

CITY OF KINGSPORT UTILITIES DEPARTMENT

Popular Annual Financial Report

Year Ending June 30, 2025





Photo on cover courtesy of Derek Cress

About the City of Kingsport

Kingsport has a rich history as a post-Revolutionary War settlement on the banks of the South Fork of the Holston River. Since its incorporation in 1917, the City has grown to be a thriving residential and commercial community.

The City's ample natural resources and capable workforce make Kingsport a great place to live, work, and play, providing a high quality of life for Kingsport residents.

Clean, safe drinking water is part of that quality of life. Kingsport is fortunate to have the Holston River as its abundant water source. However, providing safe, award-winning drinking water to the community 365 days a year is no small task. The Kingsport Utilities Department continuously cares for water from its source, to your faucet, and back to the environment. With its team of 132 people, Kingsport serves 113 square miles with drinking water and 60 square miles with wastewater service, including portions outside the Kingsport city limits.

Through an integrated management approach to providing drinking water and wastewater services, Kingsport is continuing its proud tradition of being environmental stewards and preserving the Earth's most precious resource.



**With more than 56,000 residents,
Kingsport is home to a diverse business and
industrial community.**



Message from the Kingsport Utility Director

Dear Neighbors,

**Whether drinking water or wastewater, our Utilities Department mission is the same:
Clean Water, Public Health, and Serving Citizens.**

Along with our mission and our daily work, we take pride in providing our customers and stakeholders with accurate and timely information about our finances. Together with the City of Kingsport's Finance Department, we ensure sound financial management of customer resources and transparent communication with the public. In support of that, we are pleased to present the City of Kingsport's Utilities Department's Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2025.

This report is intended to be a brief yet meaningful summary of our work at the Kingsport Utilities Department. We are entirely supported by the rates our customers pay for utility service. We're providing this report to you as a transparent way to look at how the investments in the utility systems you fund benefit our community. If you want a more comprehensive financial review of our operations, you can review the Annual Comprehensive Financial Report, the annual budget, and audited financial statements.

The PAFR is based on the financial statements audited by Brown Edwards & Company, LLP. (Please note that this report is unaudited.) The PAFR is designed to summarize our financial activities in a condensed and simplified way. Auditors once again issued a clean opinion this year on the City of Kingsport Utilities Department's finances—the highest opinion they can provide. They found no significant deficiencies or instances of noncompliance during their review of our financial controls and operations.

We appreciate that you are interested in the financial health of your water and wastewater utility systems. I am grateful for the dedicated staff committed to our mission and long-term financial health. If you have any questions or concerns, please get in touch with me at NikiEnsor@KingsportTN.gov.

Sincerely, **Niki Ensor, MPA** | Kingsport Utilities Director

A handwritten signature in black ink that reads "Niki Ensor".





Message from the City Manager

Dear Kingsport Residents,

Kingsport continues to flourish with the guidance and support of our Board of Mayor and Aldermen and through valued community involvement. In our FY 2025, which ran from July 1, 2024 to June 30, 2025, we followed through on major initiatives that began the year before—working toward the goal of distinguishing Kingsport as a great place to live, work, play, and for businesses to grow and prosper.

In summer 2025, the Board of Mayor and Aldermen approved the city's first Strategic Plan in 20 years. Within this plan, seven focus areas were identified during the creation of the document - Efficient & Responsive Government, Sustainable Infrastructure, Exceptional Cultural & Recreational Opportunities, Safe & Welcoming Community, Thriving Local Economy, Strong & Vibrant Neighborhoods and a World-Class Education.

Through the Strategic Plan, it's our hope a long-term investment in the Utilities Capital Improvement Plan will be established, making the city able to repair and replace pipes and equipment at the right time before failures.

The Utilities Department has been an integral part of the City's pride in how we serve our community. Access to reliable water services is essential to the life and health of any community; it's no secret that Kingsport considers it a priority as we plan ahead.

Through this report, we'll share with you how our Utilities Department provides the high-quality, dependable services our residents and businesses experience. We want to continue that commitment far into the future. To do that, we need to continue investing in the infrastructure and personnel of our Utilities Department.

Thank you for taking the time to review this report; I know it means you are committed to the future of the City we share. Together, we are committed to making Kingsport a place you are proud to call home.

