Revised 1/8/18

AGENDA

BOARD OF MAYOR AND ALDERMEN
WORK SESSION

Monday, January 8, 2018, 4:30 p.m.
City Hall, 225 W. Center St., Council Room, 2nd Floor

Board of Mayor and Aldermen

Mayor John Clark, Presiding
Vice Mayor Mike McIntire
Alderman Jennifer Adler
Alderman Joe Begley
Alderman Betsy Cooper
Alderman Colette George
Alderman Tommy Olterman

Leadership Team

Jeff Fleming, City Manager
Chris McCartt, Assistant City Manager for Administration
Ryan McReynolds, Assistant City Manager for Operations
J. Michael Billingsley, City Attorney
Jim Demming, City Recorder/Chief Financial Officer
David Quillin, Police Chief
Scott Boyd, Assistant Fire Chief
Lynn Tully, Development Services Director
George DeCroes, Human Resources Director
Heather Cook, Marketing and Public Relations Director

1. Call to Order
2. Roll Call
3. FY19 City Manager's Budget Preparation Assumptions – Jeff Fleming
4. Review of Items on January 9, 2018 Business Meeting Agenda
5. Adjourn

Next Work Session, Jan. 16: ONEKingsport Business Plans

Citizens wishing to comment on agenda items please come to the podium and state your name and address. Please limit your comments to five minutes. Thank you.

City of Kingsport

Project Status in Pictures

KINGSPORT
NEIGHBORHOOD COMMISSION
Love where you live

6

1 New KATS Transit Center
The future location site is currently being cleared and utility work will begin shortly.

2 NYE Street Party
Even though New Year's was cold, we had dedicated citizens attend to close out our centennial year with us.

3 Buffalo Grasslands Boardwalk
The project foundation/boardwalk/decking is nearly complete. Next steps are handrail and concrete bypass.

4 Colonial Heights Paving
The majority of the project has been completed and residents are enjoying smooth roads.

5 Fire Hydrants Installed
Water system improvements have been installed in Colonial Heights, including over 90 new fire hydrants.

6 Neighborhood Commission
The newly formed commission will hold an organizational meeting on January 10 and hold their first official meeting on January 25.

Status Updates on Active Projects sorted by Cost

Estimated Cost	Project Owner	Project Manager	Project Name	Project #	Completion Date	CurrentStatus
$7,500,000.00	Ryan McReynolds	Thompson, Michael	SR 347 (Rock Springs Road) [State &MTPO funded]	No City Funds	12/31/2020	Per TDOT Field Survey was completed and turned over to Design week of 11/12/2017.
$6,719,995.10	Chad Austin	Chad Austin	Reedy Creek Sewer Trunk Line	SW1706	3/21/2018	Crews finishing installation of manhole on Center St and continuing work on Lomax St. Crews will start working along Lynn Garden Dr this week also.
$6,600,000.00	Niki Ensor	Niki Ensor	Water & Wastewater Facilities SCADA/Telemetry Project	WA1700/ SW1700/ SW1603	4/1/2019	Design Continues
$4,400,000.00	Niki Ensor	Niki Ensor	WWTP Electrical Improvements	SW1800	9/1/2019	Design underway
$4,300,000.00	Chad Austin	Hank Clabaugh	Border Regions Utility Upgrades		2/17/2020	Waterline survey is underway.
$4,186,000.00	Chris McCartt	Melton, Dawn	New KATS Transit Center	GP1718	1/18/2019	Underground utiltity work continuing and excavation of the building foundation was done 12/28/17.
$3,750,000.00	Niki Ensor	Niki Ensor	Chemical Feed Design	WA1403	4/1/2019	Design underway
$3,740,000.00	Niki Ensor	Niki Ensor	West Kingsport Forcemain and Pump Station Improvements	SW1708	6/1/2019	BMA approved easement offers on 12/19/17.
$3,300,000.00	Michael Thompson	Thompson, Michael	Indian Trail Drive Extension	GP1615	6/30/2019	Awaiting response from RPAI (East Stone Commons Owner) concerning their needs relative to Truck access.
$1,700,000.00	Michael Thompson	Thompson, Michael	Main Street Rebuild [City & MTPO Funded]	GP1516	4/1/2021	Design continues. Several alternatives have been developed for the intersection of Sullivan / Main. Electrical transmission line relocation MOU submitted by AEP.
$1,688,507.50	Chad Austin	Pamela Gilmer	Pendragon Sidewalk & Water Improvement	WA1803/G P1830	9/18/2018	Work has begun on Cloverdale Street.
$1,250,000.00	Niki Ensor	Niki Ensor	Pipe Gallery Improvements	WA1505	3/31/2018	Opened bids 12/13/17. Frizzell was single bidder at $1,367,700. Evaluating how to proceed.
$961,140.00	Michael Thompson	Thompson, Michael	Stone Drive - Phase 2 (SR 1, US 11W) Sidewalk Improvements from Stonebrook Place Pvt. Dr. to Lynn Garden Drive [95% State Funded 5% City]		8/31/2020	Design underway.
$940,000.00	Kitty Frazier	Clabaugh, Hank	Kingsport Greenbelt - Eastern Extension - Phase 1 [Fed. Grant & City funded]	GP1529	11/1/2019	Additional Survey plats created and submitted to satisfy mortgage holder requirements to release liens.

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Estimated Cost	Project Owner	Project Manager	Project Name	Project #	Completion Date	CurrentStatus
$697,475.00	Michael Thompson	Thompson, Michael	Stone Drive - Phase 1 (SR 1, US 11W) Sidewalk Improvements from Stonebrook Place Pvt. Dr. to American Way [95% State Funded 5% City]	TBD	12/8/2018	Value Engineering underway to meet funding availability.
$619,720.46	Michael Thompson	Thompson, Michael	Signalization of the SR 126 (Memorial Blvd. at Island Road Intersection [State & MTPO Funded]	MPO15A	6/30/2018	Telephone Co. has set new poles and notified Cable Co. to relocate. Expected start for contractor is Mid-January.
$600,000.00	Kitty Frazier	Melton, Dawn	Riverbend Park	GP1512	2/28/2018	Public input meeting scheduled for 01-17-18
$420,000.00	Rob Cole	Harris, David	Bays Mountain Dam Rehabilitation	GP1711		Bids Opened 12-13-2017. Inland Construction low bidder.
$415,000.00	Chad Austin	Chris Alley	SR 93- Fall Branch section (TDOT)		12/31/2020	Project moved to 2019; "B Date" package due 9/26/2018; TDOT Letting Date: December 2018
$352,000.00	Chad Austin	Chris Alley	SR 93- Horse Creek/Derby Drive Section (TDOT)		12/31/2021	Project moved to 2020; "B Date" package due 9/25/2019; TDOT Letting Date: December 2019
$350,000.00	Kitty Frazier	Clabaugh, Hank	Buffalo Grasslands Boardwalk/Greenbelt Connector		1/19/2018	Work continues on the handrail and forming for the concrte connector path.
$350,000.00	Rob Cole	Austin, Chad	Bays Mountain Septic System Upgrades	GP1704	4/20/2018	Met with consultant on 12/18. Final plans to be delivered in early January for spring construction.
$245,100.00	Rob Cole	Austin, Chad	Bays Mountain - Pavillion at Lily Pad Cove	GP1707	1/19/2018	Walk through with Architect and Contractor was held on 1/4/18. No issues were discussed. Project is complete!
$230,000.00	Helen Whitaker	Melton, Dawn	Library Colonnade Expansion	GP1807		Advertised on 1/3/18. Pre-Bid scheduled for 1/11/2018
$221,800.00	Tim Elsea	Elsea, Tim	Lynn Garden Signal System [MTPO & City funded]	MPO15C	1/31/2018	Received Notice to Proceed with Construction. Will schedule advertisement, bid opening, and finalize bid documents.
$218,713.00	Chad Austin	Spud Myrick	Hunt Rd waterline extension	WA1805	2/16/2018	Waterline has been installed. Three more services to be installed when weather breaks.
$187,500.00		Melton, Dawn	Lynn View Community Center Site Improvements	GP1714		DUCO Construction has mobilzed equipment. They will start concrete step removal 1/4/2018.
$117,889.67		Melton, Dawn	Borden Park Phase II - Playground	GP1700	3/15/2018	AEP to re-route overhead lines away from new playgournd equipment
$79,583.00	Chad Austin	Dave Harris	Meade Tractor Sanitary Sewer Extension	SW1806	4/27/2018	Bid Opening 12-07-2017 _ East TN Turf & Landscaping Low Bidder
$50,000.00	Steve Robbins	David Edwards	Main St. & Sullivan St. System Upgrades			Coordination underway with KATS site contractor
		Steve Robbins	Bloomington Culvert Replacement			Design underway by consultant (Mattern & Craig)
	Chris McCartt	Clabaugh, Hank	Carousel Park		6/4/2018	BWSC is preparing the construction documents, using Little Tikes as the playground equipment provider.

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Revised 1/8/18

AGENDA

BOARD OF MAYOR AND ALDERMEN

BUSINESS MEETING

Tuesday, January 9, 2018, 7:00 p.m.
City Hall, 225 W. Center St., Courtroom, 2nd Floor

Board of Mayor and Aldermen

Mayor John Clark, Presiding
Vice Mayor Mike McIntire
Alderman Jennifer Adler
Alderman Joe Begley
Alderman Betsy Cooper
Alderman Colette George
Alderman Tommy Olterman

City Administration

Jeff Fleming, City Manager
Chris McCartt, Assistant City Manager for Administration
Ryan McReynolds, Assistant City Manager of Operations
J. Michael Billingsley, City Attorney
James Demming, City Recorder/Chief Financial Officer
David Quillin, Police Chief
Scott Boyd, Assistant Fire Chief
Lynn Tully, Development Services Director
George DeCroes, Human Resources Director
Heather Cook, Marketing and Public Relations Director

I. CALL TO ORDER

II.A. PLEDGE OF ALLEGIANCE TO THE FLAG

II.B. INVOCATION – Assoc. Minister Jack Weikel, First Broad Street United Methodist Church

III. ROLL CALL

IV.A. RECOGNITIONS & PRESENTATIONS

1. 2017 THSO Awards (Chief Quillin)
    - Patrolman Blake Good
    - Patrolman Matt McGuire
    - Sergeant Steve Summey
    - Kingsport Police Department

IV.B. APPOINTMENTS

1. Appointments to the Bays Mountain Park Commission (AF: 03-2018) (Mayor Clark)
    - Appointments

V. APPROVAL OF MINUTES

1. Work Session – December 18, 2017
2. Business Meeting – December 19, 2017

VI. COMMUNITY INTEREST ITEMS

A. PUBLIC HEARINGS

1. Public Hearing for Annexation Annual Plan of Services Report (AF: 02-2018) (Nathan Woods)
    - Public Hearing

COMMENT

Citizens may speak on agenda items. When you come to the podium, please state your name and address and sign the register that is provided. You are encouraged to keep your comments non-personal in nature, and they should be limited to five minutes. A total of thirty minutes is allocated for public comment during this part of the agenda.

