Assets:		
Accounts Receivable	(275,729)	0
Due from Other Governments	18,711	0
Due from Primary Government	0	0
Land Held for Sale or Development	0	0
Prepaid Items	8,375	38,372
Increase (Decrease) in Liabilities:		
Accounts Payable	(32,938)	(3,052)
Unearned Income	124,399	0
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 559,039</u></u>	<u><u>\$ 257,869</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:		
Cash	\$ 849,987	\$ 2,229,313
Restricted Assets Cash in Bank	0	0
Cash and Cash Equivalents, June 30, 2019	<u><u>\$ 849,987</u></u>	<u><u>\$ 2,229,313</u></u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Decrease in Investment in Joint Venture	<u>4,086</u>	<u>0</u>
Capital Contributions	<u><u>\$ 100,093</u></u>	<u><u>\$ 0</u></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, 2020 and 2019

	2020	2019
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	\$ 34,954,254	\$ 34,811,814
Buildings	190,566,598	189,684,085
Improvements Other Than Buildings	44,394,190	40,005,625
Equipment	31,778,119	29,953,310
Software	1,143,419	872,584
Infrastructure	298,015,796	297,696,396
Construction in Progress	71,920,258	65,020,290
Total Governmental Funds Fixed Assets	<u>\$ 672,772,634</u>	<u>\$ 658,044,104</u>
INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:		
General Obligation Bonds	\$ 444,872,816	\$ 442,666,439
Contributions from Municipalities	471,778	471,778
Federal Grants	13,552,363	11,977,191
State Grants	2,058,055	1,186,057
County Grants	19,817	19,817
Federal Revenue Sharing	366,414	308,698
General Fund Revenue	19,525,867	17,991,430
Gifts	32,744,480	32,383,274
Annexed Roads	14,297,831	14,297,831
Forfeitures	106,485	106,485
Special Revenue Funds	67,794,303	66,572,647
Operating Revenue	2,279,181	2,279,181
Notes Payable	2,762,986	2,762,986
Construction in Progress	71,920,258	65,020,290
Total Governmental Funds Capital Assets	<u>\$ 672,772,634</u>	<u>\$ 658,044,104</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.

See Independent Auditor's Report.

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2020

Function and Activity	Land	Buildings	Improvements other than Buildings	Equipment	Software	Infrastructure	Construction in Progress	Total
General Government:								
General Government	\$ 12,750,382	\$ 23,830,244	\$ 6,173,557	\$ 1,226,490	\$ 0	\$ 0	\$ 10,379,565	\$ 54,360,238
Finance	0	0	5,797	19,251	31,320	0	0	56,368
Information Services	0	0	0	973,229	156,531	0	0	1,129,760
Personnel	0	0	0	10,522	0	0	0	10,522
Geographic Information	0	0	0	80,823	8,500	0	0	89,323
Total General Government	12,750,382	23,830,244	6,179,354	2,310,315	196,351	0	10,379,565	55,646,211
Economic and Physical Development:								
Development Services	0	658,584	33,326	0	0	0	0	691,910
Transportation	0	1,700,680	1,358,259	2,634,174	287,075	0	6,551,894	12,532,082
Engineering	0	576,203	76,879	133,751	0	0	0	786,833
Total Economic and Physical Development	0	2,935,467	1,468,464	2,767,925	287,075	0	6,551,894	14,010,825
Public Safety:								
Police	90,588	4,677,342	175,384	4,006,771	87,247	0	0	9,037,332
Fire	1,003,337	6,060,441	1,152,921	3,031,807	11,665	0	686,670	11,946,841
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	1,093,925	10,804,318	1,328,305	9,289,838	98,912	0	686,670	23,301,968
Public Works:								
General and Administrative	44,620	514,645	44,744	148,655	32,262	344,469	0	1,129,395
Sanitation	0	0	0	5,000	0	0	0	5,000
Streets	0	0	1,123,214	1,419,512	0	44,429,986	4,722,169	51,694,881
Maintenance	0	575,604	41,823	1,690,029	52,010	0	26,343	2,385,809
Bridges System	0	0	0	0	0	9,159,085	30,889	9,189,974
Highways System	0	0	0	0	0	243,605,639	0	243,605,639
Total Public Works	44,620	1,090,249	1,209,781	3,263,196	84,272	297,539,179	4,779,401	308,010,698

(continued)

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2020

Function and Activity	Land	Buildings	Improvements other than Buildings	Equipment	Software	Infrastructure	Construction in Progress	Total
Culture and Recreation:								
Senior Citizens	0	3,871,546	29,040	41,142	13,550	0	0	3,955,278
Recreation	14,373,336	24,342,798	18,840,180	1,245,386	55,000	0	2,027,716	60,884,416
Cultural Arts	140,000	2,039,665	570,558	375,874	0	0	50,300	3,176,397
Bays Mountain	1,386,962	953,077	2,407,555	1,365,268	0	0	58,879	6,171,741
Allandale	306,018	463,417	780,576	192,686	0	0	0	1,742,697
Library	133,000	4,788,976	0	149,545	0	476,617	0	5,548,138
Total Culture and Recreation	16,339,316	36,459,479	22,627,909	3,369,901	68,550	476,617	2,136,895	81,478,667
Education	4,726,011	115,446,841	11,580,377	10,776,944	408,259	0	47,385,833	190,324,265
Total Governmental Funds Capital Assets	<u>\$ 34,954,254</u>	<u>\$ 190,566,598</u>	<u>\$ 44,394,190</u>	<u>\$ 31,778,119</u>	<u>\$ 1,143,419</u>	<u>\$ 298,015,796</u>	<u>\$ 71,920,258</u>	<u>\$ 672,772,634</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.

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended June 30, 2020

Function and Activity	Governmental Funds Capital Assets June 30, 2019	Additions	Deletions	Adjustments	Governmental Funds Capital Assets June 30, 2020
General Government:					
General Government	\$ 50,951,903	\$ 6,589,910	\$ (3,134,433)	\$ (47,142)	\$ 54,360,238
Finance	56,368	0	0	0	56,368
Information Services	751,769	377,991	0	0	1,129,760
Personnel	10,522	0	0	0	10,522
Geographic Information	95,098	5,195	(10,970)	0	89,323
Total General Government	51,865,660	6,973,096	(3,145,403)	(47,142)	55,646,211
Economic and Physical Development:					
Development Services	683,845	8,065	0	0	691,910
Transportation	11,576,781	2,307,642	(1,352,341)	0	12,532,082
Engineering	786,833	0	0	0	786,833
Total Economic and Physical Development	13,047,459	2,315,707	(1,352,341)	0	14,010,825
Public Safety:					
Police	8,963,640	110,711	(37,019)	0	9,037,332
Fire	11,541,866	404,975	0	0	11,946,841
Communication	271,164	0	0	0	271,164
Central Dispatch	2,046,631	0	0	0	2,046,631
Total Public Safety	22,823,301	515,686	(37,019)	0	23,301,968
Public Works:					
General and Administrative	878,085	251,310	0	0	1,129,395
Sanitation	5,000	0	0	0	5,000
Streets	50,492,162	1,202,719	0	0	51,694,881
Maintenance	1,959,384	913,884	(487,459)	0	2,385,809
Bridges System	9,183,171	6,803	0	0	9,189,974
Highways System	243,605,639	0	0	0	243,605,639
Total Public Works	306,123,441	2,374,716	(487,459)	0	308,010,698
Culture and Recreation:					
Senior Citizens	3,955,278	0	0	0	3,955,278
Recreation	60,090,178	1,341,300	(546,270)	(792)	60,884,416
Cultural Arts	2,995,396	181,001	0	0	3,176,397
Bays Mountain	6,110,136	1,296,253	(1,234,648)	0	6,171,741
Allandale	1,742,697	0	0	0	1,742,697
Library	5,031,601	516,537	0	0	5,548,138
Total Culture and Recreation	79,925,286	3,335,091	(1,780,918)	(792)	81,478,667
Education	184,258,957	6,125,066	(59,758)	0	190,324,265
Total Governmental Funds Capital Assets	\$ 658,044,104	\$ 21,639,362	\$ (6,862,898)	\$ (47,934)	\$ 672,772,634

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
LONG TERM DEBT FOR GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
SCHEDULE OF CHANGES IN LONG TERM DEBT BY INDIVIDUAL ISSUE
For the Fiscal Year Ended June 30, 2020

DESCRIPTION OF INDEBTEDNESS	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2019	Issued During Period	Paid and/or matured During Period	Refunded During Period	Outstanding 6/30/2020
GOVERNMENTAL ACTIVITIES									
<u>Notes Payable</u>									
<u>Payable through Debt Service Fund</u>									
2004 QZAB	\$ 3,524,680	0%	11/24/04	11/24/21	\$ 440,585	\$ 0	\$ 220,292	\$ 0	\$ 220,293
2005 QZAB	1,549,000	0%	12/28/05	12/1/21	206,533	0	103,266	0	103,267
2009 QSCB	1,240,000	1.52%	12/17/09	7/1/26	550,082	0	77,374	0	472,708
2010A HUD 108	856,000	4.25%	7/21/10	8/1/31	512,000	0	43,000	0	469,000
2010 EESI	5,045,078	0.75%	12/7/10	11/1/24	2,298,281	0	423,973	0	1,874,308
Total Notes Payable through Debt Service Fund	12,214,758				4,007,481	0	867,905	0	3,139,576
<u>Bonds Payable</u>									
<u>Payable through Debt Service Fund</u>									
General Obligation, Series 2009D (BABS)	13,821,065	2.25 - 5.625%	12/8/09	3/1/20	719,438	0	719,438	0	0
General Obligation, Series 2011	10,742,779	2.0 - 4.0%	12/16/11	3/1/32	8,283,388	0	522,496	0	7,760,892
General Obligation, Series 2012C	4,790,338	2.0 - 4.0%	6/22/12	4/1/32	3,246,325	0	338,229	0	2,908,096
General Obligation Refunding, Series 2013	12,177,052	2.5 - 3.75%	2/8/13	5/1/27	7,532,758	0	1,048,552	0	6,484,206
General Obligation, Series 2013B	13,406,846	2.0 - 5.0%	10/21/13	3/1/34	10,816,610	0	567,756	0	10,248,854
General Obligation, Series 2014A	13,233,893	2.0 - 5.0%	10/31/14	9/1/34	11,787,960	0	525,794	0	11,262,166
General Obligation Refunding, Series 2015	17,695,000	2.0 - 4.0%	2/6/15	3/1/28	17,240,000	0	1,220,000	0	16,020,000
General Obligation Refunding, Series 2015A	8,054,686	1.0 - 4.0%	10/27/15	3/1/36	6,724,236	0	805,202	0	5,919,034
General Obligation Refunding, Series 2016A	6,928,927	2.0 - 4.0%	6/3/16	3/1/29	6,928,927	0	578,804	0	6,350,123
General Obligation, Series 2016B	4,330,138	2.0 - 4.0%	6/3/16	3/1/30	4,330,138	0	118,301	0	4,211,837
General Obligation, Series 2016	7,821,325	3.0 - 4.0%	11/4/16	3/1/36	7,225,607	0	317,106	0	6,908,501
General Obligation, Series 2017A	14,690,288	2.0 - 5.0%	9/8/17	3/1/37	14,156,276	0	558,736	0	13,597,540
General Obligation, Series 2018A	7,040,000	3.0 - 5.0%	9/28/18	3/1/38	7,040,000	0	285,000	0	6,755,000
General Obligation Refunding, Series 2019	7,377,513	5.0%	5/10/19	3/1/30	7,377,513	0	0	0	7,377,513
General Obligation, Series 2019	8,906,518	3.0 - 5.0%	11/15/19	3/1/40	0	8,906,518	0	0	8,906,518
Total Bonds Payable through Debt Service Fund	151,016,368				113,409,176	8,906,518	7,605,414	0	114,710,280
TOTAL GOVERNMENTAL ACTIVITIES	163,231,126				117,416,657	8,906,518	8,473,319	0	117,849,856