Sincerely, **Chris McCartt, MPA** | City Manager

A handwritten signature in black ink that reads "Chris McCartt". The signature is written in a cursive, flowing style.





Clean Water



Public Health



Serving Citizens

Kingsport's Robust, High-Quality Water Supply

Kingsport relies on water from the South Fork Holston River—the water intake is located about a mile below the Patrick Henry Dam and a half mile above John B. Dennis Highway. The location of the intake, along with the lake and the dam acting as a buffer, creates optimal conditions for consistent water quality and quantity.

Throughout the year, Patrick Henry Lake fluctuates just four feet between summer and winter. That's remarkably consistent when compared to other communities that have experienced source water shortages during severe droughts in the past.

Water is pumped to the Kingsport Water Filtration Plant where it is treated to produce high-quality, safe drinking water. The plant has served our community since 1929 and continues to produce water that meets mandated water quality standards, producing about 18 million gallons each day to serve the needs of our community.

Our water treatment and distribution staff are certified professionals who follow federal and state regulations. Kingsport prioritizes employing qualified staff because it is a critical part of providing a safe, reliable water supply to the community.

The on-campus laboratory is an essential part of our operations and ensures customers receive a quality product. The laboratory is certified by the State of Tennessee to analyze water before leaving the treatment plant and to analyze it again once it's in the pipes that flow to homes and businesses. The lab analyzes more than 14,000 samples of water each year. Water quality is monitored 24 hours a day, seven days a week.

Once it leaves the plant, drinking water is pumped into the distribution system, which consists of 22 water tanks, 15 main line pump stations, 863 miles of transmission lines, and 156 miles of service lines.



Cleaning Wastewater to Protect Public Health and the Environment

You may not think much about it, but a lot happens after you flush. Wastewater is what we call the water that's been flushed down toilets or that runs down a kitchen or bathroom drain.

After it leaves your home, it flows to the City of Kingsport Wastewater Treatment Plant. Built in 1955 and upgraded over the years, the plant treats nine million gallons of wastewater every day before releasing it back into the environment and the South Fork Holston River, downstream of the City. The water we return to the river is cleaner than the water in the river!

When wastewater leaves your home, it flows into a network of over 509 miles of sewer pipe and 55 miles of forcemains. These sewer lines and mains, which range in size from 6 to 48 inches in diameter, are maintained 24 hours a day. Our team ensures these lines are in good working condition through inspection, cleaning, and repairs. Storms can wreak havoc on our wastewater system. We are continually rehabilitating the system to prevent heavy rainfall (stormwater) from entering the system and wastewater from exiting. As part of the City's ongoing planning efforts, Kingsport completed a Wastewater Treatment Master Plan in 2023. The plan evaluates wastewater treatment capital needs over a 30-year period. Planning for improvements ensures a reliable wastewater infrastructure for the community in the future.

By planning and evaluating these projects as a group, rather than individually, the City can complete the work more efficiently and cost-effectively—maximizing both the impact of the improvements and the value of public investment.



Kingsport Utilities Department

Our talented team of 132 employees makes our system run.