B. BUSINESS MATTERS REQUIRING FIRST READING

1. Approve Receiving a Grant from the East Tennessee Foundation to Support Kingsport Centennial Park Project Plaques and Appropriate Funds (AF: 02-2018) (Chris McCartt)
    - Resolution
    - Ordinance – First Reading

C. BUSINESS MATTERS REQUIRING FINAL ADOPTION

1. Appropriate Donations from Received for Owen's Train at Centennial Park, Rise Together Kingsport and Humanae: Work in Progress (AF: 306-2017) (Chris McCartt)
    - Ordinance – Second Reading and Final Adoption

2. Amend the FY 2018 General Project Fund Budget (AF: 311-2017) (David Frye)
    - Ordinance – Second Reading and Final Adoption

3. Budget Adjustment Ordinance for FY18 (AF: 310-2017) (Jeff Fleming)
    - Ordinance – Second Reading and Final Adoption

D. OTHER BUSINESS

1. Acceptance of FY2017 Comprehensive Annual Financial Report (AF: 04-2018) (Jim Demming, Vice Mayor McIntire)

Correction 1/8/18

- ~~Resolution~~ Report

VII. CONSENT AGENDA

None

VIII. COMMUNICATIONS

A. City Manager
B. Mayor and Board Members
C. Visitors

Citizens may speak on issue-oriented items. When you come to the podium, please state your name and address and sign the register that is provided. You are encouraged to keep your comments non-personal in nature, and they should be limited to five minutes.

IX. ADJOURN

KINGSPORT
TENNESSEE

AGENDA ACTION FORM

Appointments to the Bays Mountain Park Commission

To: Board of Mayor and Aldermen
From: Jeff Fleming, City Manager

Action Form No.: AF-03-2018
Work Session: January 8, 2018
First Reading: N/A

Final Adoption: January 9, 2018
Staff Work By: Commission
Presentation By: Mayor Clark

Recommendation:
Approve appointments.

Executive Summary:
It is requested by the Bays Mountain Park Commission that David Fox be appointed to replace Richard Currie whose term has expired. It is also recommended to reappoint Mary Steadman and Charles Beggerow. If approved by the Board of Mayor and Aldermen, all three-year terms will begin immediately and expire January 31, 2021.

David is married to Brenda and have 3 children, all grown. After growing up in Knoxville, David has lived in Kingsport since 1985, moving here directly after graduating from Tennessee Tech.

In 2017 he retired from Eastman after 31 years of I/T experience. Over the last 30 years he has volunteered with several organizations including Boy Scouts, running clubs, youth-development programs, Supplies for Soldiers, and Bays Mountain Park.

Attachments:
None

	Y	N	O
Adler			
Begley			
Cooper			
George			
McIntire			
Olterman			
Clark			

Minutes of the Regular Work Session of the
Board of Mayor and Aldermen, City of Kingsport, Tennessee
Monday, December 18, 2017, 4:30 PM
Council Room – City Hall

PRESENT: Board of Mayor and Aldermen
Mayor John Clark
Vice-Mayor Mike McIntire
Alderman Jennifer Adler
Alderman Joe Begley
Alderman Betsy Cooper
Alderman Colette George
Alderman Tommy Olterman

City Administration
Jeff Fleming, City Manager
J. Michael Billingsley, City Attorney
James H. Demming, City Recorder/Chief Financial Officer

1. CALL TO ORDER: 4:30 p.m. by Mayor Clark.

2. ROLL CALL: By Deputy City Recorder Marshall.

3. KINGSPORT ART GUILD UPDATE. Carol Dixon, Board President, gave a presentation on this item and answered questions for the board regarding the organization's use of city funding..

4. PROJECTS STATUS REPORT. Before giving a brief overview of this item, City Manager Fleming asked the board for feedback and direction on the possinility of streamlining the agenda in the future, essentially moving more items that do not warrant discussion to the consent agenda. Alderman Adler asked staff to write up a descriptive guildeline as to what criteria would be met.

5. REVIEW OF AGENDA ITEMS ON THE DECEMBER 19, 2017 REGULAR BUSINESS MEETING AGENDA. City Manager Fleming stated all of the agenda items had been covered in one on one meetings and unless there was something specific that needed to be addressed the board could move on for the sake of time.

IV.A.2 Amend 2015 Consolidated Plan for Housing and Community Development (AF: 323-2017). Development Services Director Lynn Tully provided details on this item, noting it was necessary for the KHRA project of rebuilding Lee Apartments at the request of HUD to change their funding structure. She also stated there was an amendment for redevelopment in the Martin Luther King Boulevard area.

IV.D.8 Approve a Reciprocal Easement Agreement for the Private Road to the Communication Towers on Bays Mountain (AF: 319-2017). The lawyer representing the new property owners provided details on this item, noting the new agreement was more formal than the previous one.

Minutes of the Regular Work Session of the Board of Mayor and Aldermen of Kingsport, Tennessee, Monday, December 18, 2017

VI.D.10 One Source Hosting Contract for Superion, LLC Hosting Services (AF: 317-2017). Assistant City Manager for Administration Chris McCartt stated this involved the primary softward for the credit card paying interface. He pointed out it is currently managed by Barbara Lane who has been with the city over 40 years. In light of her inevitable retirement, this would allow the IT department to have some flexibility and save $100,000 over the course of three years.

IV.D.12 Ratify the Mayor's Signature (AF: 325-2017). City Attorney Billingsley stated the board has already approved the purchase agreement, however this particular signature was not specifically addressed. He noted it was concerning a right of way at Brickyard Park.

IV.D.14 Change the Meeting Date for Business Meetings of the Board of Mayor and Aldermen from the First and Third Tuesdays to the Second and Fourth Tuesdays in January, 2018 (AF: 318-2017). City Manager Fleming explained the way holidays usually fall in January conflicts with the BMA meetings set by the charter. He noted in the past, they have simply cancelled one of the meetings, but that makes a long time in between. This will still allow for the normal break between business meetings.

6. ADJOURN. Seeing no other matters presented for discussion at this work session, Mayor Clark adjourned the meeting at 5:40 p.m.

ANGELA MARSHALL	JOHN CLARK
Deputy City Recorder	Mayor

Minutes of the Regular Business Meeting of the Board of Mayor and Aldermen of the City of Kingsport, Tennessee
Tuesday, December 19, 2017, 7:00 PM
Large Court Room – City Hall

PRESENT:

Board of Mayor and Aldermen

Mayor John Clark, Presiding
Vice Mayor Mike McIntire
Alderman Jennifer Adler
Alderman Joe Begley
Alderman Betsy Cooper
Alderman Colette George
Alderman Tommy Olterman

City Administration

Jeff Fleming, City Manager
J. Michael Billingsley, City Attorney
James Demming, City Recorder/Chief Financial Officer

I. CALL TO ORDER: 7:00 p.m., by Mayor John Clark.

II.A. PLEDGE OF ALLEGIANCE TO THE FLAG: Susan & Pete Lodal.

II.B. INVOCATION: Pastor Bryan Moore, Fordtown Baptist Church.

III. ROLL CALL: By City Recorder Demming. All Present.

IV.A. RECOGNITIONS AND PRESENTATIONS.

1. Above & Beyond – Sasha Neglia (Alderman Adler)
2. Commendation for Leland Leonard (Vice Mayor McIntire)
3. Above & Beyond - Frank Oglesby & Bob Winstead, Jr. (Vice Mayor McIntire)
4. Kingsport City Schools Superintendent (Susan Lodal, BOE President)

IV.B. APPOINTMENTS/REAPPOINTMENTS.

1. Appointments to the Board of Zoning Appeals (AF: 304-2017) (Mayor Clark).

Motion/Second: McIntire/Begley, to approve:
APPOINTMENTS OF MESSRS. CALVIN CLIFTON AND JEFF LITTLE TO SERVE A THREE-YEAR TERM ON THE ***BOARD OF ZONING APPEALS*** EFFECTIVE IMMEDIATELY AND EXPIRING ON DECEMBER 31, 2020.
Passed: All present voting "aye."

2. Reappointment of City of Kingsport Municipal Judge (AF: 315-2017) (Mayor Clark).

Motion/Second: McIntire/George, to approve:

REAPPOINTMENT OF MR. CURTIS ROSE TO SERVE A TWO-YEAR TERM AS ***CITY OF KINGSPORT MUNICIPAL JUDGE*** EFFECTIVE JANUARY 1, 2018 THROUGH DECEMBER 31, 2019.
Passed: All present voting "aye."

3. Appointment and Reappointment to the Emergency Communications District/E-911 Board (AF: 316-2017) (Mayor Clark).

Motion/Second: George/McIntire, to approve:
APPOINTMENT OF MR. THOMAS K. SEGELHORST AND REAPPOINTMENT OF DIRECTOR VIVIAN CRYMBLE TO SERVE A FOUR-YEAR TERM ON THE ***EMERGENCY COMMUNICATIONS DISTRICT/E-911 BOARD*** EFFECTIVE JANUARY 1, 2018 THROUGH DECEMBER 31, 2021.
Passed: All present voting "aye."

V. APPROVAL OF MINUTES.

Motion/Second: Adler/Begley, to approve minutes for the following meetings:
A. December 4, 2017 Regular Work Session
B. December 5, 2017 Regular Business Meeting
Approved: All present voting "aye."

VI. COMMUNITY INTEREST ITEMS.

A. PUBLIC HEARINGS.

1. Annexation Annual Plan of Services Report (AF: 298-2017) (Nathan Woods). City Planner Nathan Woods gave a brief presentation on this item.

PUBLIC COMMENT ON ITEM VI.A.1. None.

2. Amend 2015 Consolidated Plan for Housing and Community Development (AF: 323-2017) (Lynn Tully).

PUBLIC COMMENT ON ITEM VI.A.2. None.