(continued)

CITY OF KINGSPORT, TENNESSEE
LONG TERM DEBT FOR GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
SCHEDULE OF CHANGES IN LONG TERM DEBT BY INDIVIDUAL ISSUE
For the Fiscal Year Ended June 30, 2020

DESCRIPTION OF INDEBTEDNESS	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2019	Issued During Period	Paid and/or matured During Period	Refunded During Period	Outstanding 6/30/2020
BUSINESS-TYPE ACTIVITIES									
<u>Bonds Payable</u>									
<u>Payable through Solid Waste Fund</u>									
General Obligation, Series 2009D (BABS)	303,404	2.25 - 5.625%	12/8/09	3/1/20	15,793	0	15,793	0	0
General Obligation, Series 2012C	1,141,983	2.0 - 4.0%	6/22/12	4/1/22	460,632	0	148,746	0	311,886
General Obligation Refunding, Series 2013	132,948	2.5 - 4.0%	2/8/13	5/1/27	82,242	0	11,448	0	70,794
General Obligation, Series 2013B	289,856	2.0 - 5.0%	10/21/13	3/1/34	233,855	0	12,275	0	221,580
General Obligation, Series 2014A	2,371,107	2.0 - 5.0%	10/31/14	9/1/34	2,112,040	0	94,206	0	2,017,834
General Obligation Refunding, Series 2019	161,953	5.0%	5/10/19	3/1/30	161,953	0	0	0	161,953
Total Bonds Payable	4,401,251				3,066,515	0	282,468	0	2,784,047
<u>Bonds Payable</u>									
<u>Payable through MeadowView Fund</u>									
General Obligation, Series 2009D (BABS)	1,016,085	2.25 - 5.625%	12/8/09	3/1/20	52,891	0	52,891	0	0
General Obligation Refunding, Series 2016A	9,221,015	2.0 - 4.0%	6/3/16	3/1/29	9,221,015	0	770,272	0	8,450,743
General Obligation, Series 2016	3,266,427	3.0 - 4.0%	11/4/16	3/1/36	3,017,636	0	132,433	0	2,885,203
General Obligation Refunding, Series 2019	542,374	5.0%	5/10/19	3/1/30	542,374	0	0	0	542,374
General Obligation, Series 2019	324,543	3.0 - 5.0%	11/15/19	3/1/40	0	324,543	0	0	324,543
Total Bonds Payable	14,370,444				12,833,916	324,543	955,596	0	12,202,863
<u>Bonds Payable</u>									
<u>Payable through Cattails Fund</u>									
General Obligation, Series 2012C	517,721	2.0 - 4.0%	6/22/12	4/1/32	400,346	0	25,793	0	374,553
General Obligation, Series 2019	231,817	3.0 - 5.0%	11/15/19	3/1/40	0	231,817	0	0	231,817
Total Bonds Payable	749,538				400,346	231,817	25,793	0	606,370
<u>Bonds Payable</u>									
<u>Payable through Storm Water Fund</u>									
General Obligation, Series 2009D (BABS)	606,808	2.25 - 5.625%	12/8/09	3/1/20	31,587	0	31,587	0	0
General Obligation, Series 2011	395,414	2.0 - 4.0%	12/16/11	3/1/32	304,890	0	19,233	0	285,657
General Obligation Refunding, Series 2016A	430,058	2.0 - 4.0%	6/3/16	3/1/29	430,058	0	35,924	0	394,134
General Obligation Refunding, Series 2019	323,907	5.0%	5/10/19	3/1/30	323,907	0	0	0	323,907
Total Bonds Payable	1,756,187				1,090,442	0	86,744	0	1,003,698

(continued)

CITY OF KINGSPORT, TENNESSEE
LONG TERM DEBT FOR GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
SCHEDULE OF CHANGES IN LONG TERM DEBT BY INDIVIDUAL ISSUE
For the Fiscal Year Ended June 30, 2020

DESCRIPTION OF INDEBTEDNESS	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2019	Issued During Period	Paid and/or matured During Period	Refunded During Period	Outstanding 6/30/2020
<u>Bonds Payable</u>									
<u>Payable through Aquatic Center Fund</u>									
General Obligation, Series 2009D (BABS)	554,170	2.25 - 5.625%	12/8/09	3/1/20	28,847	0	28,847	0	0
General Obligation, Series 2009E	14,225,000	2.5 - 5.0%	12/8/09	3/1/20	720,000	0	720,000	0	0
General Obligation, Series 2011	160,000	2.0 - 4.0%	12/16/11	3/1/32	123,370	0	7,780	0	115,590
General Obligation, Series 2012A	3,110,000	2.0 - 5.0%	6/22/12	4/1/32	2,410,000	0	160,000	0	2,250,000
General Obligation, Series 2013A	1,310,000	3.0 - 4.0%	10/21/13	3/1/34	1,060,000	0	55,000	0	1,005,000
General Obligation, Series 2016B	9,029,862	2.0 - 4.0%	6/3/16	3/1/30	9,029,862	0	246,699	0	8,783,163
General Obligation, Series 2017A	164,712	2.0 - 5.0%	9/8/17	3/1/37	158,724	0	6,265	0	152,459
General Obligation, Series 2018C	2,360,000	3.0 - 5.0%	9/28/18	3/1/38	2,360,000	0	95,000	0	2,265,000
General Obligation Refunding, Series 2019	295,809	5.0%	5/10/19	3/1/30	295,809	0	0	0	295,809
Total Bonds Payable	31,209,553				16,186,612	0	1,319,591	0	14,867,021
<u>Other Loans Payable</u>									
<u>Payable through Water Fund</u>									
DWF 2014-140	13,556,601	1.78%	10/21/14	8/20/37	12,510,373	0	588,588	0	11,921,785
Total Other Loans Payable	13,556,601				12,510,373	0	588,588	0	11,921,785
<u>Bonds Payable</u>									
<u>Payable through Water Fund</u>									
2008 Tennessee Municipal Bond Fund	9,698,196	Variable	10/17/08	5/25/26	4,778,196	0	630,000	0	4,148,196
General Obligation, Series 2009D (BABS)	4,045,387	2.25 - 5.625%	12/8/09	3/1/20	210,578	0	210,578	0	0
General Obligation, Series 2011	2,430,991	2.0 - 4.0%	12/16/11	3/1/32	1,874,454	0	118,236	0	1,756,218
General Obligation, Series 2012C	1,181,362	2.0 - 4.0%	6/22/12	4/1/32	913,530	0	58,855	0	854,675
General Obligation Refunding, Series 2013	3,025,000	2.5 - 3.75%	2/8/13	5/1/27	225,000	0	80,000	0	145,000
General Obligation, Series 2013B	4,262,308	2.0 - 5.0%	10/21/13	3/1/34	3,438,820	0	180,501	0	3,258,319
General Obligation, Series 2014B	2,717,899	2.0 - 3.0%	10/31/14	3/1/35	2,370,124	0	121,283	0	2,248,841
General Obligation Refunding, Series 2015A	2,226,420	1.0 - 4.0%	10/27/15	3/1/36	1,858,666	0	222,568	0	1,636,098
General Obligation, Series 2016	3,294,425	3.0 - 4.0%	11/4/16	3/1/36	3,043,502	0	133,568	0	2,909,934
General Obligation, Series 2017B	1,167,095	2.0 - 5.0%	9/8/17	3/1/37	1,123,523	0	45,646	0	1,077,877
General Obligation, Series 2018B	396,023	3.0 - 5.0%	9/28/18	3/1/38	3,966,023	0	139,093	0	3,826,930
General Obligation Refunding, Series 2019	2,159,378	5.0%	5/10/19	3/1/30	2,159,377	0	0	0	2,159,377
General Obligation, Series 2019	5,730,509	3.0 - 5.0%	11/15/19	3/1/40	0	5,730,508	0	0	5,730,508
Total Bonds Payable	42,334,993				25,961,793	5,730,508	1,940,328	0	29,751,973

(continued)

CITY OF KINGSPORT, TENNESSEE
LONG TERM DEBT FOR GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
SCHEDULE OF CHANGES IN LONG TERM DEBT BY INDIVIDUAL ISSUE
For the Fiscal Year Ended June 30, 2020

DESCRIPTION OF INDEBTEDNESS	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2019	Issued During Period	Paid and/or matured During Period	Refunded During Period	Outstanding 6/30/2020
<u>Bonds Payable</u>									
<u>Payable through Sewer Fund</u>									
General Obligation, Series 2009D (BABS)	6,068,081	2.25 - 5.625%	12/8/09	3/1/20	315,866	0	315,866	0	0
General Obligation, Series 2011	2,410,817	2.0 - 4.0%	12/16/11	3/1/32	1,858,898	0	117,255	0	1,741,643
General Obligation, Series 2012C	1,673,596	2.0 - 4.0%	6/22/12	4/1/32	1,294,167	0	83,378	0	1,210,789
General Obligation Refunding, Series 2013	27,760,000	2.5 - 4.0%	2/8/13	5/1/32	14,875,000	0	1,375,000	0	13,500,000
General Obligation, Series 2013B	9,550,991	2.0 - 5.0%	10/21/13	3/1/34	7,705,716	0	404,468	0	7,301,248
General Obligation, Series 2014B	6,582,101	2.0 - 3.0%	10/31/14	9/1/34	5,739,876	0	293,717	0	5,446,159
General Obligation Refunding, Series 2015A	4,823,895	1.0 - 4.0%	10/27/15	3/1/36	4,027,098	0	482,230	0	3,544,868
General Obligation, Series 2016	6,952,823	3.0 - 4.0%	11/4/16	3/1/36	6,423,255	0	281,893	0	6,141,362
General Obligation, Series 2017B	10,082,905	2.0 - 5.0%	9/8/17	3/1/37	9,706,477	0	394,354	0	9,312,123
General Obligation, Series 2018B	1,308,977	3.0 - 5.0%	9/28/18	3/1/38	1,308,977	0	45,907	0	1,263,070
General Obligation Refunding, Series 2019	3,239,067	5.0%	5/10/19	3/1/30	3,239,067	0	0	0	3,239,067
General Obligation, Series 2019	3,421,614	3.0 - 5.0%	11/15/19	3/1/40	0	3,421,614	0	0	3,421,614
Total Bonds Payable	83,874,867				56,494,397	3,421,614	3,794,068	0	56,121,943
TOTAL BUSINESS-TYPE ACTIVITIES	192,253,434				128,544,394	9,708,482	8,993,176	0	129,259,700
TOTAL PRIMARY GOVERNMENT	\$ 355,484,560				\$ 245,961,051	\$ 18,615,000	\$ 17,466,495	\$ -	\$ 247,109,556

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
ENTERPRISE FUNDS
SCHEDULE OF OPERATING COSTS
For the Fiscal Year Ended June 30, 2020