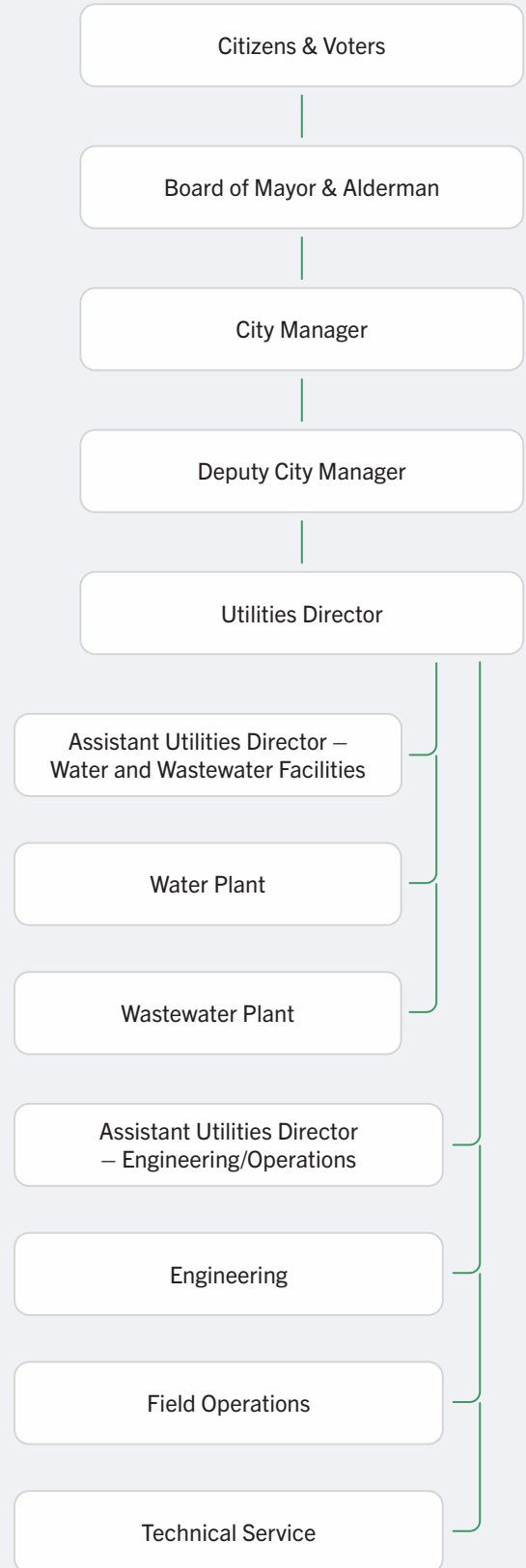
The Kingsport Utilities Department is supported by the following departments:

- + Customer Service Center
- + Water Treatment Plant
- + Water Maintenance
- + Water Quality Control
- + Technical Services
- + Wastewater Plant
- + Wastewater Maintenance
- + Engineering

Together the teams in these departments transform and deliver reliable and high-quality water service to the homes and businesses of Kingsport. The graphic to the right shows the organizational structure of the Kingsport Utilities Department's Water and Wastewater Divisions.

The water system serves about **107,000 people** in **5 counties**

The wastewater system serves about **63,500 people**



1

Water Treatment Plant

6.5

Billion Gallons Treated

862

Miles of Distribution Mains

22

Water Tanks

15

Water Booster Stations

289

New Service Connections

17.9

Average Daily Consumption in Million Gallons Per Day

38,487

Total Water Connections

16.7^M

Energy Used Total KW

1.9^M

Energy Cost

\$0.65

Daily Average Water Cost for Residential Customer

28^{MGD}

Maximum Daily Plant Capacity

17.4^M

Total System Storage

2,580

Total Fire Hydrants

43 K gal.

Average Annual Customer Usage

Top Commercial Water Customers (based on revenue)

1) Eastman 2) Holston Valley Medical Center 3) BAE Systems 4) Domtar Paper Co., LLC 5) Indian Path Hospital

WASTEWATER

24,940

Total Sewer Connections

509

Miles of Sanitary Sewers

209

New Sewer Connections

8.36

Average Daily Treatment in Million Gallons Per Day

7.1 M

Energy Use Total KW

302

Residential Lift Stations

\$1 M

Energy Cost

12.4 MGD

Maximum Daily Plant Capacity

102

Sewer Lift Stations

\$1.38

Daily Average Wastewater Cost Per Residential Customer

3.5 B gal.

Total Treated Wastewater, Annually

Top Commercial Wastewater Customers (based on revenue)

1) Eastman 2) Holston Valley Medical Center 3) Indian Path Hospital 4) Allandale Falls 5) Kingsport Housing Authority

Hurricane Helene

City Employee Efforts & Aid

After Hurricane Helene came through the East Tennessee region, the Kingsport Utilities team didn't hesitate to step in and help neighboring water utilities recover from extensive damage and service outages. Our crews worked side by side with regional partners, tackling everything from repairing broken water mains to getting pump stations back up and running. Long days and difficult conditions were met with a strong sense of purpose, as staff shared equipment, knowledge, and hands-on support wherever it was needed most.

Moments like these are a powerful reminder of just how essential dedicated water professionals are to protecting public health—ensuring communities have access to safe, reliable water even in the most challenging of circumstances. It was a true team effort, and we're proud to have played a role in helping surrounding communities restore service as quickly as possible.