Motion/Second: George/Olterman, to pass:
Resolution No. 2018-089, A RESOLUTION REQUESTING APPROVAL OF AN AMENDMENT TO THE 2015 NORTHEAST TN/SOUTHWEST VA HOME CONSORTIUM CONSOLIDATED PLAN
Passed: All present voting "aye."

PUBLIC COMMENT. Mayor Clark invited citizens in attendance to speak about any of

the remaining agenda items. There being no one coming forward to speak, the Mayor closed the public comment segment.

B. BUSINESS MATTERS REQUIRING FIRST READING.

1. Appropriate Donations Received for Owen's Train at Centennial Park, Rise Together Kingsport and Humanae: Work in Progress (AF: 306-2017) (Chris McCartt).

Motion/Second: McIntire/Cooper, to pass:
AN ORDINANCE TO AMEND THE GENERAL PROJECT SPECIAL REVENUE FUND BUDGET BY APPROPRIATING DONATIONS RECEIVED FOR THE YEAR ENDING JUNE 30, 2018; AND TO FIX THE EFFECTIVE DATE OF THIS ORDINANCE
Passed on first reading: All present voting "aye."

2. Amend FY18 General Project Fund Budget (AF: 311-2017) (David Frye).

Motion/Second: Cooper/McIntire, to pass:
AN ORDINANCE TO AMEND THE GENERAL PROJECTS FUND BUDGETS FOR THE FISCAL YEAR ENDING JUNE 30, 2018; AND TO FIX THE EFFECTIVE DATE OF THIS ORDINANCE
Passed on first reading: All present voting "aye."

3. Budget Adjustment for FY18 (AF: 310-2017) (Jeff Fleming).

Motion/Second: McIntire/George, to pass:
AN ORDINANCE TO AMEND VARIOUS PROJECTS FOR THE YEAR ENDING JUNE 30, 2018; AND TO FIX THE EFFECTIVE DATE OF THIS ORDINANCE
Passed on first reading: All present voting "aye."

C. BUSINESS MATTERS REQUIRING FINAL ADOPTION.

1. Accept a Private Monetary Donation for the Police K-9 Program and Appropriate the Funds (AF: 299-2017) (David Quillin).

Motion/Second: McIntire/George, to pass:
ORDINANCE NO. 6707, AN ORDINANCE TO AMEND THE GENERAL PROJECT-SPECIAL REVENUE FUND BUDGET BY APPROPRIATING DONATED FUNDS FOR THE YEAR ENDING JUNE 30, 2018; AND TO FIX THE EFFECTIVE DATE OF THIS ORDINANCE
Passed on second reading in a roll call vote: Clark, Adler, Begley, Cooper, George, McIntire and Olterman voting "aye."

D. OTHER BUSINESS.

1. Bid Award for the Purchase of One (1) Tandem Axle Dump Truck (AF: 307-2017) (Ryan McReynolds, Steve Hightower).
Motion/Second: George/Olterman, to pass:
RESOLUTION NO. 2018-090, A RESOLUTION AWARDING THE BID FOR THE PURCHASE OF ONE TANDEM AXLE DUMP TRUCK TO TRIAD FREIGHTLINER OF TENNESSEE, LLC. AND AUTHORIZING THE CITY MANAGER TO EXECUTE A PURCHASE ORDER FOR THE SAME
Passed: All present voting "aye."

2. Amend Contract with Consultants for Changes to Kingsport Area Long-Range Transportation Plan (AF: 295-2017) (Bill Albright, Mike Thompson).

Motion/Second: McIntire/Adler, to pass:
Resolution No. 2018-091, A RESOLUTION APPROVING AN AMENDMENT TO THE AGREEMENT WITH RPM TRANSPORTATION CONSULTANTS, LLC FOR THE LONG-RANGE TRANSPORTATION PLAN FOR THE KINGSPORT METROPOLITAN AREA; AUTHORIZING THE MAYOR TO EXECUTE THE AMENDMENT; AND ALL OTHER DOCUMENTS NECESSARY AND PROPER TO EFFECTUATE THE PURPOSE OF THE AMENDMENT
Passed: All present voting "aye."

3. Approval of Easements and Right-of-Way for West Kingsport Sewer Improvements Project (AF: 302-2017) (Ryan McReynolds).
.
Motion/Second: George/Cooper, to pass:
APPROVE EASEMENTS AND RIGHTS-OF-WAY FOR WEST KINGSPORT SEWER IMPROVEMENTS PROJECT
Passed: All present voting "aye."

4. Bid Award for KCS School Nutrition Services Dairy Bid to Prairie Farms Dairy (AF: 309-2017) (David Frye, Jennifer Walker).

Motion/Second: Cooper/Begley, to pass:
RESOLUTION NO. 2018-092, A RESOLUTION AWARDING THE BID FOR THE PURCHASE OF DAIRY ITEMS FROM PRAIRIE FARMS DAIRY FOR THE KINGSPORT CITY SCHOOLS FOOD AND NUTRITION PROGRAM AND AUTHORIZING THE MAYOR TO EXECUTE A CONTRACT AND ALL OTHER DOCUMENTS NECESSARY AND PROPER TO EFFECTUATE THE PURPOSE OF THE CONTRACT
Passed: All present voting "aye."

5. Right-of-Way Easement with Kingsport Power Company (AF: 312-2017) (Ryan McReynolds).
Motion/Second: George-/Cooper, to pass:
RESOLUTION NO. 2018-093, A RESOLUTION AUTHORIZING THE MAYOR TO

EXECUTE A RIGHT-OF-WAY EASEMENT WITH KINGSPORT POWER COMPANY
Passed: All present voting "aye."

6. Bid Award for the Purchase of Nine (9) Marked Police Sedans (AF: 320-2017) (David Quillin, Steve Hightower).

Motion/Second: Olterman/Begley, to pass:
RESOLUTION NO. 2018-094, A RESOLUTION AWARDING THE BID FOR THE PURCHASE OF NINE MARKED POLICE SEDANS TO AUTO WORLD OF BIG STONE GAP, INC. AND AUTHORIZING THE CITY MANAGER TO EXECUTE A PURCHASE ORDER FOR THE SAME
Passed: All present voting "aye."

7. Bid Award for the Purchase of Three (3) Unmarked Police Sedans (AF: 321-2017) (David Quillin, Steve Hightower).

Motion/Second: McIntire/Adler, to pass:
RESOLUTION NO. 2018-095, A RESOLUTION AWARDING THE BID FOR THE PURCHASE OF THREE UNMARKED POLICE SEDANS TO AUTO WORLD OF BIG STONE GAP, INC. AND AUTHORIZING THE CITY MANAGER TO EXECUTE A PURCHASE ORDER FOR THE SAME
Passed: All present voting "aye."

8. Approve a Reciprocal Easement Agreement for the Private Road to the Communication Towers on Bays Mountain (AF: 319-2017) (Chris McCartt).

Motion/Second: George/Begley, to pass:
Resolution No. 2018-096, A RESOLUTION APPROVING A RECIPROCAL EASEMENT AGREEMENT WITH LOIS J. EPPERSON, D/B/A EPPERSON COMMUNICATIONS AND MICHAEL JENKINS AND WIFE CYNTHIA JENKINS D/B/A LAND AIR TOTAL COMMUNICATIONS FOR PROPERTY ON BAYS MOUNTAIN AND AUTHORIZING THE MAYOR TO EXECUTE THE AGREEMENT AND ALL OTHER DOCUMENTS NECESSARY AND PROPER TO EFFECTUATE THE PURPOSE OF THE AGREEMENT
Passed: All present voting "aye."

9. Approval of Easements and Rights-of-Way (AF: 313-2017) (Ryan McReynolds).

Motion/Second: McIntire/Adler, to pass:
APPROVE OFFERS OF EASEMENTS AND RIGHTS-OF-WAY IN THE SULLIVAN/SHELBY STREET AREAS

Passed: All present voting "aye."

10. One Source Hosting Contract for Superion, LLC Hosting Services (AF: 317-2017) (Chris McCartt).

Motion/Second: Olterman/McIntire, to pass:
Resolution No. 2018-097, A RESOLUTION APPROVING AN AGREEMENT WITH SUPERION, LLC. AND AUTHORIZING THE MAYOR TO EXECUTE THE AGREEMENT AND ALL OTHER DOCUMENTS NECESSARY AND PROPER TO EFFECTUATE THE PURPOSE OF THE AGREEMENT
Passed: All present voting "aye."

11. Amend the Perkins & Will Professional Services Agreement for Architectural Services for Dobyns-Bennett High School Science and Technology Center Project (AF: 308-2017) (David Frye).

Motion/Second: George/McIntire, to pass:
Resolution No. 2018-098, A RESOLUTION APPROVING AMENDMENT NUMBER 1 TO THE ARCHITECTURAL SERVICES AGREEMENT WITH PERKINS + WILL, INC. FOR THE DOBYNS BENNETT HIGH SCHOOL SCIENCE AND TECHNOLOGY CENTER PROJECT; AUTHORIZING THE MAYOR TO EXECUTE THE AMENDMENT; AND ALL OTHER DOCUMENTS NECESSARY AND PROPER TO EFFECTUATE THE PURPOSE OF THE AMENDMENT
Passed: All present voting "aye."

12. Ratify the Mayor's Signature (AF: 325-2017) (Chris McCartt).

Motion/Second: McIntire/Adler, to pass:
Resolution No. 2018-099, A RESOLUTION TO RATIFY THE MAYOR'S SIGNATURE ON AN EASEMENT ACROSS CITY PROPERTY ON IDLE HOUR ROAD TO GENERAL SHALE BRICK, INC. AND ANY AND ALL DOCUMENTS NECESSARY AND PROPER TO EFFECTUATE THE PURPOSE OF THIS RESOLUTION OR THE EASEMENT
Passed: All present voting "aye."

13. Opt-In Agreement with Metro Nashville Public Schools and Education Networks of America, Inc. (ENA) for Voice Services and Approve the Purchase of Phone Equipment (AF: 324-2017) (David Frye).

Motion/Second: Cooper/Olterman, to pass:
Resolution No. 2018-100, A RESOLUTION APPROVING AN OPT-IN AGREEMENT WITH METRO NASHVILLE PUBLIC SCHOOLS CONTRACT#2-225071-08 AND EDUCATION NETWORKS OF AMERICA, INC. FOR VOICE SERVICES; AUTHORIZING THE MAYOR TO EXECUTE THE AGREEMENT AND ALL OTHER DOCUMENTS NECESSARY AND PROPER TO EFFECTUATE THE PURPOSE OF

THE AGREEMENT; AUTHORIZING THE CITY MANAGER TO EXECUTE A PURCHASE ORDER FOR PHONE EQUIPMENT
Passed: All present voting "aye."