	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	\$ 368,925	\$ 308,008	\$ 0	\$ 0	\$ 0	\$ 676,933
Contractual Services	195,310	220,578	28,459	63,168	221,367	728,882
Supplies	160,516	193,252	6,148	21,974	7,537	389,427
Insurance	45,787	27,296	38,911	24,968	27,934	164,896
Subsidies and Contributions	0	0	0	610,283	0	610,283
Base Management Fee	0	0	0	156,018	17,713	173,731
Other	303,086	113,620	16,084	128,926	58,637	620,353
Total General and Administrative	<u>1,073,624</u>	<u>862,754</u>	<u>89,602</u>	<u>1,005,337</u>	<u>333,188</u>	<u>3,364,505</u>
Operations:						
Water Plant Operations	3,394,679	0	0	0	0	3,394,679
Sewer Plant Operations	0	3,442,561	0	0	0	3,442,561
Water Distribution System Maintenance	2,492,424	0	0	0	0	2,492,424
Sewer Collection System Maintenance	0	1,752,321	0	0	0	1,752,321
Utility Technical Services	954,356	353,240	0	0	0	1,307,596
Landfill Operations and Services	0	0	0	0	937,874	937,874
Solid Waste Collection Services	0	0	0	0	888,585	888,585
Organic Refuse Collection Services	0	0	0	0	2,055,186	2,055,186
Recycling Services	0	0	0	0	853,859	853,859
Storm Water Maintenance	0	0	0	0	1,113,347	1,113,347
Aquatic Center Operations	0	0	1,406,321	0	0	1,406,321
Aquatic Center Concessions	0	0	92,841	0	0	92,841
Aquatic Center Programs	0	0	66,416	0	0	66,416
Golf Grounds Maintenance	0	0	0	0	335,983	335,983
Golf Pro Shop	0	0	0	0	339,526	339,526
Golf Shop Food and Beverage	0	0	0	0	43,449	43,449
Total Operations	<u>6,841,459</u>	<u>5,548,122</u>	<u>1,565,578</u>	<u>0</u>	<u>6,567,809</u>	<u>20,522,968</u>
Total Operating Costs	<u>\$ 7,915,083</u>	<u>\$ 6,410,876</u>	<u>\$ 1,655,180</u>	<u>\$ 1,005,337</u>	<u>\$ 6,900,997</u>	<u>\$ 23,887,473</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
NONMAJOR ENTERPRISE FUNDS
SCHEDULE OF OPERATING COSTS
For the Fiscal Year Ended June 30, 2020

	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	5,080	22,558	193,729	221,367
Supplies	0	7,537	0	7,537
Insurance	20,500	0	7,434	27,934
Subsidies and Contributions	0	0	0	0
Base Management Fee	0	0	17,713	17,713
Other	30,828	0	27,809	58,637
Total General and Administrative	56,408	30,095	246,685	333,188
Operations:				
Landfill Operations and Services	937,874	0	0	937,874
Solid Waste Collection Services	888,585	0	0	888,585
Organic Refuse Collection Services	2,055,186	0	0	2,055,186
Recycling Services	853,859	0	0	853,859
Storm Water Maintenance	0	1,113,347	0	1,113,347
Golf Grounds Maintenance	0	0	335,983	335,983
Golf Pro Shop	0	0	339,526	339,526
Golf Shop Food and Beverage	0	0	43,449	43,449
Total Operations	4,735,504	1,113,347	718,958	6,567,809
Total Operating Costs	<u>\$ 4,791,912</u>	<u>\$ 1,143,442</u>	<u>\$ 965,643</u>	<u>\$ 6,900,997</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2020

Federal Granting Agency/ Recipient State Agency/ Grant Program/ Grant Number	Federal CFDA Number	Contract Number	Subrecipient DUNS	Passed - Through to Subrecipient	FY2020 Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Pass Through Tennessee Department of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555				\$ 1,608,745
COVID 19 School Lunch Program	10.555				668,860
School Breakfast Program	10.553				538,793
COVID 19 School Breakfast Program	10.553				420,427
Child Nutrition Cluster Total					3,236,825
Pass Through Tennessee Department of Agriculture:					
Commodity Supplemental Feeding	10.569				182,404
Total U.S. Department of Agriculture					3,419,229
<u>U.S. DEPARTMENT OF EDUCATION</u>					
Pass Through Tennessee Department of Education:					
Title I Program:					
Title I, Project 19-21	84.010				296,167
Title I, Project 20-01	84.010				1,687,048
Title I, Project 19-N2	84.010				9,325
Title I, Project 20-N1	84.010				7,337
Title I Program Total					1,999,877
Special Education Cluster:					
IDEA Part B, 19-01	84.027				2,200
IDEA Part B, 19-21	84.027				264,113
IDEA Part B, 20-01	84.027				1,381,258
IDEA Discretionary 2020-1	84.027				68,418
IDEA Discretionary Sus/Exp 2020-1	84.027				5,867
IDEA Part B, High Cost	84.027				47,299
Pre School 19-21	84.173				11,430
Pre School 20-01	84.173				24,675
Special Education Cluster Total					1,805,260
Title II Program:					
Title II, 2020, 2020-01	84.367				228,331
Title II Program Total					228,331
Carl Perkins, 2019	84.048				31,938
Carl Perkins, 2020	84.048				206,318
Homeless Assistance Grant	84.196				42,658
Title IV, 2018, 2019-21	84.366				60,958
Title IV, 2019, 2020-01	84.366				33,571
Transition School to Work 3 Months	84.126				142,412
Transition School to Work 12 Months	84.126				17,079
COVID-19 Elementary and Secondary Schools Emergency Relief Fund	84.425D	#S425D200047			10,333
Pass Through City of Greeneville, Tennessee:					
Title III, 2020-01	84.365				8,635
Total U.S. Department of Education					4,587,370
<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			318,750
FTA Capital/Operating/Planning TN-90-X402	20.507	TN-2018-019-00			365,113
FTA Capital/Operating/Planning TN-90-0012	20.507	TN-2019-029-00			345,526
FTA Capital/Operating/Planning TN-90-X459	20.507	TN-2020-023-00			268,603
FTA Capital/Operating/Planning TN-90-X397	20.507				64,156
FTA CARES Act Sec 5307 for Operating Assistance, Preventative					
Maintenance and Capital TN-90-X483	20.507				7,689
Transit Center TN-2016-015	20.507	TN-2016-015-00			89,709
Pass Through Tennessee Department of Transportation:					
FTA Capital / Operating / Planning Section 5303 10	20.505	GG-17-53600-00			45,691
Pass-Through Virginia Department of Transportation:					
FTA Capital / Operating / Planning VA 2019	20.505	46019-02			3,581
Federal Transit Cluster Total					1,508,818
Highway Cluster:					
Pass Through Tennessee Department of Transportation:					
Main Street Improvement STP-M-9108(48)	20.205	123325			130,457
FHWA Project No. SPR-PL-1-(318) 2019	20.205	Z-14MPO007			35,568
FHWA Project No. SPR-PL-1-(318) 2020	20.205	Z-19MPO007			146,284
Signalization SR-126 Island Rd STP-M-126(20)	20.205	140163			917
Greenbelt Eastern Extension - Phase 1	20.205	82PLM-F3-055			283,725
Pass-Through Virginia Department of Transportation:					
FHWA Project VA PL Funds 2019	20.205				3,994
Highway Cluster Total					600,945
Pass Through Tennessee Department of Transportation:					
Multiple Traffic Violations Z18THS164	20.600	Z18THS164			43,919
Total U.S. Department of Transportation					2,153,682

(continued)

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2020

Federal Granting Agency/ Recipient State Agency/ Grant Program/ Grant Number	Federal CFDA Number	Contract Number	Subrecipient DUNS	Passed - Through to Subrecipient	FY2020 Federal Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>					
Direct Programs:					
Coronavirus Emergency Supplemental Funding Program	16.034				75,845
Bulletproof Vest Partnership Program 10054361	16.607				6,500
Justice Assistance Grant / 2019-DJ-BX-0243	16.738	2019-DJ-BX-0243			23,540
Total U.S. Department of Justice					105,885
<u>EXECUTIVE OFFICE OF THE PRESIDENT</u>					
Pass-Through Financial Commission for Appalachia HIDTA:					
High Intensity Drug Trafficking Area	95.001	G12AP0001A			11,625
Total Executive Office of the President					11,625
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>					
Direct Programs:					
Community Development Block Grants	14.218	B-17-MC-47-0004			381,016
Community Development Block Grants	14.218	B-17-MC-47-0004		\$ 10,000	
Community Development Block Grants	14.218	B-17-MC-47-0004		\$ 25,000	
Total U.S. Department of Housing and Urban Development					381,016
<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-2019-HOOT-19			12,000
Total U.S. Department of Health and Human Services					12,000
<u>U.S. DEPARTMENT OF THE INTERIOR</u>					
Pass-Through Tennessee Department of Environment and Conservation:					
Historic Preservation Grant - Main Street Project	15.904				4,044
Total U.S. Department of the Interior					4,044
Total Expenditures of Federal Awards					\$ 10,674,851

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, 2020, the School Board had food commodities totaling \$104,903 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 an outstanding balance of \$11,921,785 at June 30, 2020. The interest rate is 1.78%. The project was completed in FY2018.

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2020

Granting Agency/ Pass-Through Agency Grant Program/ Grant Number	State Contract Number	Pass-Through Entity identifying Number	2020 State Expenditures
Tennessee Arts Commission:			
Partnership Support Grant			\$ 14,000
Creative Placemaking Grant			5,035
Elementary School Arts Grants	31625-29216		9,400
Total Tennessee Arts Commission			<u>28,435</u>
Tennessee Department of Health and Human Services:			
Project Diabetes	GG-17510-20		150,000
Pass-Through First Tennessee Development District:			
State Senior Center Operations Grant		KINGS-2020-HOOT-20	20,019
Total Tennessee Department of Health and Human Services			<u>170,019</u>
Tennessee Department of Transportation:			
TN-80-0005-00 Operating 82-5303-S3-022	GG-14-41412-00		5,711
STP-M-126(20) SR126 / Island Road Signal	82LPLM-F3-058		229
TN-90-X-009 Operating 82UROP-S3-024	DG-19-57877-00		286,279
TN-90-X-039 Operating 82UROP-S3-022	DG-18-53683-00		28,125
TN-2016--029-00 Capital 82-5339-S3-002	82-5339-S3-002		30,488
TN-2019-023-00 Operating 82UROP-S3-023	82-5307-53-028		323,432
TN-90-X-397 Capital GG-16-51013-00	GG-16-51013-00		6,570
Stone Drive Sidewalk	82LPLM-S0-062		6,151
Stone Drive Sidewalk Extension	82LPLM-S3-075		13,109
Transit Center	GG-17-52819-00		11,214
Total Tennessee Department of Transportation			<u>711,308</u>
Tennessee Department of Agriculture:			
CDC 1305 Snap Grant			1,148
Farmers Market Promotion and Retail Grant Program			750
Total Tennessee Department of Agriculture			<u>1,898</u>
Tennessee Department of Children's Services:			
Truancy Intervention Program	GG-10-28898		53,342
Total Tennessee Department of Children's Services			<u>53,342</u>
Tennessee Department of Education:			
Safe Schools	GP-46590		124,796
School Safety 19-21			10,507
Pre-Kindergarten- Lottery	MX0-AAX		589,406
Family Resource	MTE-AAX		30,212
Coordinated School Health	GZB-AAX		99,877
Spark After School Physical Activity			1,988
Total Tennessee Department of Education			<u>856,786</u>
Tennessee Department of Finance and Administration:			
US Census Promotion Grant			10,000
Total Tennessee Department of Finance and Administration			<u>10,000</u>
Tennessee Department of Environment and Conservation:			
Local Parks and Recreation Fund Grant	32701-03877		2,500
Total Tennessee Department of Finance and Administration			<u>2,500</u>
Tennessee Commission on Aging and Disability:			
Direct Appropriation Grant - Fifty Forward			100,000
Total Commission on Aging and Disability			<u>100,000</u>
Total State Awards			<u>\$ 1,934,288</u>

See Independent Auditor's Report.

**CITY OF KINGSPORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

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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.

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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.

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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.

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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.