Below is a list of the locations and some of the work completed by the utilities department to aid neighboring utilities affected by Helene. Many worked late into the evening and on weekends to restore service. The number of employees who wanted to help was long and heartwarming.

LOCATIONS KINGSPORT EMPLOYEES ASSISTED

Brownlow
Cross Anchor Area
Erwin
Mountain City

ACTIONS TO HELP

Established emergency connections to supplies
Repaired clarifier sweeps
Camera inspections of sewer lines
Main water line repairs
Water line repairs across bridges
Bacteriological sampling
Backflow testing





Awards and Acknowledgments

Kingsport Utilities Receives Gold Cup of Safe Digging

The award recognizes leaders in damage prevention and raises awareness for Call 811

Each and every year, Atmos Energy celebrates National 811 Day in August to raise awareness for the importance of safe digging practices and procedures.

Last year, Atmos Energy amplified those efforts and introduced a new award – the Gold Cup of Safe Digging - to recognize damage prevention leaders with an outstanding safety record. In 2025, the award was given to Kingsport Utilities, which reported 1,215 dig sites in 2024 with no at-fault damage.

“Third-party excavation damage is the greatest threat to natural gas distribution systems, accounting for more than 92 percent of all damage to Atmos Energy pipelines in Tennessee over the past 12 months,” said Christina Christiansen, Atmos Energy public affairs manager. “This is why we created The Gold Cup of Safe Digging – to celebrate excavators who consistently and effectively protect underground utility lines.”



The Kingsport Utilities Department has a long-standing record of receiving industry awards for their operational excellence, peak performance, and water quality. It's further evidence that we go above and beyond to ensure that Kingsport water and wastewater meet or exceed federal and state standards.



Government Finance Officers' Association

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024.



This was the 25th consecutive year that the City of Kingsport has achieved this prestigious award. The Certificate of Achievement requires a government unit to publish an easily readable and efficiently organized annual comprehensive financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements. The current ACFR has been submitted to GFOA to determine its eligibility for another certificate.



Financial Highlights

We are committed to transparency. Providing our customers with open, accessible information about their utility service and how it is funded is critical to building trust in our community.

What follows is a snapshot of our financial information as of June 30, 2025. We want you to know what we own (assets) and what we owe (liabilities). And we want you to know where our revenue comes from and how we spend it. Most of all, we want you to know that your utility service is in sound financial health.

| | Water | Wastewater |
|--------------------------|----------------|----------------|
| Assets | \$ 137,487,696 | \$ 180,016,813 |
| Deferred Outflows | \$ 1,370,471 | \$ 1,264,300 |
| Liabilities | \$ 54,251,620 | \$ 62,953,863 |
| Deferred Inflows | \$ 607,666 | \$ 527,974 |
| Net Position | \$ 83,998,881 | \$ 117,799,275 |

Deferred Outflows relate to refunding, pensions, and other post-employment benefits.

Deferred Inflows relate to pensions and other post-employment benefits.

S&P Global
Ratings

MOODY'S
RATINGS

The City currently has a rating of AA from Standard & Poor's Rating Services and a rating of Aa2 from Moody's Investors Service.