14. Change the Meeting Date for Business Meetings of the Board of Mayor and Aldermen from the First and Third Tuesdays to the Second and Fourth Tuesdays in January, 2018 (AF: 318-2017) (Mike Billingsley).

Motion/Second: George/McIntire, to pass:
Resolution No. 2018-101, A RESOLUTION CHANGING THE DATE OF THE REGULAR BUSINESS MEETINGS OF THE BOARD OF MAYOR AND ALDERMEN IN JANUARY, 2018 FROM THE FIRST AND THIRD TUESDAYS TO THE SECOND AND FOURTH TUESDAY FOR JANUARY, 2018
Passed: All present voting "aye."

VII. CONSENT AGENDA. ***(These items are considered under one motion.)***

Motion/Second: George/Cooper, to adopt:

1. Apply for and Receive Partnership Grant from the Tennessee Arts Commission (AF: 305-2017) (Chris McCartt).

Pass:
Resolution No. 2018-102, A RESOLUTION AUTHORIZING THE MAYOR TO EXECUTE ALL DOCUMENTS NECESSARY AND PROPER TO APPLY FOR AND RECEIVE A PARTNERSHIP GRANT FROM THE TENNESSEE ARTS COMMISSION
Passed: All present voting "aye."

2. Approve Issuance of Certificates of Compliance for Businesses to Sell Retail Alcoholic Beverages (AF: 314-2017) (Jim Demming).

Approve:
CERTIFICATES OF COMPLIANCE
Passed: All present voting "aye."

VIII. COMMUNICATIONS.

A. CITY MANAGER. Mr. Fleming commented on documents that will be going into the newspaper on the centennial. He noted it was an update from the 50th edition which posted in 1967.

B. MAYOR AND BOARD MEMBERS. Alderman Adler stated time is the best gift and wished everyone more time to spend with those they cherish most and encouraged everyone to donate time to a local non-profit. She also recognized city employees who would be working over the holidays. Alderman Cooper

echoed Alderman Adler's comments adding that we should slow down and enjoy the holiday season. Vice-Mayor McIntire highlighted several accomplishments for Kingsport during 2017, such as projects, awards, recognitions and all of the centennial events, including the addition of Centennial Park. Alderman Begley wished everyone Merry Christmas. Alderman Olterman extended best wishes to everyone and a prosperous and safe new year. Alderman George commented on the positive spirit in Kingsport, noting how people always step up when there is a need. She also mentioned there will be a New Year's Party downtown and wished everyone a Merry Christmas. Mayor Clark commented the quality of life in Kingsport has been improved during the last year, pointing out we have proved to be both an industrial and a liveable town. He thanked the board for their service and also commended the Kingsport spirit.

C. VISITORS. None.

IX. ADJOURN. Seeing no other business for consideration at this meeting, Mayor Clark adjourned the meeting at 8:00 p.m.

ANGELA MARSHALL	JOHN CLARK
Deputy City Recorder	Mayor

KINGSPORT
TENNESSEE

AGENDA ACTION FORM

Public Hearing for Annexation Annual Plan of Services Report

To: Board of Mayor and Aldermen
From: Jeff Fleming, City Manager

Action Form No.: AF-01-2018
Work Session: January 8, 2018
First Reading: N/A

Final Adoption: January 9, 2018
Staff Work By: Nathan Woods
Presentation By: Nathan Woods

Recommendation:
Conduct a Public Hearing and receive comment concerning the Annual Plan of Services Report for unfulfilled Annexation commitments for December 2017.

John B. Dennis – Ordinance 6244 - Annual Update
Seaver Road – Resolution 2017 – 176 – 6 Month Update

Executive Summary:
Tennessee Code Annotated 6-51-108 states in part "...upon expiration of six (6) months from the date any annexed territory for which a Plan of Service has been adopted becomes a part of the annexing of the municipality, and annually thereafter until such services have been extended according to such plan, there shall be prepared and published in the newspaper of general circulation in the municipality a report of the progress made in the preceding year... the governing body by municipality shall publish notice of the public hearing on such progress reports and changes, and hold such hearings thereon..." As a result of this statute, and the need to conduct annual public hearings concerning unfulfilled Plan of Service commitments, it is required that the Board of Mayor and Aldermen conduct a public hearing to receive comments concerning the Annual Plan of Service Reports. The Notice of Public Hearing was published December 25, 2018.

Attachments:
1. Annual Plan of Services Report
2. Notice of Public Hearing
3. Map
4. Plan of Services Spreadsheet

	Y	N	O
Adler			
Begley			
Cooper			
George			
McIntire			
Olterman			
Clark			

JANUARY 2018 ANNUAL PLAN OF SERVICE REPORT
FOR ORDINANCE NUMBER: 6224 AND RESOLUTION NUMBER: 2017-176

Annexation Area	Effective Date	POS Deadline	Est. Completion	Status
John B. Dennis	8/10//2012	Water Service	Completed	Completed
Ordinance. No. 6224		Sewer Service	Completed	Completed
		Street Lighting	Completed	Completed
Seaver Road	5/5//2017	Water Service	2022	
Resolution. No. 2017-176		Sewer Service	2022	
		Street Lighting	2022	

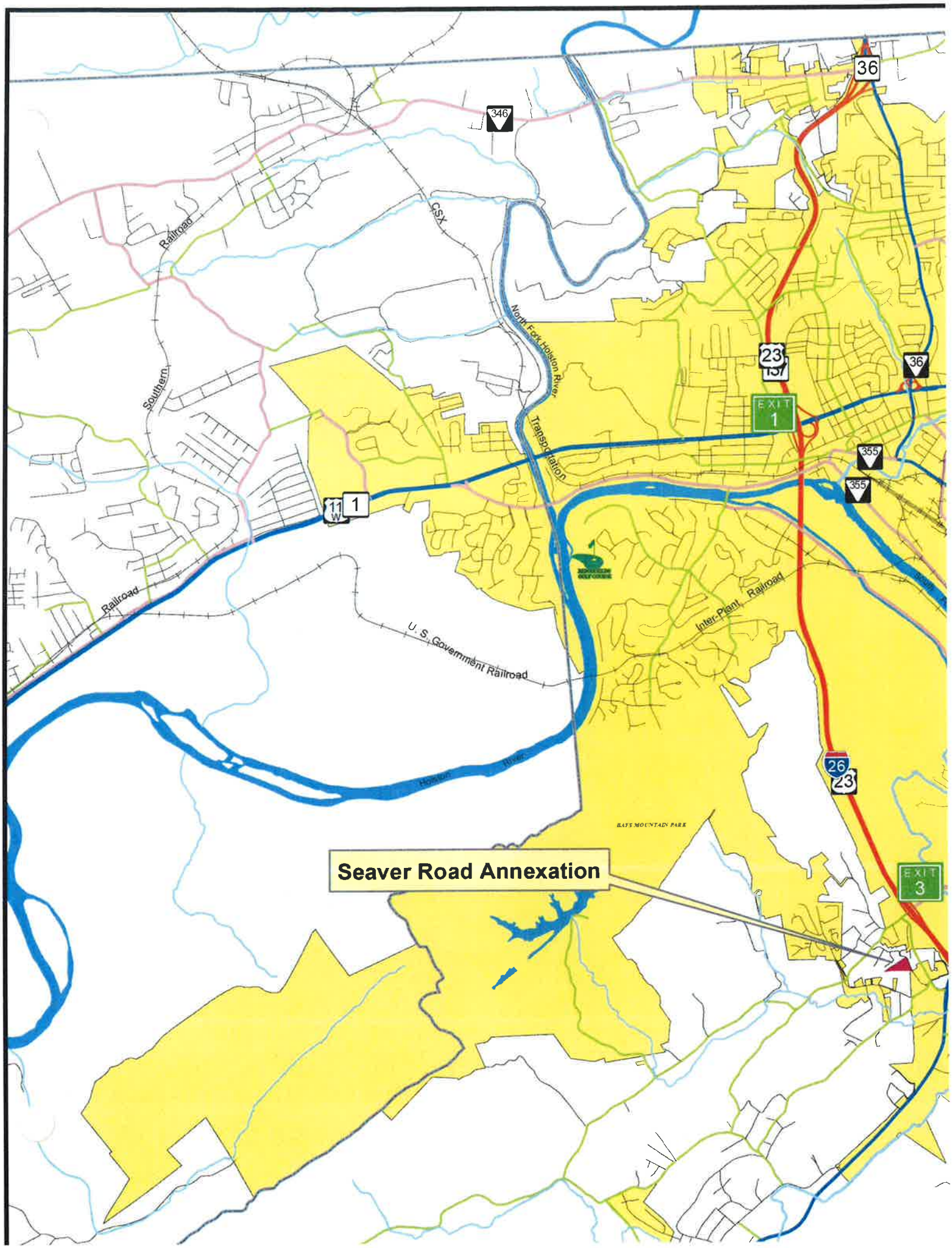
NOTICE OF PUBLIC HEARING

The Kingsport Board of Mayor and Aldermen will conduct a public hearing concerning the ANNUAL PLAN OF SERVICE (POS) REPORT— January, on the following annexation areas at its January 9, 2017 regular business meeting at 7:00 P.M. in the courtroom of the City Hall Building, 225 W. Center Street, Kingsport Tennessee.

Annexation Area: John B. Dennis, Ord. 6224
Effective Date: 8/10/2012
POS, deadline: Water, Sewer & Street Lighting

Annexation Area: Seaver Rd. Res. 2017-176
Effective Date: 5/5/2017
POS, deadline: Water, Sewer & Street Lighting

City of Kingsport
Angie Marshall, City Clerk.
P1T: 12/25/2017


Seaver Road Annexation
36
346
CSX
Railroad
Southern
North Fork Holston River
Transportation
23
157
EXIT 1
355
1
11 W
Railroad
U. S. Government Railroad
Inter-Plant Railroad
Holston River
26
23
BAYS MOUNTAIN PARK
EXIT 3

2018 ANNEXATION PLAN OF SERVICES ANNUAL UPDATE FOR JANUARY 2018

Pursuant to TCA 6-51-108, the City of Kingsport Tennessee is presenting the following report of progress on adopted Plans of Services.