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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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net Investment in Capital Assets	\$ 246,176,930	\$ 241,652,040	\$ 236,819,524	\$ 229,484,970	\$ 220,670,564	\$ 215,146,670	\$ 232,739,291	\$ 236,836,283	\$ 255,053,440	\$ 259,148,746
Restricted	184,662	178,140	195,625	247,951	215,639	172,941	25,660,368	23,104,992	13,661,733	14,206,441
Unrestricted	9,312,041	284,928	(6,270,614)	(9,459,253)	(42,782,973)	(39,294,647)	(35,204,137)	(46,530,391)	(43,769,895)	(50,841,661)
Total Governmental Activities Net Position	<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>	<u>\$ 224,945,278</u>	<u>\$ 222,513,526</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 163,891,065	\$ 169,428,141	\$ 179,431,176	\$ 183,789,590	\$ 183,083,561	\$ 188,268,413	\$ 193,031,301	\$ 192,493,822	\$ 194,615,588	\$ 197,585,013
Restricted	1,432,126	619,678	364,708	469,895	406,253	604,795	858,037	1,236,060	1,093,122	1,624,835
Unrestricted	17,296,662	17,772,154	13,894,445	11,926,884	6,201,559	3,791,304	3,460,513	3,964,589	3,275,447	2,293,377
Total Business-Type Activities Net Position	<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>	<u>\$ 198,984,157</u>	<u>\$ 201,503,225</u>
Primary Government										
Net Investment in Capital Assets	\$ 410,067,995	\$ 411,080,181	\$ 413,274,560	\$ 403,754,125	\$ 403,415,083	\$ 425,770,592	\$ 429,330,105	\$ 429,330,105	\$ 449,669,028	\$ 456,733,759
Restricted	1,616,788	797,818	717,846	621,892	777,736	26,518,405	24,341,052	24,341,052	14,754,855	15,831,276
Unrestricted	26,608,703	18,057,082	2,467,631	(36,581,414)	(35,503,343)	(31,743,624)	(42,565,802)	(42,565,802)	(40,494,448)	(48,548,284)
Total Primary Government Net Position	<u>\$ 438,293,486</u>	<u>\$ 429,935,081</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>	<u>\$ 411,105,355</u>	<u>\$ 423,929,435</u>	<u>\$ 424,016,751</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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
<u>Governmental Activities:</u>										
General Government	\$ 14,877,308	\$ 12,574,751	\$ 12,206,753	\$ 9,342,864	\$ 10,576,342	\$ 10,413,192	\$ 11,672,892	\$ 11,654,457	\$ 10,051,430	\$ 13,650,464
Public Safety	20,186,463	20,995,344	21,116,177	21,804,504	21,215,734	21,663,334	23,373,247	23,574,401	23,359,946	24,844,743
Public Works	15,325,189	13,397,601	13,504,933	13,920,899	14,606,362	15,579,088	18,087,183	17,995,836	21,056,262	19,461,480
Highway Transportation Planning	3,846,573	3,804,969	4,219,117	4,876,627	5,319,159	4,428,006	4,381,789	4,309,081	4,456,199	4,323,380
Economic and Physical Development	4,792,022	4,852,780	4,590,460	4,647,819	4,358,455	4,326,769	2,023,477	2,003,996	1,816,758	1,809,966
Culture and Recreation	6,590,859	6,691,418	7,295,391	7,308,927	7,347,859	7,784,401	8,322,721	8,539,135	8,713,814	8,650,854
Education	75,900,414	75,544,772	75,456,221	77,124,830	74,368,054	78,180,717	81,495,584	82,061,934	79,704,213	85,634,703
Interest on Long-Term Debt	4,718,229	4,551,533	3,253,559	4,121,095	4,189,508	4,008,351	3,847,436	4,077,838	3,959,266	3,869,974
Total Governmental Activities Expenses	146,237,057	142,413,168	141,642,611	143,147,565	141,981,473	146,383,858	153,204,329	154,216,678	153,117,888	162,245,564
<u>Business-Type Activities:</u>										
Water	9,630,478	10,329,009	10,373,689	10,848,749	10,689,783	11,029,910	11,389,112	11,682,737	11,907,425	12,502,667
Sewer	8,227,535	8,267,253	8,687,619	8,912,004	11,281,230	11,853,057	11,727,265	12,020,168	13,273,850	13,659,939
Solid Waste Management	4,009,722	4,367,121	4,246,071	4,379,003	4,249,886	4,424,383	4,638,331	4,606,197	4,969,412	5,092,975
Storm Water Management	0	671,575	848,997	1,230,005	1,347,121	1,457,499	1,476,865	1,464,050	1,506,017	1,356,009
Aquatic Center	0	0	753,495	3,220,643	3,058,481	2,984,965	3,062,597	3,095,614	3,165,293	2,805,099
MeadowView Conference Center	1,597,797	1,362,677	1,559,914	2,954,368	2,944,790	2,685,147	2,637,666	2,376,920	2,271,450	2,927,452
Cattails at MeadowView Golf Course	1,384,281	1,325,339	1,313,104	1,335,963	1,288,216	1,311,917	1,281,403	1,281,058	1,297,199	1,222,051
Total Business-Type Activities Expenses	24,849,813	26,322,974	27,782,889	32,880,735	34,859,507	35,746,878	36,206,239	36,526,744	38,390,646	39,566,192
Total Primary Government Expenses	\$ 171,086,870	\$ 168,736,142	\$ 169,425,500	\$ 176,028,300	\$ 176,840,980	\$ 182,130,736	\$ 189,410,568	\$ 190,743,422	\$ 191,508,534	\$ 201,811,756
Program Revenues										
<u>Governmental Activities:</u>										
Charges for Services:										
General Government	\$ 1,596,808	\$ 681,275	\$ 683,997	\$ 491,916	\$ 1,036,182	\$ 1,097,954	\$ 1,011,092	\$ 873,420	\$ 1,226,607	\$ 1,332,054
Public Safety	1,820,625	1,179,259	1,106,058	1,227,933	1,106,788	1,259,977	1,422,778	1,497,607	1,571,833	1,214,122
Public Works	0	0	0	0	0	0	1,218,571	694,464	837,147	852,152
Highway Transportation Planning	110,713	122,236	127,303	130,945	147,631	117,862	121,005	131,331	137,499	116,270
Economic and Physical Development	1,079,506	996,925	1,028,954	764,682	599,980	900,416	25	0	0	0
Culture and Recreation	987,328	988,565	991,503	963,498	1,029,146	1,324,523	1,465,081	1,430,394	1,404,863	947,440
Education	2,485,634	2,540,181	2,348,049	2,344,300	2,287,373	2,417,198	2,202,762	2,229,939	2,430,625	2,077,017
Operating Grants and Contributions	37,442,335	38,727,209	37,090,159	38,620,397	38,081,890	38,590,390	42,102,696	43,383,591	45,097,644	46,845,170
Capital Grants and Contributions	9,217,970	4,786,618	2,298,091	2,043,937	3,351,516	2,411,235	47,444,523	4,566,083	6,248,957	2,402,227
Total Governmental Activities Program Revenues	54,740,919	50,022,268	45,674,114	46,587,608	47,640,506	48,119,555	96,988,533	54,806,829	58,955,175	55,786,452
<u>Business-Type Activities:</u>										
Charges for Services:										
Water	12,383,505	12,667,214	12,235,550	12,791,336	13,262,329	13,575,659	13,643,424	13,561,961	14,026,187	14,187,690
Sewer	12,276,442	12,371,334	12,611,643	13,142,602	13,305,667	13,750,057	14,363,873	14,129,069	14,203,143	14,648,731
Solid Waste Management	829,411	944,641	802,090	832,053	1,006,285	872,231	2,829,363	2,860,951	3,118,977	3,104,370
Storm Water Management	0	910,822	1,809,829	1,840,865	1,813,527	1,860,884	1,901,456	1,844,224	1,893,941	1,870,424
Aquatic Center	0	0	331,444	1,428,226	1,388,065	1,348,766	1,337,074	1,382,559	1,483,712	984,822
MeadowView Conference Center	303,648	321,915	188,114	180,481	223,898	384,717	435,600	380,866	325,982	238,806
Cattails at MeadowView Golf Course	938,658	1,011,026	945,421	948,586	819,742	898,760	881,851	879,919	849,403	814,850
Operating Grants and Contributions	229,976	186,888	238,749	185,308	181,030	174,903	167,877	160,187	177,713	9,969
Capital Grants and Contributions	655,174	65,871	507,015	1,033,605	868,632	1,495,226	1,709,857	258,915	37,701	83,784
Total Business-Type Activities Program Revenues	27,616,814	28,479,711	29,669,855	32,383,062	32,869,175	34,361,203	37,270,375	35,458,651	36,116,759	35,943,446
Total Primary Government Program Revenues	\$ 82,357,733	\$ 78,501,979	\$ 75,343,969	\$ 78,970,670	\$ 80,509,681	\$ 82,480,758	\$ 134,258,908	\$ 90,265,480	\$ 95,071,934	\$ 91,729,898

(continued)

CITY OF KINGSFORT, TENNESSEE
CHANGES IN NET POSITION
For the Fiscal Years Noted
(accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expense)/Revenue										
Governmental Activities	\$ (91,496,138)	\$ (92,390,900)	\$ (95,968,497)	\$ (96,559,957)	\$ (94,340,967)	\$ (98,264,303)	\$ (56,215,796)	\$ (99,409,849)	\$ (94,162,713)	\$ (106,459,112)
Business-Type Activities	2,767,001	2,156,737	1,886,966	(497,673)	(1,990,332)	(1,385,675)	1,064,136	(1,068,093)	(2,273,887)	(3,622,746)
Total Primary Government Net (Expense) Revenue	<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>	<u>\$ (96,436,600)</u>	<u>\$ (110,081,858)</u>
General Revenues and Other Changes in Net Position										
<u>Governmental Activities:</u>										
Taxes:										
Property Taxes	\$ 47,144,856	\$ 48,236,082	\$ 50,347,648	\$ 52,677,994	\$ 55,935,014	\$ 57,058,121	\$ 59,355,264	\$ 57,621,560	\$ 57,748,741	\$ 59,138,963
Sales Taxes	27,514,740	29,469,816	29,687,264	30,753,163	32,690,121	34,386,506	34,602,066	35,891,135	36,618,697	36,662,041
Other Taxes	5,234,872	5,633,647	5,805,431	6,144,010	6,596,149	6,774,085	11,137,599	11,776,636	11,550,105	10,772,453
Grants and Contributions Not Restricted	986,665	1,361,422	1,370,621	1,151,744	1,126,538	995,380	1,121,189	1,111,256	1,125,983	1,268,998
Unrestricted Investment Earnings	421,579	401,451	332,967	178,084	158,346	211,962	332,007	850,735	1,235,699	1,250,933
Gain (Loss) on Disposal of Capital Assets	0	0	0	0	0	0	0	0	0	0
Miscellaneous	755,400	960,663	875,719	903,143	1,047,776	939,546	182,882	232,232	272,160	307,726
Transfers	(4,425,338)	(3,615,027)	(3,821,726)	(4,331,130)	(4,539,037)	(4,179,563)	(3,344,653)	(3,195,912)	(2,854,278)	(5,381,570)
Total Governmental Activities	<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>105,697,107</u>	<u>104,019,544</u>
<u>Business-Type Activities:</u>										
Unrestricted Investment Earnings	146,328	153,080	161,664	74,889	77,171	179,251	276,550	403,815	709,295	760,244
Gain (Loss) on Disposal of Capital Assets	0	5,812	0	0	0	0	0	0	0	0
Transfers	4,425,338	3,615,027	3,821,726	4,331,130	4,539,037	4,179,563	3,344,653	3,195,912	2,854,278	5,381,570
Total Business-Type Activities	<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>	<u>3,563,573</u>	<u>6,141,814</u>
Total Primary Government	<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>	<u>\$ 109,260,680</u>	<u>\$ 110,161,358</u>
Change in Net Position										
Governmental Activities	\$ (13,863,364)	\$ (9,942,846)	\$ (11,370,573)	\$ (9,082,949)	\$ (1,326,060)	\$ (2,078,266)	\$ 47,170,558	\$ 4,877,793	\$ 11,534,394	\$ (2,439,568)
Business-Type Activities	7,338,667	5,930,656	5,870,356	3,908,346	2,625,876	2,973,139	4,685,339	2,531,634	1,289,686	2,519,068
Total Primary Government	<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>	<u>\$ 12,824,080</u>	<u>\$ 79,500</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 Tax	Hotel / Motel Tax	Total
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
2019	\$ 57,748,741	\$ 36,618,697	\$ 794,052	\$ 7,019,849	\$ 1,992,177	\$ 1,744,027	\$ 105,917,543
2020	\$ 59,138,963	\$ 36,662,041	\$ 478,717	\$ 6,814,149	\$ 2,041,964	\$ 1,437,623	\$ 106,573,457