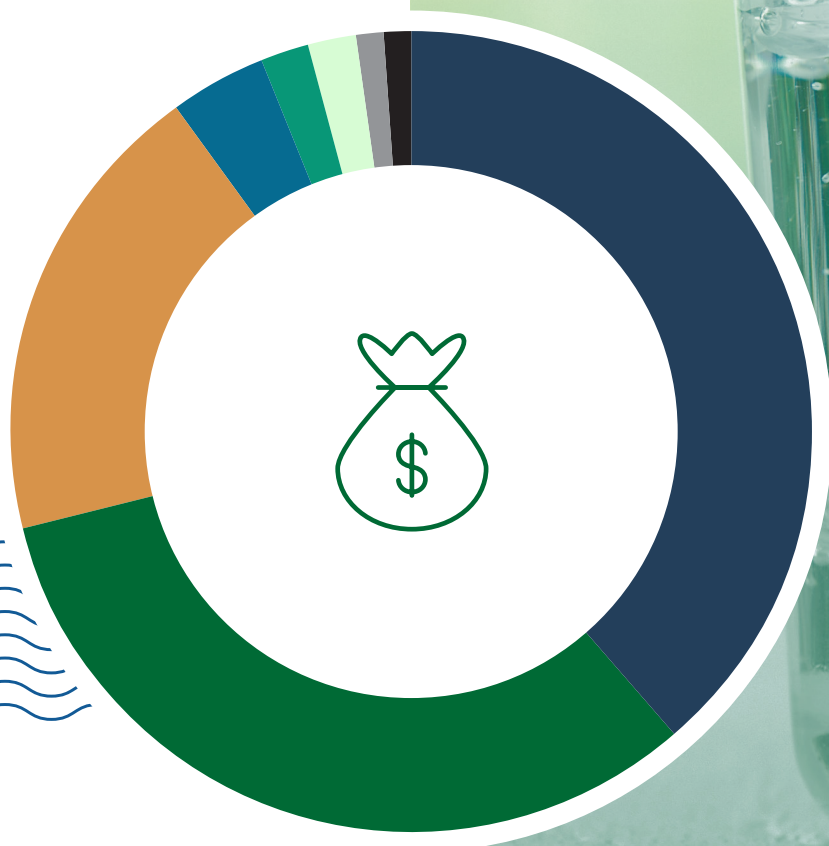
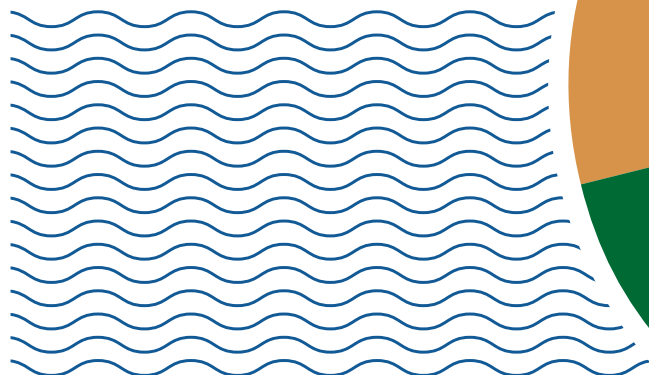
Where the Money Comes From

The City's water and wastewater departments recover most of their costs through user fees and charges. Here is a breakdown of revenue for the fiscal year ending June 30, 2025.

Revenue by Category

- Wastewater Service Rates | **\$19,953,337 - 44%**
- Water Sales | **\$16,933,961 - 37%**
- Capital Contributions | **\$3,032,528 - 7%**
- Earnings on Investment | **\$1,903,756 - 4%**
- Other Charges and Services | **\$923,590 - 2%**
- New Service Fees (water and wastewater) | **\$1,456,401 - 3%**
- Transfers | **\$950,275 - 2%**
- Miscellaneous Revenues | **\$32,283 - 0%**

Total | **\$45,186,131**



Where the Money Goes

Utilities nationwide continue to face challenges with supply chain issues and increasing electricity and chemical costs. When Kingsport allocates its spending, we consider several factors. We are focused on implementing sustainable rate structures and exploring funding opportunities, such as grants to help manage costs effectively. We are investing in technology to improve efficiency and reduce our operational expenses. And, because our people are our greatest asset, we prioritize offering competitive salaries, benefits, and professional development opportunities so we can retain our skilled employees.

| | Water | Wastewater |
|-------------------------|---------------------|---------------------|
| Operating Costs | \$10,384,583 | \$8,138,443 |
| Depreciation | \$4,224,005 | \$5,723,835 |
| Interest Expense | \$1,232,067 | \$1,667,088 |
| Transfers Out | \$2,122,585 | \$2,589,200 |
| Totals | \$17,863,240 | \$18,118,567 |

| Breakdown of Operating Costs | Water | Wastewater |
|--------------------------------------|---------------------|--------------------|
| General and Administrative | \$1,451,803 | \$1,010,930 |
| Plant Operations | \$4,184,167 | \$4,118,375 |
| Distribution Maintenance | \$3,174,991 | — |
| Collection System Maintenance | — | \$2,137,205 |
| Utility Technical Services | \$1,573,622 | \$691,933 |
| Totals | \$10,384,583 | \$7,958,443 |

How Your Utility Rates Are Calculated

Over the years, the City's rate structure has been complicated by trying to accommodate rate structures of utility districts that had been absorbed into the City system in previous years. We strive to price your water and wastewater service in ways that are simple and easy for our customers to understand.