All items in yellow are up for their annual update

ANNEXATION PROJECT and LOCATION	ORD/RES No.	EFFECTIVE DATE	WATER SERVICE	SEWER SERVICE	STREET LIGHTING
2008 Annexations					
08-301-00018 Cherry Knoll Annexation	5784	Dec 4, 2008	POS Amended 12/4/16 provided when dev. occurs	POS Amended 12/4/16 provided when dev. occurs	POS Amended 12/4/16 provided when dev. occurs
2012 Annexations					
11-301-00019 Border Regions Area 1	6169	March 9, 2012	March 9, 2020 Design Complete	March 9, 2020 Design Complete	Completed
11-301-00020 Border Regions Area 2	6171	March 9, 2012	March 9, 2020 Design Complete	March 9, 2020 Design Complete	Completed
11-301-00021 Border Regions Area 3	6173	March 9, 2012	March 9, 2020 Design Complete	March 9, 2020 Design Complete	Completed
12-301-00001 Kingsport South	6192	May 4, 2012	Completed	May 4, 2020 In Design	Completed
11-301-00023 JB Dennis	6224	Aug 10, 2012	Completed	Completed	Completed
12-301-00006 Colonial Heights Area 7 Part A	6238	Sep 21, 2012	September 21, 2017 Under Construction	September 21, 2017 Under Construction	Completed
12-301-00007 Colonial Heights Area 7 Part B	6240	Sep 21, 2012	September 21, 2017 Under Construction	September 21, 2017 Under Construction	Completed
12-301-00008 Colonial Heights Area 7 Part C	6254	Dec 7, 2012	December 2,2017 Under Construction	December 2, 2017 Under Construction	Completed
12-301-00009 Colonial Heights Area 7 Part D	6256	Dec 7, 2012	December 2, 2017 Under Construction	December 2, 2017 Under Construction	Completed
12-301-00010 Colonial Heights Area 7 Part E	6265	Dec 21, 2012	December 21, 2017 Under Construction	December 21, 2017 Under Construction	Completed
2016 Annexations					
16-301-00002 Camp Bays Mountain Annexation	2017-024	October 7, 2016	In Design October 7, 2021	In Design October 7, 2021	Completed
16-301-00003 4308 Grey Fox Drive	2017-034	November 5, 2016	Completed	In Design November 5, 2021	Completed
2017 Annexations					

17-301-00001 Seaver Road Annexation	2017-176	May 5, 2017	2022	2022	2022

* All Annexation Plans of Services include Police & Fire Services, Electric Services, Solid Waste Disposal, Zoning Services , Recreational Facilities, Street Maintenance and City Schools. These services are established upon the effective date of the annexation*

KINGSPORT
TENNESSEE

AGENDA ACTION FORM

Approve Receiving a Grant from the East Tennessee Foundation to Support Kingsport Centennial Park Project Plaques and Appropriate Funds

To: Board of Mayor and Aldermen
From: Jeff Fleming, City Manager

Action Form No.:	AF-02-2018	Final Adoption:	January 23, 2018
Work Session:	January 8, 2018	Staff Work By:	Commission
First Reading:	January 9, 2018	Presentation By:	Chris McCartt

Recommendation:
Approve the Resolution and Ordinance.

Executive Summary:
The East Tennessee Foundation has awarded Grant No. 20171324 in the amount of $4,045.07 to the city for use in the Kingsport Centennial Park project. The award letter, a copy of which is contained in the resolution, must be executed to approve the receipt of the grant. The letter sets out the terms and conditions of the grant donation.

Attachments:
1. Resolution
2. Ordinance

	Y	N	O
Adler			
Begley			
Cooper			
George			
McIntire			
Olterman			
Clark			

RESOLUTION NO. _____

A RESOLUTION ACCEPTING GRANT NO. 20171324 FROM THE KINGSPORT COMMUNITY FOUNDATION CENTENNIAL PARK PROJECT FUND THROUGH THE EAST TENNESSEE FOUNDATION; APPROVING A LETTER OF AWARD; AND AUTHORIZING THE MAYOR TO EXECUTE THE LETTER, AND ALL OTHER DOCUMENTS NECESSARY AND PROPER TO EFFECTUATE THE PURPOSE OF THE LETTER

WHEREAS, the Kingsport Community Foundation Centennial Park Project Fund has awarded Grant No. 20171324 in the amount of $4,045.07 to the city for use in the Kingsport Centennial Park project plaques; and

WHEREAS, to complete acceptance of the grant funds the East Tennessee Foundation has requested the city execute the letter of award as set out in the resolution below; and

WHEREAS, the terms and conditions of the grant are set out below in the letter of award.

Now therefore,

BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN AS FOLLOWS:

SECTION I. That Grant No. 20171324 from the Kingsport Community Foundation Centennial Park Project Fund through the East Tennessee Foundation in the amount of $4,045.07 for the Kingsport Centennial Park project plaques and the letter of award are approved.

SECTION II. That the mayor, or in his absence, incapacity, or failure to act, the vice mayor, is authorized and directed to execute, in a form approved by the city attorney, and subject to the requirements of Article X, Section 10 of the Charter of the City of Kingsport, a letter of award and all documents necessary and proper receive Grant No. 20171324 from the Kingsport Community Foundation Centennial Park Project Fund through the East Tennessee Foundation in the amount of $4,045.07 for the Kingsport Centennial Park project plaques, said letter as set out below:

December 22, 2017

The Honorable John Clark Mayor
City of Kingsport
225 West Center Street Kingsport, TN 37660-4237

Dear Mayor Clark:
The Board of Directors of East Tennessee Foundation is pleased to inform you that the City of Kingsport has been approved to receive a grant in the amount of $4,045.07 from the Kingsport Community Foundation of East Tennessee Foundation. This grant is intended to support the Kingsport Centennial Park Project plaques.
Please read your grant award letter carefully. If you have any questions about its terms or conditions or any other aspect of the Kingsport Community Foundation grant award, please contact Trudy Hughes, Director of Regional Advancement. Any change in the use of funds must be approved in advance.
The terms and conditions of this award are as follows:

1. Grant Number: Please refer to this grant as grant number **20171324** in all correspondence regarding this award.
2. Grant Term: The term of the award is January 1, 2018 to December 31, 2018.
3. General Terms and Conditions: Your organization agrees:

- To use the funds from this award only for the designated purposes and not for any other purpose without advance written approval from East Tennessee Foundation;
- To notify East Tennessee Foundation of any change in your organization's legal or tax status, any changes in executive staff or in key staff for this project, or any other change that impairs your organization's ability to utilize the grant as intended;
- To maintain books and records adequate to demonstrate that the funds were expended for the purpose intended;
- To give East Tennessee Foundation reasonable access to your organization's files and records for the purposes of making audits and verifications as it deems necessary concerning the grant; and
- To return to East Tennessee Foundation any unexpended funds or any portion of the grant that is not used for the purposes specified in this grant award letter.

4. Public Acknowledgment: Raising public awareness of the Kingsport Community Foundation, an affiliate fund of East Tennessee Foundation, is a grant requirement. In particular, East Tennessee Foundation:

- Requires your organization to acknowledge this grant and the support of the Kingsport Community Foundation, an affiliate fund of East Tennessee Foundation, on all listings of your annual funders.
- Requires your organization to acknowledge the Kingsport Community Foundation, an affiliate fund of East Tennessee Foundation, in all appropriate programs and publications, printed materials, press releases, or media coverage pertaining to this project.
- Requests that your organization display a link to East Tennessee Foundation's website (www.easllenneee foundalion.org) on its website.

5. Acceptance of Grant Award and Check: To acknowledge your acceptance of this grant award and check, please return the signed original of this letter to East Tennessee Foundation.

6. Grant Disbursement Schedule: Your Kingsport Community Foundation grant is disbursed with this letter. Please submit a Final Report letter documenting the entire grant amount was disbursed for the activities as defined in the first paragraph of this letter.

7. Equal Opportunity: By accepting this grant award, your organization certifies that it is an equal opportunity employer and provider of services.

Congratulations on the award and best wishes for your program's success!

[Acknowledgements Deleted for Inclusion in this Resolution]

SECTION III. That the mayor is further authorized to make such changes approved by the mayor and the city attorney to the letter of award set out herein that do not substantially alter the provisions of the letter of award, and the execution thereof by the mayor and the city attorney is conclusive evidence of the approval of such changes.

SECTION IV. That the mayor is authorized to execute any and all documents including those necessary and proper to demonstrate the city's compliance with the grant requirements or its provisions necessary to effectuate the purpose of the grant or this resolution.

SECTION V. That the board finds that the actions authorized by this resolution are for a public purpose and will promote the health, comfort and prosperity of the citizens of the city.

SECTION VI. That this resolution shall take effect from and after its adoption, the public welfare requiring it.

ADOPTED this the 9th day of January, 2018.

_____

JOHN CLARK, MAYOR

ATTEST:

_____

JAMES H. DEMMING, CITY RECORDER

APPROVED AS TO FORM:

_____

J. MICHAEL BILLINGSLEY, CITY ATTORNEY

PRE-FILED
CITY RECORDER

ORDINANCE NO. _____

AN ORDINANCE TO AMEND THE GENERAL PROJECT FUND BUDGET BY APPROPRIATING DONATED FUNDS RECEIVED FROM THE EAST TENNESSEE FOUNDATION FOR THE YEAR ENDING JUNE 30, 2018; AND TO FIX THE EFFECTIVE DATE OF THIS ORDINANCE

BE IT ORDAINED BY THE CITY OF KINGSPORT, as follows:

SECTION I. That the General Project Fund budget be amended by appropriating donated funds in the amount of $4,045 received from the East Tennessee Foundation to the Centennial Park/Downtown Parks project (GP1627).

Account Number/Description:		**Budget**	**Incr/<Decr>**	**New Budget**
Fund 311: General Project Fund				
Centennial Park /Downtown Parks (GP1627)				
Revenues:		$	$	$
311-0000-364-1000	Contributions/Individual	650	0	650
311-0000-364-5621	East Tenn. Foundation	660,000	4,045	664,045
311-0000-368-1047	Series 2014A GO Bonds	126,266	0	126,266
311-0000-368-1054	Series 2016 GO (Nov 4)	26,643	0	26,643
311-0000-368-2101	Premium From Bond Sale	27,074	0	27074
311-0000-391-0100	From General Fund	876,200	0	876,200
	Totals:	**1,716,833**	**4,045**	**1,720,878**
Expenditures:				
311-0000-601-2022	Construction Contracts	227	0	227
311-0000-601-2023	Arch/Eng/ Landscaping	77,315	0	77,315
311-0000-601-2095	Public Art	25,000	0	25,000
311-0000-601-4041	Bond Sale Expense	3,717	0	3,717
311-0000-601-9001	Land	31,000	0	31,000
311-0000-601-9003	Improvements	1,550,574	4,045	1,554,619
311-0000-601-9006	Purchases Over $5,000	29,000	0	29,000
	Totals:	**1,716,833**	**4,045**	**1,720,878**

SECTION II. That this Ordinance shall take effect from and after its date of passage, as the law direct, the welfare of the City of Kingsport, Tennessee requiring it.