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ 44,571	\$ 23,543	\$ 23,773	\$ 34,360	\$ 20,941	\$ 22,927	\$ 24,390	\$ 32,018	\$ 40,972	\$ 29,665
Restricted	0	0	0	0	0	0	0	0	0	0
Committed	0	0	0	0	0	0	0	0	0	0
Assigned	1,440,450	739,876	73,750	85,660	139,451	94,905	179,468	160,364	169,353	492,756
Unassigned	12,099,373	11,809,520	11,537,853	11,648,737	12,736,020	13,130,953	13,911,298	15,585,389	15,828,588	17,716,474
Total General Fund	<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>	<u>\$ 16,038,913</u>	<u>\$ 18,238,895</u>
All Other Governmental Funds										
Nonspendable	\$ 335,358	\$ 391,421	\$ 431,092	\$ 321,674	\$ 328,598	\$ 349,582	\$ 312,662	\$ 335,197	\$ 373,070	\$ 515,367
Restricted	29,898,833	32,898,517	12,101,368	14,014,752	15,519,288	8,264,217	37,108,397	41,610,698	25,537,386	20,776,298
Committed	195,000	15,000	15,000	18,510	15,000	15,000	0	0	0	5,420,189
Assigned	10,303,693	8,663,697	7,907,282	9,192,987	10,510,648	11,859,220	16,105,744	16,256,502	16,891,707	11,521,848
Total all Other Governmental Funds	<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>	<u>\$ 42,802,163</u>	<u>\$ 38,233,702</u>

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
Taxes	\$ 61,736,098	\$ 64,053,048	\$ 65,947,861	\$ 69,564,106	\$ 73,722,283	\$ 75,549,547	\$ 81,991,726	\$ 81,464,793	\$ 82,005,281	\$ 83,073,457
Licenses and Permits	339,843	390,916	357,816	530,179	518,480	456,360	569,817	547,907	497,594	392,623
Intergovernmental	57,618,712	60,411,908	58,908,421	61,026,056	61,752,080	62,852,964	111,324,918	70,846,844	73,873,732	72,808,702
Charges for Services	5,059,845	4,788,526	4,741,965	4,446,028	4,453,764	5,093,344	5,401,380	4,767,530	5,221,404	4,387,509
Fines and Forfeitures	1,475,914	888,013	808,164	924,190	872,162	1,025,281	1,174,085	1,186,920	1,222,064	884,770
Contributions and Donations	544,308	478,234	445,475	456,400	713,459	471,323	1,248,466	585,059	558,352	461,323
Investment Earnings	285,622	301,300	273,394	152,238	140,248	187,494	293,534	757,810	1,034,953	1,019,663
Miscellaneous	1,087,540	712,967	296,538	683,627	426,932	459,683	750,654	896,475	901,614	767,263
Total Revenues	128,147,882	132,024,912	131,779,634	137,782,824	142,599,408	146,095,996	202,754,580	161,053,338	165,314,994	163,795,310
Expenditures:										
General Government	8,937,456	9,897,339	9,432,504	8,748,363	8,888,732	9,295,398	9,815,240	10,738,807	9,855,283	11,393,041
Public Safety	18,602,375	19,206,238	19,422,279	20,067,727	20,349,756	20,379,496	21,421,493	21,925,456	22,070,767	22,438,584
Public Works	6,292,395	6,104,746	6,441,239	6,823,759	6,854,129	7,343,759	10,134,719	10,327,076	10,497,786	10,721,615
Transportation	4,404,721	3,804,971	4,219,117	4,876,627	5,319,159	4,428,006	4,381,788	4,309,081	4,456,199	4,323,381
Development	4,258,551	4,209,456	4,010,897	4,080,865	4,009,648	3,962,118	2,029,686	1,845,723	1,871,119	1,795,809
Recreation	5,203,012	5,137,420	5,294,145	5,300,591	5,413,181	5,592,782	5,997,447	6,108,430	6,403,332	6,038,314
Maintenance	0	0	320	0	0	0	0	0	0	0
Education	63,944,855	65,758,406	67,003,733	68,827,804	69,933,085	73,886,673	76,315,602	78,543,665	80,196,367	81,873,281
Miscellaneous	1,179,584	1,108,609	1,045,894	726,702	1,010,101	769,025	798,983	963,700	960,043	1,025,990
Capital Outlay	20,219,807	25,002,612	13,015,102	14,160,334	15,864,508	11,667,728	31,017,522	18,996,093	35,898,326	18,276,347
Arbitrage	0	0	0	0	0	0	0	0	41,586	0
Debt Service:										
Principal	5,271,066	5,426,273	6,436,120	6,657,299	7,696,331	7,697,555	7,953,385	8,624,257	8,529,857	8,430,318
Interest	4,930,280	4,549,707	4,133,024	4,032,477	4,352,406	4,356,358	4,004,572	4,268,268	4,368,020	4,216,949
Bond Issuance Costs	20,479	435,261	126,829	165,924	498,456	242,887	88,997	199,766	248,086	101,943
Other Charges	33,061	7,387	12,122	29,895	0	17,311	14,941	20,531	13,740	8,538
Total Expenditures	143,297,642	150,648,425	140,593,325	144,498,367	150,189,492	149,639,096	173,974,375	166,870,853	185,410,511	170,644,110
Excess (deficiency) of revenues over (under) expenditures	(15,149,760)	(18,623,513)	(8,813,691)	(6,715,543)	(7,590,084)	(3,543,100)	28,780,205	(5,817,515)	(20,095,517)	(6,848,800)

CITY OF KINGSFORT, TENNESSEE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Other Financing Sources (Uses):										
Transfers In	29,214,433	28,958,597	29,346,521	29,439,834	31,868,200	33,017,651	82,273,310	35,013,443	38,550,693	34,491,747
Transfers Out	(33,051,330)	(32,573,624)	(33,018,247)	(33,770,964)	(36,752,237)	(37,553,446)	(85,617,963)	(38,219,397)	(41,023,278)	(39,873,317)
Transfer Bonds to										
Enterprise Funds	0	0	(10,596,258)	0	0	(1,362,955)	0	0	0	0
Issuance of Debt	4,097,044	26,376,201	12,677,052	13,406,845	32,291,848	19,313,751	7,821,325	14,690,288	14,417,513	8,906,518
Premiums on Debt Issued	0	740,813	1,068,429	866,390	4,044,772	1,685,668	648,278	671,390	1,713,137	800,555
Payments to Refunded										
Bond Escrow Agent	0	(4,654,178)	(13,115,262)	0	(19,901,049)	(17,090,711)	0	0	(8,701,640)	0
Total Other Financing Sources (Uses)	260,147	18,847,809	(13,637,765)	9,942,105	11,551,534	(1,990,042)	5,124,950	12,155,724	4,956,425	4,325,503
Net Change in Fund Balances	<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>	<u>\$ (15,139,092)</u>	<u>\$ (2,523,297)</u>
Debt Service as a Percentage of Noncapital Expenditures	<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>	<u>8.6%</u>	<u>8.3%</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 Tax	Hotel / Motel Tax	Total
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
2019	\$ 57,903,752	\$ 36,618,697	\$ 794,052	\$ 7,019,849	\$ 1,992,177	\$ 1,744,027	\$ 106,072,554
2020	\$ 59,115,638	\$ 36,662,041	\$ 478,717	\$ 6,814,149	\$ 2,041,964	\$ 1,437,623	\$ 106,550,132

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	Direct Tax Rates*		Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
		Residential and Farm Property	Industrial and Commercial Property	Personal Property	Public Utility		Kingsport City Sullivan County	Kingsport City Hawkins County		
2011	2010	\$ 576,028,905	\$ 624,738,933	\$ 387,994,899	\$ 54,381,309	\$ 1,643,144,046	1.94000	\$ 2.24000	\$ 5,258,154,390	31.25%
2012	2011	\$ 594,243,299	\$ 636,435,237	\$ 359,672,056	\$ 51,874,049	\$ 1,642,224,641	1.97000	\$ 1.85000	\$ 5,261,284,595	31.21%
2013	2012	\$ 638,772,453	\$ 636,926,951	\$ 352,203,970	\$ 48,475,692	\$ 1,676,379,066	1.97000	\$ 1.85000	\$ 5,409,558,045	30.99%
2014	2013	\$ 662,428,582	\$ 660,706,711	\$ 407,373,787	\$ 53,886,860	\$ 1,784,395,940	1.94000	\$ 1.88000	\$ 5,757,369,838	30.99%
2015	2014	\$ 667,577,858	\$ 669,577,428	\$ 398,689,272	\$ 53,753,183	\$ 1,789,597,741	2.07000	\$ 2.01000	\$ 5,770,952,302	31.01%
2016	2015	\$ 672,886,191	\$ 673,211,644	\$ 369,527,956	\$ 52,975,572	\$ 1,768,601,363	2.07000	\$ 2.01000	\$ 5,702,652,949	31.01%
2017	2016	\$ 675,307,100	\$ 680,122,506	\$ 406,161,760	\$ 53,030,272	\$ 1,814,621,638	2.07000	\$ 2.01000	\$ 5,851,825,875	31.01%
2018	2017	\$ 714,130,411	\$ 690,336,842	\$ 425,976,410	\$ 51,659,227	\$ 1,882,102,890	1.97500	\$ 1.97500	\$ 6,096,210,983	30.87%
2019	2018	\$ 720,720,759	\$ 696,388,598	\$ 446,121,820	\$ 54,691,825	\$ 1,917,923,002	1.97500	\$ 1.97500	\$ 6,210,366,946	30.88%
2020	2019	\$ 728,712,283	\$ 705,350,930	\$ 391,603,183	\$ 53,331,659	\$ 1,878,998,055	2.06430	\$ 1.89000	\$ 6,080,537,053	30.90%

Source: City of Kingsport Finance Department

Note: Tax rates are per \$100 of assessed value

*The City of Kingsport is located in both Sullivan County and Hawkins County, Tennessee

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	
		Kingsport City Sullivan County	Kingsport City Hawkins County	Sullivan County	Hawkins County
2011	2010	\$ 1.94000	\$ 2.24000	\$ 2.13070	\$ 2.70500
2012	2011	\$ 1.97000	\$ 1.85000	\$ 2.13070	\$ 2.34500
2013	2012	\$ 1.97000	\$ 1.85000	\$ 2.33070	\$ 2.34500
2014	2013	\$ 1.94000	\$ 1.88000	\$ 2.30540	\$ 2.34500
2015	2014	\$ 2.07000	\$ 2.01000	\$ 2.30540	\$ 2.46500
2016	2015	\$ 2.07000	\$ 2.01000	\$ 2.57540	\$ 2.46500
2017	2016	\$ 2.07000	\$ 2.01000	\$ 2.57540	\$ 2.53230
2018	2017	\$ 1.97500	\$ 1.97500	\$ 2.55000	\$ 2.53230
2019	2018	\$ 1.97500	\$ 1.97500	\$ 2.55000	\$ 2.53230
2020	2019	\$ 2.06430	\$ 1.89000	\$ 2.57000	\$ 2.53230

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	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Eastman	\$ 411,213,574	1	21.9%	\$ 406,862,939	1	24.8%
Domtar, Inc (Weyerhaeuser Co/ Willamette Industries)	57,859,231	2	3.1%	29,004,892	2	1.8%
Ballad Health (Wellmont Health/ Mountain States Health)	27,872,905	3	1.5%	39,182,201	3 & 7	2.4%
Holston Family Practice	26,801,973	4	1.4%			
Kingsport Power Company (AEP)	23,580,195	5	1.3%	17,828,101	4	1.1%
Eastman Credit Union	17,077,525	6	0.9%	9,219,225	10	0.6%
RPAI Kpt East Stone LLC/C Jackson	16,539,880	7	0.9%	9,607,560	8	0.6%
Wal-Mart Properties	12,033,560	8	0.6%	9,228,840	9	0.6%
Cross Creek/Allandale Falls/ Brandy Mill Apartments	9,527,997	9	0.5%	13,157,040	6	0.8%
Kingsport Hotel LLC	9,411,363	10	0.5%			
Fort Henry Mall - Baltry, LLC				17,033,633	5	1.0%
Totals	<u>\$ 611,918,203</u>		<u>32.6%</u>	<u>\$ 551,124,431</u>		<u>33.7%</u>
Total Taxable Assessed Value:						
FYE 2020 (Tax Year 2019)	\$ 1,878,998,055					
FYE 2011 (Tax Year 2010)	\$ 1,643,144,046					