Water rates will vary depending on whether the property is inside or outside the City. The rate structure has two tiers that depend on the volume of water used and cover our variable costs, and a base charge that covers our fixed costs and varies by meter size. Wastewater service is charged at a uniform (no tiers) rate based on water use.

FY 2025 was the third year of a four-year phase in of the new rate structure. For FY 2025, the base charge also covered the first 500 gallons used. By FY 2026 the base charge will just cover our fixed costs and all water usage will be charged based on the two tiers.

Number of Customers



Water Inside City **23,896**



Water Outside City **12,771**



Wastewater Inside City **22,631**



Wastewater Outside City **1,185**



FY 2025 Water Rates

| | Inside City | Outside City |
|--|-------------|--------------|
| Base Charge per Month, by Meter Size (includes 500 gallons) | | |
| 5/8 inch | \$9.64 | \$19.15 |
| 1 inch | \$17.15 | \$36.49 |
| 1-1/2 inch | \$32.18 | \$67.17 |
| 2 inch | \$54.73 | \$113.18 |
| 3 inch | \$142.49 | \$300.10 |
| 4 inch | \$302.61 | \$655.24 |
| 6 inch | \$633.63 | \$1,370.79 |
| 8 inch | \$875.66 | \$1,887.15 |
| 10 inch | \$1,471.53 | \$3,158.30 |
| 12 inch | \$2,555.61 | \$5,471.00 |
| Usage Rate Charge per Month per 1,000 Gallons | | |
| 1,001 - 70,000 Gallons | \$2.87 | \$5.75 |
| Over 70,000 Gallons | \$2.30 | \$4.59 |

FY 2024 Wastewater Rates

| | Inside City | Outside City |
|--|-------------|--------------|
| Base Charge per Month (includes 500 gallons) | \$11.80 | \$17.74 |
| Usage Rate Charge per 1000 Gallons (All Usage Over First 1,000 Gallons) | \$10.77 | \$16.77 |

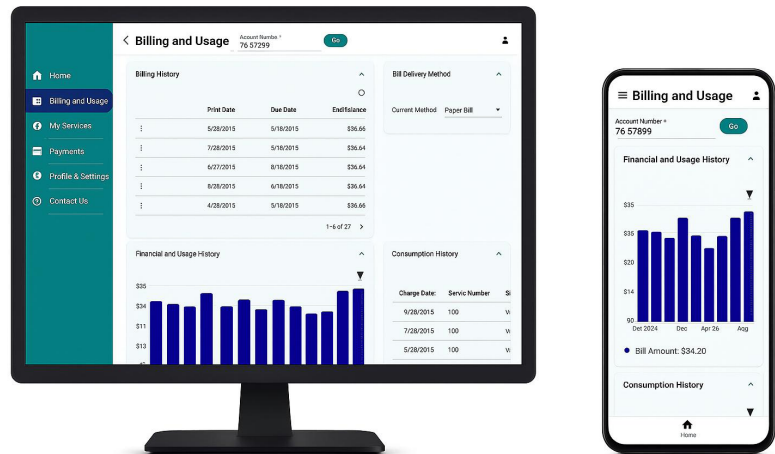
Customer Information System (CIS) Project

The City is gearing up to implement a new utility billing solution by spring 2026. This upgrade will enhance City services and bring numerous benefits to the community.

The CIS will improve response times to customer inquiries and service requests, making interactions more seamless and efficient. Additionally, new account management tools will be introduced, providing customers with improved options to manage their accounts effortlessly.

The customer experience will also be elevated with the introduction of an improved Customer Self-Service Portal. This portal will offer greater convenience and accessibility, ensuring residents can get the services they need at their fingertips. Reporting and dashboards for the City staff and customers will be significantly improved, offering valuable insights and aiding in decision-making processes. The new system will allow for seamless integration with other City software and third-party applications, facilitating smooth communication between various departments such as customer service, meter reading, utility billing, and service order generation.

The Utilities Department is looking forward to these upgrades to create a more efficient, responsive, and user-friendly experience for the City and its residents.