_____
JOHN CLARK, Mayor

ATTEST:

_____
JAMES H. DEMMING, City Recorder

APPROVED AS TO FORM:

_____
J. MICHAEL BILLINGSLEY, City Attorney

PASSED ON 1ST READING:
PASSED ON 2ND READING:

KINGSPORT
TENNESSEE

AGENDA ACTION FORM

Appropriate Donations from Received for Owen's Train at Centennial Park, Rise Together Kingsport and Humanae: Work in Progress

To: Board of Mayor and Aldermen
From: Jeff Fleming, City Manager

Action Form No.: AF-306-2017
Work Session: December 18, 2017
First Reading: December 19, 2017

Final Adoption: January 9, 2018
Staff Work By: B. Macdonald, J. Smith
Presentation By: Chris McCartt

Recommendation:
Approve the Ordinance.

Executive Summary:
In collaboration with the Centennial Park Leadership Team, Engage Kingsport received donations from individuals and grant from the East Tennessee Foundation to commission and install the hide and seek public art sculptures known as Owen's Train. Total amount of this donation is $6,400. These donations pay for the commission in full.

Bank of Tennessee and Eastman are generous sponsors of the Rise Together Kingsport project and Humanae project. Their contributions totaling $5,000 made these projects possible.

Total donations received for Public Art Projects $11,400.

Appropriate to NC1612 Account 111-0000-601.20-20.

Attachments:
1. Ordinance

Funding source appropriate and funds are available:

	Y	N	O
Adler			
Begley			
Cooper			
George			
McIntire			
Olterman			
Clark			

PRE-FILED
CITY RECORDER

ORDINANCE NO. _____

AN ORDINANCE TO AMEND THE GENERALPROJECT SPECIAL REVENUE FUND BUDGET BY APPROPRIATING DONATIONS RECEIVED FOR THE YEAR ENDING JUNE 30, 2018; AND TO FIX THE EFFECTIVE DATE OF THIS ORDINANCE

BE IT ORDAINED BY THE CITY OF KINGSPORT, as follows:

SECTION I. That the General Project Special Revenue Fund budget be amended by appropriating donations received from Engage Kingsport in the amount of $6,400 to the Temporary Public Art project (NC1612) to commission and install the hide and seek public art sculptures known as Owen's Train and by appropriating $3,000 in donations for Humae sponsorship and $2,000 for Rise sponsorship to the Public Art Project (NC1612).

Account Number/Description:		**Budget**	**Incr/<Decr>**	**New Budget**
Fund 111: General Proj-Special Rev Fund Temporary Public Art (NC1612)				
Revenues:		$	$	$
111-0000-364-2000	From Corporations	0	5,000	5,000
111-0000-364-3000	From Non-Profits	0	6,400	6,400
111-0000-391-0100	From General Fund	50,000	0	50,000
	Totals:	**50,000**	**11,400**	**61,400**

Expenditures:		$	$	$
111-0000-601-2020	Professional Consultant	30,000	11,400	41,400
111-0000-601-2099	Miscellaneous	10,000	0	10,000
111-0000-601-3020	Operating Supplies & Tools	10,000	0	10,000
	Totals:	**50,000**	**11,400**	**61,400**

SECTION II. That this Ordinance shall take effect from and after its date of passage, as the law direct, the welfare of the City of Kingsport, Tennessee requiring it.

_____
JOHN CLARK, Mayor

ATTEST:

_____
ANGIE MARSHALL
Deputy City Recorder

APPROVED AS TO FORM:

_____

J. MICHAEL BILLINGSLEY, City Attorney

PASSED ON 1ST READING: _____

PASSED ON 2ND READING: _____

KINGSPORT
TENNESSEE

AGENDA ACTION FORM

Appropriate Donations from Received for Owen's Train at Centennial Park, Rise Together Kingsport and Humanae: Work in Progress

To: Board of Mayor and Aldermen
From: Jeff Fleming, City Manager

Action Form No.: AF-306-2017
Work Session: December 18, 2017
First Reading: December 19, 2017

Final Adoption: January 9, 2018
Staff Work By: B. Macdonald, J. Smith
Presentation By: Chris McCartt

Recommendation:
Approve the Ordinance.

Executive Summary:
In collaboration with the Centennial Park Leadership Team, Engage Kingsport received donations from individuals and grant from the East Tennessee Foundation to commission and install the hide and seek public art sculptures known as Owen's Train. Total amount of this donation is $6,400. These donations pay for the commission in full.

Bank of Tennessee and Eastman are generous sponsors of the Rise Together Kingsport project and Humanae project. Their contributions totaling $5,000 made these projects possible.

Total donations received for Public Art Projects $11,400.

Appropriate to NC1612 Account 111-0000-601.20-20.

Attachments:
1. Ordinance

Funding source appropriate and funds are available: _____

	Y	N	O
Adler	—	—	—
Begley	—	—	—
Cooper	—	—	—
George	—	—	—
McIntire	—	—	—
Olterman	—	—	—
Clark	—	—	—

KINGSPORT
TENNESSEE

AGENDA ACTION FORM

Amend the FY 2018 General Project Fund Budget

To: Board of Mayor and Aldermen
From: Jeff Fleming, City Manager

Action Form No.: AF-311-2017
Work Session: December 18, 2017
First Reading: December 19, 2017

Final Adoption: January 9, 2018
Staff Work By: David Frye
Presentation By: David Frye

Recommendation:
Approve the Ordinance.

Executive Summary:
The Board of Education approved fiscal year 2018 budget amendment number two at their meeting on December 5, 2017. This amendment transfers funds remaining Sullivan County bond funds ($89,445) and 2016 bond funds ($135,239) to the D-B Track project ($225,000). This will bring the total project funding to $925,000. This amount is just slightly higher than the architect/engineer estimate. This will exhaust all of the funds in project GP1513 – School Improvements and will leave $335,239 in project GP1715 – School Improvements. These funds will be combined with the $1,000,000 in 2017 bond funds and be used to replace the roof on Johnson Elementary. We have not received an estimate for the roof replacement from the architect.

Attachments:
1. Ordinance
2. BOE Budget Amendment Number Two – FY 2018

Funding source appropriate and funds are available: _____

	Y	N	O
Alder			
Begley			
Cooper			
George			
McIntire			
Olterman			
Clark			

PRE-FILED
CITY RECORDER

ORDINANCE NO. _____

AN ORDINANCE TO AMEND THE GENERAL PROJECTS FUND BUDGETS FOR THE FISCAL YEAR ENDING JUNE 30, 2018; AND TO FIX THE EFFECTIVE DATE OF THIS ORDINANCE

BE IT ORDAINED BY THE CITY OF KINGSPORT, as follows:

SECTION I. That the General Project Fund Budget be amended by decreasing the estimated revenue for the School Improvements project (GP1513) – Sullivan County Bond Funds by $89,445 and by decreasing the appropriation for Construction Contracts by $46,517 and by decreasing the appropriation for Architects by $42,928; by decreasing the estimated revenue for the School Improvements project (GP1715) – 2016 GO Bonds by $135,555 and by decreasing the appropriation for Improvements by $135,555; by increasing the estimated revenue for the Dobyns-Bennett Track Upgrade project (GP1739) – Sullivan County Bond Funds by $89,445 and 2016 GO Bonds by $135,555 and by increasing appropriation for Construction Contracts by $300,000, by decreasing the appropriation for Architectural Services by $5,000 and by decreasing the appropriation for Equipment by $70,000.

Fund 311: General Project Fund
School Improvements (GP1513)

Revenues:		$	$	$
311-0000-368-1047	2014 A GO Bond Funds	953,977	0	953,977
311-0000-368-1051	2015 A GO Bond Funds	281,775	0	281,775
311-0000-368-2101	Premium from Bond Sale	122,363	0	122,363
311-0000-391-2100	Transfer from School Fund	31,088	0	31,088
311-0000-391-2150	Sullivan County Bonds Funds	125,000	(89,445)	35,555
	Total:	**1,513,203**	**(89,445)**	**1,424,758**

Expenditures:				
311-0000-601-2022	Construction Contracts	1,418,799	(46,517)	1,372,282
311-0000-601-2023	Architects	74,500	(42,928)	31,572
311-0000-601-4041	Bond Sale Expense	20,904	0	20,904
	Total:	**1,513,203**	**(89,445)**	**1,424,758**

School Improvements (GP1715)

Revenues:		$	$	$
311-0000-368-1054	2016 GO Bond Funds	699,949	(135,555)	564,394
311-0000-368-2101	Premium from bond Sale	58,016	0	58,016
	Total:	**757,965**	**(135,555)**	**622,410**

Expenditures:				
311-0000-601-2022	Construction Contracts	352,500	216,945	569,445
311-0000-601-2023	Architects	45,000	0	45,000
311-0000-601-4041	Bond Sale Expense	7,965	0	7,965
311-0000-601-9003	Improvements	352,500	(352,500)	0
	Total:	**757,965**	**(135,555)**	**622,410**

Dobyns-Bennett Track Upgrades (GP1739)

Revenues:		**$**	**$**	**$**
311-0000-368-1051	2015 A BO Bonds Funds	37,789	0	37,789
311-0000-368-1054	2016 GO Bond Funds	0	135,555	135,555
311-0000-391-2100	Transfer from School Fund	662,211	0	662,211
311-0000-391-2150	Sullivan County Bond Funds	0	89,445	89,445
	Total:	**700,000**	**225,000**	**925,000**

Expenditures:				
311-0000-601-2022	Architects	30,000	(5,000)	25,000
311-0000-601-2023	Construction Contracts	600,000	300,000	900,000
311-0000-601-9004	Equipment	70,000	(70,000)	0
	Total:	**700,000**	**225,000**	**925,000**

SECTION II. That this Ordinance shall take effect from and after its date of passage, as the law direct, the welfare of the City of Kingsport, Tennessee requiring it.