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	Total Collections to Date		Uncollected Delinquent Taxes
					Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy	
2011	2010	\$ 32,011,845	\$ 212,804	\$ 32,224,649	\$ 31,071,305	96.42%	\$ 1,106,613	\$ 32,177,918	99.85%	\$ 46,731
2012	2011	\$ 32,276,181	\$ 348,310	\$ 32,624,491	\$ 31,684,065	97.12%	\$ 873,106	\$ 32,557,171	99.79%	\$ 67,320
2013	2012	\$ 32,988,793	\$ 998,029	\$ 33,986,822	\$ 32,509,744	95.65%	\$ 1,383,880	\$ 33,893,624	99.73%	\$ 93,198
2014	2013	\$ 34,588,442	\$ 486,434	\$ 35,074,876	\$ 34,296,005	97.78%	\$ 704,146	\$ 35,000,151	99.79%	\$ 74,725
2015	2014	\$ 37,776,783	\$ 270,958	\$ 38,047,741	\$ 37,242,818	97.88%	\$ 703,963	\$ 37,946,781	99.73%	\$ 100,960
2016	2015	\$ 37,829,084	\$ (243,741)	\$ 37,585,343	\$ 36,831,749	97.99%	\$ 644,377	\$ 37,476,126	99.71%	\$ 109,217
2017	2016	\$ 38,289,949	\$ 404,938	\$ 38,694,887	\$ 38,148,030	98.59%	\$ 418,401	\$ 38,566,431	99.67%	\$ 128,456
2018	2017	\$ 38,789,017	\$ (178,730)	\$ 38,610,287	\$ 37,910,311	98.19%	\$ 528,673	\$ 38,438,984	99.56%	\$ 171,303
2019	2018	\$ 39,208,746	\$ (75,978)	\$ 39,132,768	\$ 38,376,785	98.07%	\$ 453,791	\$ 38,830,576	99.23%	\$ 302,192
2020	2019	\$ 39,954,621	\$ 54,939	\$ 40,009,560	\$ 39,181,627	97.93%	\$ 0	\$ 39,181,627	97.93%	\$ 827,933

Source: City of Kingsport Finance Department

Table 11

CITY OF KINGSFORT, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE
For the Fiscal Year Ended June 30, 2020

Tax Year	Property Tax Receivable Balance June 30, 2019	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Property Tax Receivable Balance June 30, 2020
2010	\$ 47,204	\$ 0	\$ 0	\$ 0	\$ (473)	\$ 46,731
2011	68,379	0	0	0	(1,059)	67,320
2012	95,327	0	0	0	(2,129)	93,198
2013	77,797	0	0	0	(3,072)	74,725
2014	115,325	0	0	0	(14,365)	100,960
2015	126,928	0	0	0	(17,711)	109,217
2016	153,508	0	0	54	(25,105)	128,457
2017	272,621	0	0	9,542	(110,860)	171,303
2018	756,962	0	0	(678)	(454,092)	302,192
2019	0	39,954,621	0	54,939	(39,181,627)	827,933
2020	0	0	38,670,044	0	0	38,670,044
Totals	\$ 1,714,051	\$ 39,954,621	\$ 38,670,044	\$ 63,857	\$ (39,810,493)	\$ 40,592,080

NOTES: All uncollected real property taxes for years prior to 2019 have been turned over to the Clerk & Master for collection.

All uncollected personal property taxes for years prior to 2011 have been turned over to the Clerk & Master for collection.

Source: City of Kingsport Finance Department

Table 12

**CITY OF KINGSPORT, TENNESSEE
LOCAL OPTION SALES TAX COLLECTIONS
Last Ten Fiscal Years**

FISCAL YEAR ENDED JUNE 30th	TOTAL LOCAL OPTION SALES TAX COLLECTIONS	GENERAL FUND	REGIONAL SALES TAX FUND
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
2019	\$ 21,863,519	\$ 17,982,774	\$ 3,880,745
2020	\$ 21,561,830	\$ 17,784,092	\$ 3,777,738

Source: City of Kingsport Finance Department

Note: The Local Option Sales Tax rate for sales within the corporate limits of the City of Kingsport is 2.50% in the Sullivan County portion of the municipality. One-quarter percent (0.25%) is distributed directly to the Regional Sales Tax Fund and is used to offset the costs related to the City's MeadowView Conference, Resort, and Convention Center and related facilities, and the Aquatic Center.

Table 13

CITY OF KINGSPORT, TENNESSEE
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

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			
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
2019	\$ 121,787,253	\$ 4,007,482	\$ 123,603,806	\$ 0	\$ 12,510,373	\$ 261,908,914	16.90%	\$ 4,931
2020	\$ 123,123,143	\$ 3,139,576	\$ 125,113,960	\$ 0	\$ 11,921,785	\$ 263,298,464	16.80%	\$ 4,901

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 KINGSFORT, 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 Property	Per Capita
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
2019	\$ 245,391,059	\$ 703,320	\$ 244,687,739	3.94%	\$ 4,607
2020	\$ 248,237,103	\$ 1,225,705	\$ 247,011,398	4.06%	\$ 4,598

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

Table 15

CITY OF KINGSPORT, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
For the Fiscal Year Ended June 30, 2020

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
Net Direct Debt:			
City of Kingsport	\$ 145,170,581 (1)	100.00%	\$ 145,170,581
Total Direct Debt	145,170,581	100.00%	145,170,581
Overlapping Debt:			
Sullivan County	169,557,583	45.61% (2)	77,335,214
Hawkins County	63,860,482	6.75% (2)	4,310,583
Subtotal, Overlapping Debt	233,418,065		81,645,797
Total Direct and Overlapping Debt	\$ 378,588,646		\$ 226,816,378

(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**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$ 328,628,809	\$ 328,444,928	\$ 335,275,813	\$ 356,879,188	\$ 357,919,548	\$ 353,720,273	\$ 362,924,328	\$ 376,420,578	\$ 383,584,600	\$ 375,799,611
Total Net Debt Applicable to Limit	123,381,532	138,767,654	130,382,038	138,394,266	145,513,415	140,652,627	142,585,188	147,556,579	145,896,565	145,170,581
Legal Debt Margin	\$ 205,247,277	\$ 189,677,274	\$ 204,893,775	\$ 218,484,922	\$ 212,406,133	\$ 213,067,646	\$ 220,339,140	\$ 228,863,999	\$ 237,688,035	\$ 230,629,030
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	37.54%	42.25%	38.89%	38.78%	40.66%	39.76%	39.29%	39.20%	38.04%	38.63%

Legal Debt Margin Calculation for Fiscal Year 2019

Total Taxable Assessed Value	\$ 1,878,998,055
Debt Limit (20% of Taxable Assessed Value)	\$ 375,799,611
Debt Applicable to Limit:	
General Obligation Bonds	\$ 114,710,280
Add: Solid Waste Management General Obligation Bonds	2,784,047
Add: Aquatic Center General Obligation Bonds	14,867,021
Add: MeadowView Conference Center General Obligation Bonds	12,202,863
Add: Cattails Golf Course General Obligation Bonds	606,370
Total Net Debt Applicable to Limit	145,170,581
Legal Debt Margin	\$ 230,629,030

Limitation on Borrowing Power

City Charter - Article XIII, Section 5 "The total bonded indebtedness of the City shall not exceed twenty per centum (20%) of the assessed value of the taxable property of the City according to the last complete assessment." Revenue Bonds and Special Assessment Bonds are excluded in computing the debt limit.

Bond Rating: "Standard & Poor's" AA
"Moody's" Aa2

Source: City of Kingsport Finance Department

Table 17

**CITY OF KINGSPORT, TENNESSEE
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years**

Fiscal Year	Operating Revenue	(1) Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				(2) Principal	Interest	Total	
<u>Water, Sewer and Storm Water Bonds:</u>							
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
2019	\$ 30,123,271	\$ 14,884,230	\$ 15,239,041	\$ 6,614,484	\$ 2,537,820	\$ 9,152,304	1.67
2020	\$ 30,706,845	\$ 15,469,401	\$ 15,237,444	\$ 6,409,727	\$ 2,830,501	\$ 9,240,228	1.65

(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	Per Capita Personal Income (1)	Median Age (1)	High School	Associate's Degree (1)	Bachelor's Degree (1)	Masters or	School Enrollment (2)	Unemployment Rate (3)
						Graduate or Higher (1)			Professional Degree (1)		
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%
2019	2018	53,115	\$ 1,549,577,010	\$ 29,174	44.7	87.4%	7.3%	15.6%	10.5%	7,582	4.2%
2020	2019	53,719	\$ 1,567,198,106	\$ 30,740	44.0	88.1%	7.5%	15.2%	9.9%	7,618	9.1%

Source:

(1) American Community Survey (ACS) 5-Year Estimates (via American Factfinder) - City of Kingsport

(2) Kingsport City Schools

(3) U.S. Bureau of Labor and Statistics, month of June

Note: Beginning with 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	2020			2011		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Eastman	6,500	1	9.8%	6,525	1	8.5%
Partner Industrial	2,000	2	3.0%	N/A	N/A	N/A
Ballad Health/Holston Valley Comm Hospital	1,674	3	2.5%	2,624	2	3.4%
Kingsport City Schools	1,132	4	1.7%	1,013	4	1.3%
BAE SYSTEMS Ordnance Systems, Inc.	978	5	1.5%	542	10	0.7%
City of Kingsport	776	6	1.2%	736	9	1.0%
Eastman Credit Union	613	7	0.9%	N/A	N/A	N/A
Holston Medical Group	552	8	0.8%	815	7	1.1%
Ballad Health/Indian Path Comm Hospital	466	9	0.7%	845	6	1.1%
TEC Industrial Maintenance & Construction	394	10	0.6%	N/A	N/A	N/A
Brock	N/A			1,550	3	2.0%
Jacobs	N/A			866	5	1.1%
Wal-Mart	N/A			789	8	1.0%
	<u>15,085</u>		<u>22.6%</u>	<u>16,305</u>		<u>21.0%</u>
Total Sullivan County Employment:						
	FYE 2020	66,620				
	FYE 2011	76,780				

Source:

-NETWORKS/Sullivan Partnership & Employers

Table 20

CITY OF KINGSFORT, TENNESSEE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government	93	95	112	104	100	125	84	84	88	86
Public Safety	264	267	265	265	269	271	280	283	282	283
Public Works	123	124	130	135	135	119	166	154	165	172
Development	22	23	23	23	19	21	15	15	14	18
Recreation	58	58	58	58	61	59	65	65	67	68
Education	1,013	1,040	1,041	1,047	1,057	1,073	1,092	1,123	1,115	1,132
Water	74	73	73	73	73	72	72	83	67	67
Sewer	41	42	42	42	42	42	42	42	47	47
Solid Waste	30	32	33	34	34	35	35	35	35	35
	<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>	<u>1,880</u>	<u>1,908</u>

Sources:

-City of Kingsport Finance Department
-Kingsport City School System

**CITY OF KINGSPORT, TENNESSEE
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Table 21

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Education:										
Student Transportation:										
Miles	371,726	392,811	422,471	414,823	447,373	473,260	501,153	501,780	488,410	387,371
Average Daily Ridership	1,505	1,526	1,373	1,976	1,972	2,011	2,299	2,044	1,742	1,845
Public Safety:										
Police:										
Physical Arrests	5,066	4,029	3,641	3,501	4,406	4,119	5,110	4,452	4,010	5,031
Parking Citations	1,074	1,560	1,037	1,387	1,246	325	511	501	1,052	382
Traffic Citations	5,127	12,442	11,647	14,870	15,699	17,210	20,962	22,436	17,632	8,786
Calls for Service	59,755	59,147	60,210	63,789	62,935	63,006	68,012	70,179	68,404	62,645
Fire:										
Calls for Service	7,388	8,106	7,851	8,115	8,593	8,035	8,167	8,053	8,528	6,654
Inspections	3,339	1,951	1,942	2,577	3,225	3,285	2,944	3,063	2,277	1,436
Fire Loss	\$ 846,950	\$ 664,820	\$ 933,338	\$ 1,664,021	\$ 1,771,938	\$ 1,526,790	\$ 2,239,390	\$ 2,527,429	\$ 3,075,280	\$ 1,147,358
Public Works:										
Potholes Repaired	4,985	4,147	4,822	3,151	9,491	5,004	8,455	7,842	5,422	6,006
Streets Swept (linear miles)	5,105	7,409	5,520	4,715	4,432	5,247	6,100	6,492	7,727	9,446
Traffic Signal Maintenance Calls	610	557	736	608	549	497	507	774	863	811
Leaves Collected (Tons)	1,628	1,780	1,526	2,414	2,028	1,739	2,058	1,716	2,173	2,093
Parks and Recreation:										
Civic Auditorium Rentals	796	539	686	598	757	661	509	564	615	560
Civic Auditorium Attendance	96,248	106,807	110,635	78,856	68,461	47,668	67,084	42,472	68,295	35,000
Splash Pad Attendance	8,548	23,209	10,307	10,100	10,750	14,585	16,720	19,850	23,000	4,500
Participation in Athletic Division events	265,231	278,829	280,119	288,108	286,000	312,564	270,464	268,563	162,000	35,801
Participation in Community Services Division events	138,817	167,631	162,496	171,878	172,475	184,650	190,540	191,550	136,441	113,450
Allandale Rentals	304	226	231	215	212	260	245	284	184	89
Allandale Visitors	25,986	32,296	31,285	32,711	38,401	31,942	33,331	28,919	24,186	18,056
Athletics Games Played	1,825	1,875	1,847	1,908	1,986	2,280	3,315	2,720	2,797	2,384
Athletics Attendance	185,856	188,997	166,299	171,720	176,500	200,640	116,195	113,051	52,893	98,030
Lynn View Rentals	238	271	254	268	154	122	54	40	41	22
Lynn View Attendance	43,615	48,278	53,928	57,650	52,250	56,550	65,450	60,450	43,960	27,000
Cultural Arts:										
Carousel Rentals	n/a	n/a	n/a	n/a	n/a	81	157	165	187	151
Carousel Attendance	n/a	n/a	n/a	n/a	n/a	88,945	78,954	68,641	94,459	48,543
Cultural Arts Program Attendance	12,761	9,276	11,143	11,700	12,378	18,610	17,660	18,610	10,519	9,190
Farmers Market Rentals	n/a	n/a	n/a	n/a	n/a	166	161	166	80	126
Farmers Market Attendance	n/a	n/a	n/a	n/a	n/a	94,600	93,100	82,900	83,342	14,850
Renaissance Center Rentals	1,959	1,861	1,660	1,712	1,813	1,652	1,536	1,940	1,888	805
Renaissance Center Attendance	188,576	166,175	158,227	163,183	172,647	132,160	126,130	129,980	127,760	41,660
Senior Center:										
Active Members	2,801	3,012	2,978	3,045	3,424	3,615	3,980	4,251	4,552	4,482
Average Daily Attendance	252	325	308	301	333	330	394	375	400	394
Aquatic Center:										
Aquatic Center Attendance	n/a	n/a	31,244	140,433	115,982	103,825	97,928	112,586	127,619	106,751
YMCA Entering Pools Attendance	n/a	n/a	19,714	74,567	69,660	57,644	45,208	49,361	47,961	28,749
Total Attendance	n/a	n/a	50,958	215,000	185,642	161,469	143,136	161,947	175,580	135,500
Bays Mountain Park:										
Total Programs	1,422	3,658	3,080	5,091	5,176	3,332	2,938	3,049	2,891	1,723
Total Attendance	201,129	178,069	191,321	257,692	235,578	228,308	211,984	200,886	187,374	97,320
Library:										
Total Circulation	248,709	248,482	248,802	254,073	233,778	264,251	253,765	262,449	263,462	263,177
Building Attendance	206,533	199,875	187,837	189,598	172,806	166,331	158,828	152,551	187,601	130,755
Water:										
Average Daily Consumption in Gallons	14.7 mgd	14.5 mgd	13.7 mgd	13.9 mgd	14.9 mgd	15.21 mgd	15.34 mgd	15.4 mgd	16.0 mgd	15.8 mgd
Maximum Daily Capacity in Gallons	16.2 mgd	17.8 mgd	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd
Water Taps	168	191	189	186	192	195	178	207	238	223
Sewer:										
Average Daily Treatment in Gallons	8.5 mgd	7.5 mgd	9.8 mgd	9.1 mgd	9.6 mgd	8.78 mgd	8.13 mgd	8.02 mgd	10.5 mgd	10.1 mgd
Maximum Daily Plant Capacity in Gallons	17.7 mgd	16.8 mgd	12.4 mgd	12.4 mgd	12.4 mgd	12.4 mgd	12.4 mgd	12.4 mgd	12.4 mgd	12.4 mgd
Sewer Taps	237	179	213	206	263	205	367	388	119	105
Solid Waste:										
Landfill Material Accepted (Tons)	61,326	34,268	27,198	25,670	35,809	27,240	27,630	33,591	45,335	32,590
Household Refuse Collected (Tons)	16,647	18,452	18,834	18,039	19,065	19,647	20,197	20,816	21,725	23,210
Recyclables Collected (Tons)	1,848	1,772	1,606	2,607	3,041	3,249	3,240	3,276	3,180	2,635
Golf Course:										
Rounds of Golf	23,515	25,915	24,090	24,387	20,455	22,630	22,269	21,447	20,121	20,338

Source: Various City Departments

Table 22

**CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Education:										
Student Transportation:										
Buses	40	40	42	39	41	46	45	44	43	44
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	117	117	117	116	124	124	124	124	120	120
Motorcycle Units	0	0	0	0	0	0	0	0	1	0
Fire:										
Stations	7	7	8	8	8	8	8	8	8	8
Fire Trucks/Rescue Units	16	16	15	14	15	16	17	17	17	17
Public Works:										
Streets (Miles)	472	490	496	498	499	499	500	500	500	500
Street Lights	9,372	9,737	9,993	10,075	10,525	10,559	10,606	10,616	10,636	10,656
Traffic Signals	104	103	102	103	102	103	103	105	107	108
Leisure Services:										
Parks and Recreation:										
Park Sites	18	18	18	18	18	18	18	25	28	28
Park Acreage	237	237	237	237	237	237	237	244	308	308
Swimming Pools	1	1	1	0	0	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	2
Other Recreational Facilities:										
Aquatic Center - Acreage	n/a	n/a	17	17	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	39	39	43	43	43
School System:										
Elementary Schools	8	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)	828	832	838	837	847	845	850	875	969	985
Fire Hydrants	1,848	1,898	1,938	2,003	2,028	2,226	2,349	2,371	2,431	2,454
Sanitary Sewers (Miles)	533	540	549	554	563	577	591	595	599	606
Storm Sewers (Miles)	209	209	241	300	300	300	300	300	300	300
Solid Waste:										
Collection Trucks	15	15	15	15	15	15	15	15	15	15
Golf Courses										
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, 2020

Water Rates:

		<u>Inside City</u>	
First	2,000 gallons	\$ 4.19	per 1000 gal
Next	13,000 gallons	\$ 3.37	per 1000 gal
Next	55,000 gallons	\$ 2.60	per 1000 gal
Over	70,000 gallons	\$ 1.85	per 1000 gal
		<u>Outside City</u>	
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:

		<u>Inside City</u>	
Minimum charge		\$ 16.28	2,000 gal
Additional gallons		\$ 8.14	per 1000 gal
		<u>Outside City</u>	
Minimum charge		\$ 24.48	2,000 gal
Additional gallons		\$ 12.24	per 1000 gal

Number of Customers:

	<u>Inside City</u>	<u>Outside City</u>
Water	<u>23,028</u>	<u>12,506</u>
Sewer	<u>21,770</u>	<u>1,116</u>

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER - AWWA METHOD
June 30, 2020

AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
American Water Works Association
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? Click to access definition

+ Click to add a comment

Water Audit Report for: City of Kingsport
Reporting Year: 2020 7/2019 - 6/2020

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

WATER SUPPLIED

Volume from own sources:	+	?	9	5,790.633	MG/Yr
Water imported:	+	?	7	4,519	MG/Yr
Water exported:	+	?	n/a	0.000	MG/Yr

WATER SUPPLIED: 5,766.320 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	+	?	4	0.50%	MG/Yr
	+	?	4	0.50%	MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered:	+	?	8	3,575.887	MG/Yr
Billed unmetered:	+	?	n/a	0.000	MG/Yr
Unbilled metered:	+	?	9	419.297	MG/Yr
Unbilled unmetered:	+	?	8	68.417	MG/Yr

AUTHORIZED CONSUMPTION: 4,063.601 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	+	?	4	0.50%	MG/Yr
	+	?	4	0.50%	MG/Yr

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

WATER LOSSES (Water Supplied - Authorized Consumption)

WATER LOSSES: 1,702.719 MG/Yr

Apparent Losses

Unauthorized consumption:	+	?	7	14.416	MG/Yr
---------------------------	---	---	---	--------	-------

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

Customer metering inaccuracies:	+	?	7	40.355	MG/Yr
Systematic data handling errors:	+	?	7	8.940	MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: 63.711 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 1,639.008 MG/Yr

WATER LOSSES: 1,702.719 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	+	?	4	0.50%	MG/Yr
	+	?	4	0.50%	MG/Yr

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

NON-REVENUE WATER

NON-REVENUE WATER: 2,190.433 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

Master Meter and Supply Error Adjustments

Pcnt:	+	?	4	0.50%	MG/Yr
	+	?	4	0.50%	MG/Yr

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

SYSTEM DATA

Length of mains:	+	?	10	851.9	miles
Number of active AND inactive service connections:	+	?	10	40,817	conn./mile main
Service connection density:	+	?	7	48	conn./mile main

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

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 112.5 psi

Master Meter and Supply Error Adjustments

Pcnt:	+	?	4	0.50%	MG/Yr
	+	?	4	0.50%	MG/Yr

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

COST DATA

Total annual cost of operating water system:	+	?	10	\$16,669.477	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	8	\$7.99	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	8	\$169.23	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

Master Meter and Supply Error Adjustments

Pcnt:	+	?	4	0.50%	MG/Yr
	+	?	4	0.50%	MG/Yr

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

*** 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, 2020



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: 2020 7/2019 - 6/2020

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 83 out of 100 ***

System Attributes:

	Apparent Losses:	63.711	MG/Yr
	+ Real Losses:	1,639.008	MG/Yr
	= Water Losses:	1,702.719	MG/Yr
<div style="display: flex; justify-content: space-between;"> ? Unavoidable Annual Real Losses (UARL): <div style="text-align: right;">440.66 MG/Yr</div> </div>			
Annual cost of Apparent Losses:		\$509,050	
Annual cost of Real Losses:		\$277,369	Valued at Variable Production Cost
Return to Reporting Worksheet to change this assumption			

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	38.0%	Real Losses valued at Variable Production Cost
		Non-revenue water as percent by cost of operating system:	5.2%	
Operational Efficiency:	{	Apparent Losses per service connection per day:	4.28	gallons/connection/day
		Real Losses per service connection per day:	110.01	gallons/connection/day
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	0.98	gallons/connection/day/psi
		From Above, Real Losses = Current Annual Real Losses (CARL):	1,639.01	million gallons/year
		? Infrastructure Leakage Index (ILI) [CARL/UARL]:	3.72	