In addition to the new CIS, customers can now use Grace AI - a user-friendly, phone-based virtual assistant that provides quick answers about balances, due dates, water usage and support for secure over-the-phone payment processing. Grace AI aims to reduce waiting times and improve customer support service requests.



At the same time, Kingsport Utilities has launched a new mobile app and web portal, which will be the customer's gateway to all things related to their utility services. Here, customers can view recent bill images, make payments, create and track service requests, update customer records and receive communications in a modern way.

City of Kingsport Strategic Plan

Strategic Focus Area: Sustainable Infrastructure

Kingsport is dedicated to delivering reliable, resilient public infrastructure that adapts to the community’s changing needs through continual reinvestments. We prioritize data-driven proactive maintenance, communication, and sustainable practices, using innovative technology to ensure safe, effective, and efficient public services.

Priorities for this focus area include replicating the sustainability found within certain Public Works programs to all assets, including water & wastewater services.

With the help of a local government financial consultant, Raftelis, Kingsport **Utilities** is working toward establishing a sustainable funding model supported by water and sewer rates that ensures reliable, long-term investment in our capital improvement plan—so we can repair and replace pipes and equipment at the right time, before failures occur. Using data-driven decision-making, including asset management, sanitary sewer flow monitoring, line break history, and other system performance metrics, the department is able to prioritize improvements and ensure ratepayer dollars are used efficiently and effectively.

To view the entire Strategic Plan, please visit www.kingsporttn.gov.





Connect with Us

- + Questions concerning your bill, arranging for water service, or re-establishing service? Call Customer Service at **423-343-9860** or visit www.kingsporttn.gov/city-services/public-works/water-services/
- + After hours emergency? Call **423-246-9111**
- + To report water quality problems, low pressure, a broken water main, water leak in the street or at the meter: Call Customer Service at **423-343-9860** or submit a report through the ConnectKingsport app.
- + Questions or concerns about a potential cross connection? Contact Bryan Davis at **423-229-2167**.
- + To report suspicious activity to any water facility, including treatment plants; water storage tank, fire hydrants, etc.: Call **423-246-9111** or **423-229-9452**.
- + For more information about the Storm Water Program or to report illegal discharges into the storm drain system: Call **423-229-9454**.
- + You can also fill out an online contact request on our website at: <https://www.kingsporttn.gov/city-services/public-works/contact-public-works/>



Requests for Financial Information

This financial report is designed to provide a general overview of the Utilities Department’s finances. You can find the City of Kingsport’s 2025 Annual Comprehensive Financial Report at <https://bit.ly/2026ACFR> or go to www.kingsporttn.gov and select “Finance” under the “Government” link.

For questions concerning any of the information provided in this report or requests for additional financial information call the City of Kingsport, Finance Department at 423-224-2520.

ConnectKingsport App

One of the quickest and easiest ways to report a water leak or other concern to the City of Kingsport is through the ConnectKingsport app.

Just download the free app on the App Store or Google Play Store and click the “Report a Concern” link to let us know about any issues in the City. The ConnectKingsport app uses GPS to recognize your location and gives you a menu of common quality-of-life conditions to select from when submitting a request. The app also allows you to upload pictures or videos to accompany your request. Residents can track the status of reports they or other members of the community have submitted until the issue is resolved.