_____
JOHN CLARK, Mayor

ATTEST:

_____
JAMES H. DEMMING
City Recorder

APPROVED AS TO FORM:

_____
J. MICHAEL BILLINGSLEY, City Attorney

PASSED ON 1ST READING: _____

PASSED ON 2ND READING: _____

KINGSPORT
TENNESSEE

AGENDA ACTION FORM

Amend the FY 2018 General Project Fund Budget

To: Board of Mayor and Aldermen
From: Jeff Fleming, City Manager

Action Form No.: AF-311-2017
Work Session: December 18, 2017
First Reading: December 19, 2017

Final Adoption: January 9, 2018
Staff Work By: David Frye
Presentation By: David Frye

Recommendation:
Approve the Ordinance.

Executive Summary:
The Board of Education approved fiscal year 2018 budget amendment number two at their meeting on December 5, 2017. This amendment transfers funds remaining Sullivan County bond funds ($89,445) and 2016 bond funds ($135,239) to the D-B Track project ($225,000). This will bring the total project funding to $925,000. This amount is just slightly higher than the architect/engineer estimate. This will exhaust all of the funds in project GP1513 – School Improvements and will leave $335,239 in project GP1715 – School Improvements. These funds will be combined with the $1,000,000 in 2017 bond funds and be used to replace the roof on Johnson Elementary. We have not received an estimate for the roof replacement from the architect.

Attachments:
1. Ordinance
2. BOE Budget Amendment Number Two – FY 2018

Funding source appropriate and funds are available: _____

	Y	N	O
Alder			
Begley			
Cooper			
George			
McIntire			
Olterman			
Clark			

December 5, 2017

KINGSPORT CITY SCHOOLS
FISCAL YEAR 2017-2018
BUDGET AMENDMENT NUMBER TWO

CAPITAL PROJECTS FUND

DOBYNS-BENNETT TRACK PROJECT

In May 2017 the Board of Education approved funding for resurfacing the D-B track in the amount of $700,000. This amount was based on estimates received from various vendors for the track, lighting, fencing, and bleachers. When the project was bid the low and only bid was $1,030,001. With contingency and fees the project would have exceeded $1,100,000. In September 2017 it was recommended that the Board reject the bid and re-bid the project, with some changes in scope.

It is planned to advertise for bids on Dec. 6, 2017 and open the bids on January 4, 2018. We also plan to make a recommendation to the Board of Education on January 9th subsequently to the Board of Mayor and Aldermen on January 23rd.

The current estimate for the total project cost is $925,000. This includes the following:

Construction Cost	$841,000
Architect Fees	21,610
Contingency - 6%	50,460
Miscellaneous	11,930
Total	$925,000

With current funding established at $700,000, an additional $225,000 will need to be identified and transferred to this project. There are funds remaining from Sullivan County bonds of $89,445 and there a funds remaining from 2016 bonds of $470,794. If we use all of the Sullivan County funds and $135,555 of the 2016 funds, that will bring the total funding to $925,000. This will also leave 335,239 in 2016 funds that will be used with $1,000,000 in 2017 funds to replace the roof at Johnson Elementary.

It is recommended that the Board approve a motion to transfer $89,445 from the 2014 bond funds and $135,555 from the 2016 bonds funds to the Dobyns-Bennett Track project.

KINGSPORT
TENNESSEE

AGENDA ACTION FORM

Budget Adjustment Ordinance for FY18

To: Board of Mayor and Aldermen
From: Jeff Fleming, City Manager

Action Form No.: AF-310-2017
Work Session: December 18, 2017
First Reading: December 19, 2017

Final Adoption: January 9, 2018
Staff Work By: Judy Smith
Presentation By: Jeff Fleming

Recommendation:
Approve the Ordinance.

Executive Summary:
The ordinance will transfer $14,847 to the Veterans Memorial to complete the Sentinel Soldier monument, $45,000 to the Lazy River Maintenance project to paint and repair the Lazy River, $21,422 to the Rotherwood Greenbelt project to finalize and close the project and appropriate $12,000 from TDOT to the Wilcox Drive Sidewalk Phase 5 project for CEI services and concrete cylinders tested. The projects to close are GP1405, NC1511, GP1514, GP1538, GP1208, GP1500, GP1013, MPO017, GP1210, GP1536, GP1221 and GP1604.

Water and Sewer funds will be amended by transferring $120,000 to the Water Maintenance Facility Improvement project, $324,947 to the Master Plan Water Upgrades project, and $38,572 to the Sewer Maintenance Facility Improvement project. The projects to close are WA1706, WA1603 and SW1709.

Attachments:
1. Ordinance

Funding source appropriate and funds are available: _____

	Y	N	O
Adler			
Begley			
Cooper			
George			
McIntire			
Olterman			
Clark			

PRE-FILED
CITY RECORDER

ORDINANCE NO. _____

AN ORDINANCE TO AMEND VARIOUS PROJECTS FOR THE YEAR ENDING JUNE 30, 2018; AND TO FIX THE EFFECTIVE DATE OF THIS ORDINANCE

BE IT ORDAINED BY THE CITY OF KINGSPORT, as follows:

SECTION I. That the General Project Fund budgets be amended by transferring $489 from the JBD Annex Fire Protection Upgrade project (GP1405), $5,418 from the LIDAR Data project (NC1511), $875 from the Engineering Building project (GP1514) $6,425 from the KHEC Parking Lot project (GP1538), $1,640 from the Fire Station Exhaust project (GP1536) to the Veterans Memorial project (GP1540) and $2,292 to the General Fund. The total transferred to GP1540 is $14,847 for the Sentinel Soldier Commission Veterans Park and by transferring $10,723 from the 2011 GO Road Design project (GP1208), $1,075 from the Sullivan St. Improvements PH2 project (GP1500), $9,814 from the Trans Planning Report project (GP1221) to the Rotherwood Greenbelt project (GP1013), transfer $6,122 from the Sullivan St. Improvements PH2 project (GP1500) to the Main Street Improvements project (GP1516) and by appropriating $12,000 to the Wilcox Sidewalk Phase 5 project (MPO15D) and by transferring $17 to the Urban Mass Tran Asst. VA18 project (UMV818) from the MPO Administration (MPO017) and by transferring $13,522 to the General Fund, by transferring $7,819 from the Fire Station 3 Improvements project (GP1210) and by transferring $9,328 from the Generator Fire Station 5 (GP1604) project to the Fire Station Facilities project (GP1804).

SECTION II. That the Water Project Fund budgets be amended by transferring $6,831 from the Miscellaneous Annexation Utility Improvement Project (WA1706) and transferring $438,116 from the System Water Upgrade PH2 project (WA1603) the Maintenance Facility Improvement project (WA1805) in the amount of $120,000 and to the Master Plan Water Upgrades project (WA1704) in the amount of $324,947.

SECTION III. That the Sewer Project Fund budgets be amended by transferring $12,674 from the Miscellaneous Annexation Utility Improvements project (SW1709) and by transferring $25,898 to the Maintenance Facility Improvement project (SW1808).

Account Number/Description:		**Budget**	**Incr/<Decr>**	**New Budget**
Fund 311: General Project Fund				
JBD ANX Fire Protection Upgrade (GP1405)				
Revenues:		$	$	$
311-0000-368-1046	2013 B GO Pub Imp	131,100	(8,540)	122,560
311-0000-368-2101	Premium From Bond Sale	0	8,051	8,051
	Totals:	**131,100**	**(489)**	**130,611**
Expenditures:		$	$	$
311-0000-601-4041	Bond Sale Expense	0	1,542	1,542
311-0000-601-9003	Improvements	131,100	(2,031)	129,069
	Totals:	**131,100**	**(489)**	**130,611**

Fund 459: Aquatic Center Project Fund
Lazy River Maintenance (AQ1801)

Revenues:		$	$	$
459-0000-391-3700	From Aquatic Center	0	45,000	45,000
	Totals:	**0**	**45,000**	**45,000**
Expenditures:		$	$	$
459-0000-601-2055	Repairs & Maintenance	0	45,000	45,000
	Totals:	**0**	**45,000**	**45,000**

Fund 130: Regional Sales Tax Fund

Revenues:		$	$	$
130-0000-392-0100	Fund Balance Approp.	0	45,000	45,000
	Totals:	**0**	**45,000**	**45,000**
Expenditures:		$	$	$
130-4804-481-7039	Aquatic Center Fund	1,762,450	45,000	1,807,450
	Totals:	**1,762,450**	**45,000**	**1,807,450**

Fund 419: Aquatic Center Fund

Revenues:		$	$	$
419-0000-391-2500	From Regional Sales Tax	1,762,450	45,000	1,807,450
	Totals:	**1,762,450**	**45,000**	**1,807,450**
Expenditures:		$	$	$
419-6996-696-7609	Aquatic Center Proj. Fund	0	45,000	45,000
	Totals:	**0**	**45,000**	**45,000**

Fund 111: General Project/Special Rev. Fund
LIDAR Data (NC1511)

Revenues:		$	$	$
111-0000-391-0100	From General Fund	25,000	(5,418)	19,582
	Totals:	**25,000**	**(5,418)**	**19,582**
Expenditures:		$	$	$
111-0000-601-2020	Professional Consultants	25,000	(5,418)	19,582
	Totals:	**25,000**	**(5,418)**	**19,582**

Fund 311: General Project Fund
Engineering Building (GP1514)

Revenues:		$	$	$
311-0000-368-1040	Series 2011 GO Pub Imp	5,861	0	5,861
311-0000-368-1047	Series 2014A GO Bonds	458,251	0	458,251
311-0000-368-1051	Series 2015A (Oct) GO PI	246,117	(875)	245,242

311-0000-368-2101	Premium From Bond Sale	56,555	0	56,555
	Totals:	**766,784**	**(875)**	**765,909**
Expenditures:		$	$	$
311-0000-601-2023	Arch/Eng/Landscaping	25,000	14,024	39,024
311-0000-601-2036	Natural Gas	0	261	261
311-0000-601-4041	Bond Sale Expense	10,923	0	10,923
311-0000-601-9003	Improvements	730,861	(15,160)	715,701
	Totals:	**766,784**	**(875)**	**765,909**

Fund 311: General Project Fund
KHEC Parking Lot (GP1538)

Revenues:		$	$	$
311-0000-364-2000	From Corporations	0	500	500
311-0000-391-0100	From General Fund	15,925	(5,925)	10,000
	Totals:	**15,925**	**(5,425)**	**10,500**