* 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, 2020**

<u>Customer Name</u>	<u>Consumption (in gallons)</u>	<u>Revenue</u>	<u>Revenue as % of FY20 Water Sales</u>
Eastman	1,038,328,200	\$ 1,990,277	15.02%
BAE Systems	77,918,600	149,642	1.13%
Domtar Paper Co, LLC	62,651,700	132,634	1.00%
Holston Valley Medical Center	50,788,800	96,119	0.73%
Allandale Falls	21,007,900	39,653	0.30%
Kingsport Housing Authority	10,943,200	36,570	0.28%
Indian Path Hospital	18,837,200	35,703	0.27%
Cross Creek Apartments	9,223,400	28,136	0.21%
Model City II, L.P.	11,152,600	27,933	0.21%
Eastman Credit Union	10,728,300	26,363	0.20%
	<u>1,311,579,900</u>	<u>\$ 2,563,030</u>	<u>19.34%</u>
Total Water Sales Revenue - FY 2020	<u>\$13,246,801</u>		

Source: City of Kingsport Finance Department

Table 26

CITY OF KINGSPORT, TENNESSEE
TOP TEN SEWER CUSTOMERS
For the Fiscal Year Ended June 30, 2020

<u>Customer Name</u>	<u>Treatment (in gallons)</u>	<u>Revenue</u>	<u>Revenue as % of FY20 Sewer User Fees</u>
Eastman	198,675,700	\$ 1,620,670	11.44%
BAE Systems	22,583,400	184,019	1.30%
Holston Valley Medical Center	21,585,500	175,729	1.24%
Allandale Falls	21,007,900	171,004	1.21%
Domtar Paper Co, LLC	18,010,500	146,620	1.04%
Indian Path Hospital	11,277,200	91,922	0.65%
Model City II, L.P.	11,152,600	90,810	0.64%
Holston Manor	10,496,900	85,445	0.60%
Kingsport Housing Authority	10,287,300	80,889	0.57%
Cross Creek Apartments	9,167,800	74,633	0.53%
	<u>334,244,800</u>	<u>\$ 2,721,741</u>	<u>19.22%</u>
Total Sewer User Fee Revenue - FY 2020	<u>\$14,162,871</u>		

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF BONDS PAYABLE - FUTURE REQUIREMENTS
JUNE 30, 2020

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		
2021	\$ 8,311,751	\$ 4,283,408	\$ 2,097,986	\$ 968,732	\$ 3,938,502	\$ 1,898,940	\$ 83,850	\$ 39,808	\$ 2,142,910	\$ 959,290	\$ 24,725,177	
2022	8,543,222	3,965,374	2,189,366	912,507	3,753,851	1,781,089	87,168	36,189	2,241,394	876,720	24,386,880	
2023	9,055,689	3,617,981	2,143,483	843,675	3,548,485	1,630,091	90,716	32,630	2,326,628	790,280	24,079,658	
2024	9,388,498	3,250,957	2,219,804	777,142	3,652,911	1,495,620	94,858	28,923	2,423,927	700,706	24,033,346	
2025	9,676,557	2,858,112	2,254,318	707,141	3,731,016	1,354,724	97,502	25,041	2,505,609	606,876	23,816,896	
2026	10,050,585	2,463,118	2,236,431	636,763	3,864,233	1,219,278	100,942	21,031	2,601,005	509,291	23,702,677	
2027	10,446,564	2,076,169	1,640,245	565,740	3,971,679	1,091,776	105,216	16,843	2,696,295	408,186	23,018,713	
2028	8,345,252	1,718,437	1,691,846	501,117	4,022,897	955,567	109,115	12,916	2,780,887	322,579	20,460,613	
2029	7,174,250	1,437,296	1,755,325	434,753	4,157,124	822,363	112,610	9,295	2,855,693	254,717	19,013,426	
2030	6,421,606	1,183,377	1,819,700	371,945	4,294,338	682,831	65,741	5,042	1,468,615	164,321	16,477,516	
2031	5,194,906	950,530	1,495,197	307,921	3,881,779	540,393	27,439	2,099	695,678	117,055	13,212,997	
2032	5,376,985	774,646	1,548,491	258,918	2,911,217	416,375	28,541	1,070	724,768	94,691	12,135,702	
2033	4,478,247	597,287	1,328,016	207,881	2,526,534	321,124	0	0	467,202	71,200	9,997,491	
2034	4,626,945	452,444	1,371,893	164,554	2,611,048	238,639	0	0	480,116	55,984	10,001,623	
2035	3,802,886	303,553	1,112,871	120,772	2,016,923	153,289	0	0	402,321	40,466	7,953,081	
2036	2,749,900	204,955	956,629	89,377	1,619,002	98,949	0	0	414,468	28,034	6,161,314	
2037	1,910,083	119,965	653,255	59,456	956,023	49,518	0	0	195,637	15,038	3,958,975	
2038	933,244	60,462	589,107	38,504	277,462	20,391	0	0	190,187	8,393	2,117,750	
2038	497,598	30,215	320,157	19,440	191,162	11,607	0	0	31,083	1,887	1,103,149	
2040	509,559	15,287	327,853	9,836	195,757	5,873	0	0	31,831	955	1,096,951	
	\$ 117,494,327	\$ 30,363,573	\$ 29,751,973	\$ 7,996,174	\$ 56,121,943	\$ 14,788,437	\$ 1,003,698	\$ 230,887	\$ 27,676,254	\$ 6,026,669	\$ 291,453,935	
						Principal	Interest	Total				
General Obligation Bonds - Supported By General Fund Revenue						\$ 117,494,327	\$ 30,363,573	\$ 147,857,900				
General Obligation and Revenue Bonds - Supported By Dedicated Revenue						114,553,868	29,042,167	143,596,035				
TOTAL						\$ 232,048,195	\$ 59,405,740	\$ 291,453,935				

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, 2020

NAME	TITLE	ANNUAL SALARY	AMOUNT OF SURETY BOND
Christopher W. McCartt	City Manager	\$ 163,442	\$ 5,000
J. Michael Billingsley	City Attorney	\$ 152,361	\$ 0
Sidney H. Cox	City Recorder/Chief Financial Officer	\$ 109,404	\$ 2,500,000
Lisa E. Winkle	City Treasurer	\$ 92,490	\$ 4,300,000
Jeffrey Moorhouse	Superintendent of Schools	\$ 163,743	\$ 0
David Quillen	Chief of Police	\$ 104,643	\$ 0
Patrick W. Shull	Mayor	\$ 3,000	\$ 0
Colette George	Vice-Mayor	\$ 2,400	\$ 0
Jennifer Adler	Alderwoman	\$ 2,400	\$ 0
Betsy Cooper	Alderwoman	\$ 2,400	\$ 0
Darrell Duncan	Alderman	\$ 2,400	\$ 0
James Phillips	Alderman	\$ 2,400	\$ 0
Tommy Olterman	Alderman	\$ 2,400	\$ 0

Source: City of Kingsport Finance Department

Table 29

**CITY OF KINGSPORT, TN
INSURANCE IN FORCE
June 30, 2020**

Type of Coverage/ Insurance Carrier	Policy Number	Policy Period	Details of Coverage	Claim Limits	Annual Premiums
Comprehensive General Liability/ Public Entity Partners	PLI-0213-20	7/1/19-7/1/20 Annual Renewal	General Liability Auto Liability Auto Physical Damage Errors and Omissions	\$ 5,000,000 \$ 5,000,000 Replacement \$ 5,000,000	\$ 169,783.00
Safety National Casualty Corporation	SP 4061679	1/1/20-12/31/20	Worker's Compensation	Statutory	209,885
Government Crime/ Travelers Insurance Company	106463733	2/1/19 - 2/1/22	Crime (Government)	\$ 1,000,000	3,289
Travelers Insurance Company	106694635	3/2/20 - 3/2/21	Crime (Schools)	\$ 2,000,000	5,882
Hartford Insurance Company	20-SR-145719	2/1/20 - 2/1/21	Police Accident	\$ 11,350	340
Unemployment Compensation City of Kingsport	Self insured				
Property and Casualty Travelers Insurance Company	KTK-CMB-9A14090-0-19	12/31/19 - 12/31/20	Buildings and Contents	\$ 526,500,000	225,417
Employers Mutual Casualty Company	5X0733020	2/13/20-2/13/21	Justice Center Commercial/ Gen Property	\$ 13,543,000	13,881
Employers Mutual Casualty Company	S2402472	8/1/19-8/1/20	Aquatic Center Property Insurance	\$ 23,000,000	16,190
Hartford Insurance Company	8.70533E+13	1/25/20-1/25/21	Flood Insurance Aquatic center	\$ 23,000,000	1,935
Hartford Insurance Company	20MSCYQ7488	5/26/20-5/26/21	Grand Piano - Allandale		534
AGCS Marine Insurance Company	OHL92012392	9/2/19-9/2/20	Pontoon Boat at Bays Mountain	\$ 165,000	3,740
Boiler and Machinery The Cincinnati Insurance Co.	BEP2646328	1/1/20-1/1/21	Boilers and Machinery	\$ 100,000	5,808
Public Officials Bond					
Liberty Mutual Insurance Company	82C003889	4/12/20 - 4/12/21	Education Bond - Treasurer - Lisa Winkle	\$ 1,800,000	1,765
Liberty Mutual Insurance Company	82C003888	3/1/20-3/1/21	Bond - City Recorder - Sid Cox	\$ 2,500,000	4,765
Liberty Mutual Insurance Company	82C003887	4/12/20 - 4/12/21	Bond - Treasurer - Lisa Winkle	\$ 2,500,000	3,715
Liberty Mutual Insurance Company	82C003892	06/22/20 - 06/22/21	Bond - City Manager - Christopher McCartt	\$ 5,000	100
Travelers Insurance Company	1068822129	1/1/20-1/1/21	Bond - City Judge - Curt Rose	\$ 1,000	100
Western Surety Company	58368775	4/4/20 - 4/4/21	Blanket Notary Errors and Omissions	\$ 25,000	650
Other					
Stadium General Liability/ Hunter Wright					
Property - D.B. High School Liberty Mutual Insurance	BKW2058547314	3/8/20-3/8/21	General Liability/ Scoreboard/ Public Address system	\$ 2,000,000	2,379
Crum & Forster Specialty Insurance Co	STP404029	10/12/19-10/12/20	Above ground storage tanks		9,818
Hanover Insurance	IH5A19679505	1/14/20-1/14/21	Employee Tools Coverage		10,415
Total Premium					\$ 690,391.00

Source: City of Kingsport

**CITY OF KINGSFORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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, 2020, 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 January 11, 2021. 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as item **2020-001**.

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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
January 11, 2021



**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

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, 2020. 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, 2020.

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
January 11, 2021

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

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 are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements of the City of Kingsport, Tennessee was disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by 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
Special Education Cluster	84.027 & 84.173

8. The **threshold** used for distinguishing Type A and B programs was **\$750,000**.
9. The City of Kingsport, Tennessee was determined to be a **low risk auditee**.

Section II – Findings - Financial Statement Audit

2020-001: Community Development Block Grant Investigation

A state investigation is ongoing in the Office of the Comptroller of the Treasury for the state of Tennessee. We are cooperating with investigators as allowed under Government Auditing Standards paragraph 4.09. Findings, if any, resulting from the state's investigation will be included in a subsequent audit report.

Section III - Findings and Questioned Costs – Major Federal Award Programs

None

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

Section IV - Findings and Questioned Costs –State of Tennessee

None

CITY OF KINGSPORT, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

Financial Statement Audit

None

Major Federal Award Programs

None

State of Tennessee

2019-001: Police Patrol Procedures

Condition: The City's internal control policies were not adequate to ensure that all disbursements made for police patrol activities were valid.

Current Year Status: This issue was not noted during the current year.