Glossary of Terms

ACFR - Annual Comprehensive Financial Report

ARC - Appalachian Regional Commission

ARP - American Rescue Plan

Assets - Owned items of value

BMA - Board of Mayor and Aldermen

CIP - Capital Improvement Plan

CIS - Customer Information System

Depreciation - The lowered price or estimated value of something

EDA - U.S. Economic Development Administration

EPA - U.S. Environmental Protection Agency

GFOA - Government Finance Officers' Association of the United States and Canada

I&I - Inflow and Infiltration

Liabilities - Something owed; debts

NACWA - National Association of Clean Water Agencies

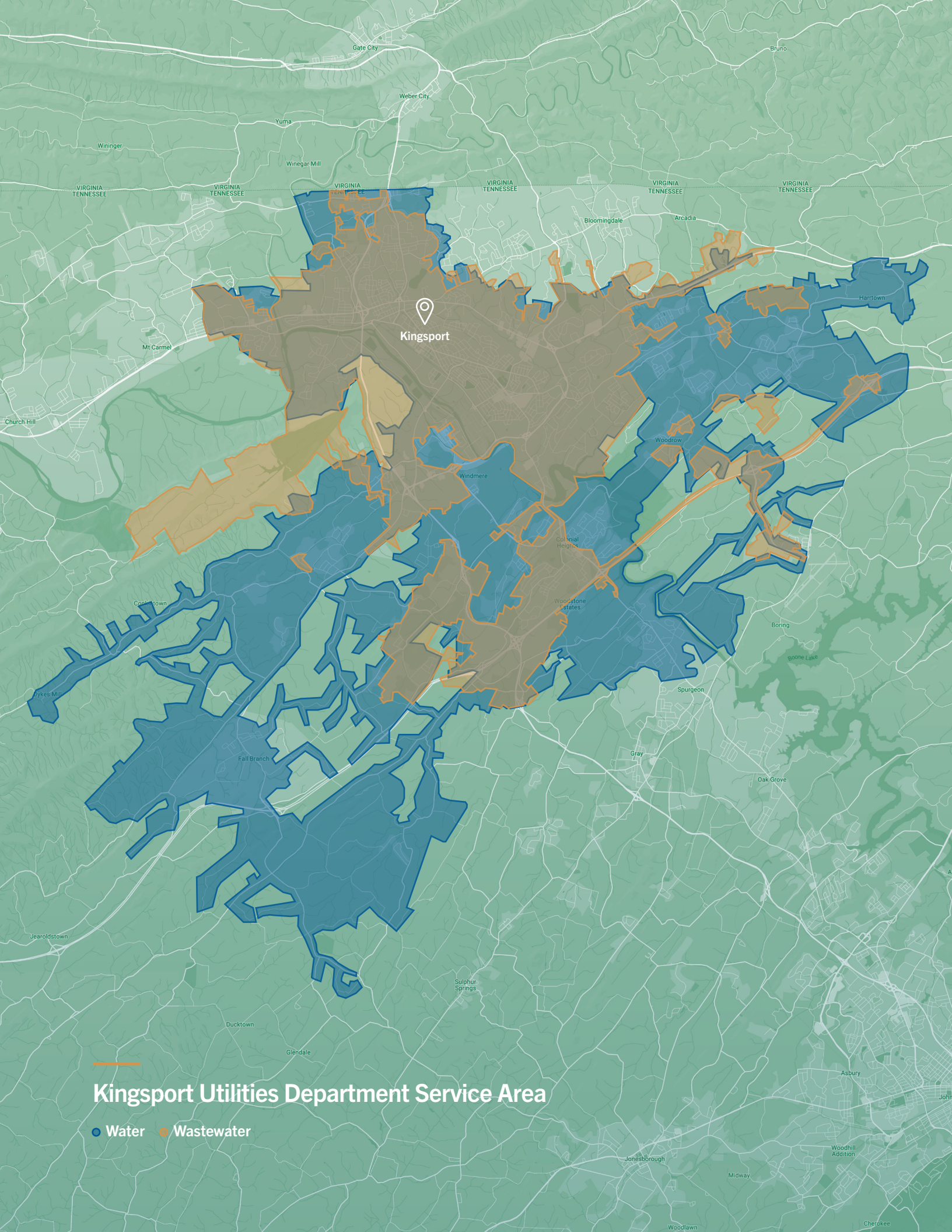
PAFR - Popular Annual Financial Report

TDEC - Tennessee Department of Environment and Conservation

Wastewater Fund - Accounts for the activities of the City's collection, transportation, treatment, and disposal of wastewater

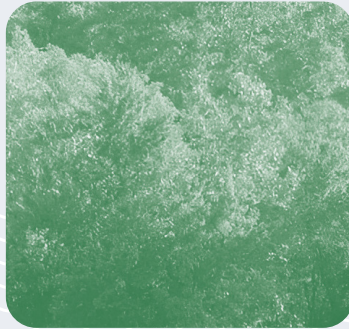
Water Fund - Accounts for the activities of the City's production, storage, and transportation of drinking water

WEA - Kentucky-Tennessee Water Environment Association; now the Clean Water Professionals of Kentucky and Tennessee




Kingsport Utilities Department Service Area

- Water
- Wastewater



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