Expenditures:		$	$	$
311-0000-601-9001	Land	0	500	500
311-0000-601-9001	Land	15,925	(5,925)	10,000
	Totals:	**15,925**	**(5,425)**	**10,500**

Fund 311: General Project Fund
Veterans Memorial (GP1540)

Revenues:		$	$	$
311-0000-364-1000	From Individuals	38,908	0	38,908
311-0000-364-2000	From Corporations	13,000	500	13,500
311-0000-364-3000	From Non-Profit Groups	186,316	0	186,316
311-0000-368-1046	2013 B GO Pub Imp	0	489	489
311-0000-368-1047	2014 A GO Bonds	75,000	0	75,000
311-0000-368-1051	Series 2015A (Oct) GO PI	0	875	875
311-0000-391-0100	From General Fund	60,800	12,983	73,783
311-0000-391-6900	Visitors Enhancement Fund	3,510	0	3,510
	Totals:	**377,534**	**14,847**	**392,381**

Expenditures:		$	$	$
311-0000-601-2022	Construction Contracts	338,882	21,410	360,292
311-0000-601-2023	Arch/Eng/Landscaping	33,050	(5,850)	27,200
311-0000-601-2075	Temporary Employees	4,378	0	4,378
311-0000-601-3010	Office Supplies	711	(200)	511
311-0000-601-3022	Operating Supplies & Tools	513	(513)	0
	Totals:	**377,534**	**14,847**	**392,381**

Fund 311: General Project Fund
2011 GO Road Design (GP1208)

Revenues:		$	$	$
311-0000-368-1040	Series 2011 GO Bonds	334,893	(10,723)	324,170
311-0000-368-2101	Premium From Bond Sale	12,238	0	12,238
	Totals:	**347,131**	**(10,723)**	**336,408**

Expenditures:		$	$	$
311-0000-601-2023	Arch/Eng/Landscaping	314,335	0	314,335
311-0000-601-4041	Bond Sale Expense	20,948	0	20,948
311-0000-601-9001	Land	11,848	(10,723)	1,125
	Totals:	**347,131**	**(10,723)**	**336,408**

Fund 311: General Project Fund
Sullivan St Improvements PH2 (GP1500)

Revenues:		$	$	$
311-0000-368-1046	Series 2013 B GO Imp.	17,726	0	17,726
311-0000-368-1047	Series 2014A GO Bonds	1,522,557	(7,197)	1,515,360
311-0000-368-2101	Premium From Bond Sale	174,124	0	174,124
	Totals:	**1,714,407**	**(7,197)**	**1,707,210**

Expenditures:		$	$	$
311-0000-601-2023	Arch/Eng/Landscaping	228,253	(6,647)	221,606
311-0000-601-4041	Bond Sale Expense	14,968	0	14,968
311-0000-601-9001	Land	15,000	(550)	14,450
311-0000-601-9003	Improvements	1,456,186	0	1,456,186
	Totals:	**1,714,407**	**(7,197)**	**1,707,210**

Fund 311: General Project Fund
Trans Planning Report (GP1221)

Revenues:		$	$	$
311-0000-337-5211	FHWA/TN FHWA 90%	40,000	(39,257)	743
311-0000-368-1040	Series 2011 GO Pub Imp	10,000	(9,814)	186
	Totals:	**50,000**	**(49,071)**	**929**

Expenditures:		$	$	$
311-0000-601-2010	Advertising & Publication	1,000	(71)	929
311-0000-601-2020	Professional Consultant	49,000	(49,000)	0
	Totals:	**50,000**	**(49,071)**	**929**

Fund 311: General Project Fund
Main Street Improvements (GP1516)

Revenues:		$	$	$
311-0000-337-5210	FHWA/TN FHWA 80%	1,359,684	0	1,359,684
311-0000-368-1047	Series 2014A GO Bonds	87,239	6,122	93,361
311-0000-368-1051	Series 2015 A (Oct) GO Pl	398,526	0	398,526

311-0000-368-2101	Premium From Bond Sale	28,060	0	28,060
	Totals:	**1,873,509**	**6,122**	**1,879,631**

Expenditures:		$	$	$
311-0000-601-2022	Arch/Eng/Landscaping	0	697,800	697,800
311-0000-601-4041	Bond Sale Expense	13,825	0	13,825
311-0000-601-9003	Improvements	1,859,684	(691,678)	1,168,006
	Totals:	**1,873,509**	**6,122**	**1,879,631**

Fund 311: General Project Fund
Rotherwood Greenbelt (GP1013)

Revenues:		$	$	$
311-0000-337-5210	FHWA 80%	652,577	0	652,577
311-0000-368-1037	Series 2009 D (BABS) GO	277,269	0	277,269
311-0000-368-1040	Series 2011 GO Pub Imp	69,566	20,537	90,103
311-0000-368-1047	Series 2014A GO Bonds	0	1,075	1,075
311-0000-368-2101	Premium From Bond Sale	285	0	285
	Totals:	**999,697**	**21,612**	**1,021,309**

Expenditures:		$	$	$
311-0000-601-2010	Advertising & Publication	2,000	0	2,000
311-0000-601-2020	Professional Consultant	11,624	0	11,624
311-0000-601-2023	Arch/Eng/Landscaping	161,025	0	161,025
311-0000-601-4041	Bond Sale Expense	2,554	0	2,554
311-0000-601-9001	Land	69,925	0	69,925
311-0000-601-9003	Improvements	752,569	21,612	774,181
	Totals:	**999,697**	**21,612**	**1,021,309**

Fund 122: MPO Fund
Wilcox Sidewalk Phase 5 (MPO15D)

Revenues:		$	$	$
122-0000-332-9000	Dept. of Transportation	220,000	2,400	222,400
122-0000-337-5210	FHWA/TN FHWA 80%	880,000	9,600	889,600
	Totals:	**1,100,000**	**12,000**	**1,112,000**

Expenditures:		$	$	$
122-0000-609-2010	Advertising & Publication	2,900	0	2,900
122-0000-609-2023	Arch/Eng/Landscaping	50,500	10,000	60,500
122-0000-609-9003	Improvements	1,046,600	2,000	1,048,600
	Totals:	**1,100,000**	**12,000**	**1,112,000**

Fund 122: MPO Fund
MPO Administration (MPO017)

Revenues:	$	$	$

122-0000-337-5210	FHWA/TN FHWA 80%	237,608	0	237,608
122-0000-337-5225	FHWA/VA FHWA 100%	4,687	0	4,687
122-0000-391-0100	From General Fund	59,402	(13,539)	45,863
	Totals:	**301,697**	**(13,539)**	**288,158**

Expenditures:		$	$	$
122-0000-609-1010	Salaries & Wages	157,800	(13,539)	144,261
122-0000-609-1020	Social Security	12,100	0	12,100
122-0000-609-1030	Health Ins.	22,400	0	22,400
122-0000-609-1040	Retirement	14,000	0	14,000
122-0000-609-1050	Life Ins.	360	0	360
122-0000-609-1052	Long Term Disability	230	0	230
122-0000-609-1060	Workmen's Comp	470	0	470
122-0000-609-1061	Unemployment	150	0	150
122-0000-609-2010	Advertising & Publication	1,500	0	1,500
122-0000-609-2011	Printing & Binding	300	0	300
122-0000-609-2020	Professional Consultant	60,000	0	60,000
122-0000-609-2021	Accounting & Auditing	1,200	0	1,200
122-0000-609-2034	Telephone	100	0	100
122-0000-609-2040	Travel Expense	8,000	0	8,000
122-0000-609-2041	Registration Fees/Tuition	1,000	0	1,000
122-0000-609-2042	Personal Vehicle Reimburs.	800	0	800
122-0000-609-2043	Dues and Memberships	800	0	800
122-0000-609-2044	Literature & Subscriptions	400	0	400
122-0000-609-2054	Machinery & Equip. Rental	5,800	0	5,800
122-0000-609-2099	Miscellaneous	500	0	500
122-0000-609-3010	Office Supplies	2,500	0	2,500
122-0000-609-3011	Postage	1,000	0	1,000
122-0000-609-3012	Food	722	0	722
122-0000-609-3020	Operating Supplies & Tools	3,965	0	3,965
122-0000-609-3044	Motor Pool Charges	2,500	0	2,500
122-0000-609-5012	Liability Ins.	100	0	100
122-0000-609-9004	Equipment	3,000	0	3,000
	Totals:	**301,697**	**(13,539)**	**288,158**

Fund 122: MPO Fund
Urban Mass Tran Asst VA18 (UMV818)

Revenues:		$	$	$
122-0000-332-7920	FTA/VA Section 5303 10%	411	0	411
122-0000-337-9020	FTA/VA Section 5303 80%	3,292	0	3,292
122-0000-391-0100	From General Fund	412	17	429
	Totals:	**4,115**	**17**	**4,132**

Expenditures:	$	$	$

122-0000-609-1010	Salaries & Wages	3,355	17	3,372
122-0000-609-1020	Social Security	400	0	400
122-0000-609-1030	Health Ins.	300	0	300
122-0000-609-1040	Retirement	40	0	40
122-0000-609-1052	Long Term Disability	10	0	10
122-0000-609-1060	Workmen's Comp	10	0	10
	Totals:	**4,115**	**17**	**4,132**

Fund 110: General Fund

110-4804-481-7052	To MPO Fund	66,322	(13,522)	52,800
110-4804-481-7036	From General Project Fund	1,748,765	(2,292)	1,746,473
110-4810-481-3020	Operating Supplies & Tools	10,000	15,814	25,814
	Totals:	1,825,087	0	1,825,087

Fund 451: Water Project Fund
Misc. Annex Utility Imp (WA1706)

Revenues:		**$**	**$**	**$**
451-0000-391-0529	Series 2013 B GO Pub Imp	79,314	0	79,314
451-0000-391-4500	From Water Fund	392,848	(6,831)	386,017
	Totals:	**472,162**	**(6,831)**	**465,331**

Expenditures:		**$**	**$**	**$**
451-0000-605-2023	Arch/Eng/Landscaping	60,100	(4,428)	55,672
451-0000-605-9003	Improvements	412,062	(2,403)	409,659
	Totals:	**472,162**	**(6,831)**	**465,331**

Fund 451: Water Project Fund
System Water Upgrade PH2 (WA1603)

Revenues:		**$**	**$**	**$**
451-0000-391-0529	Series 2013 B GO Pub Imp	121,491	0	121,491
451-0000-391-0531	Series 2014 B GO Bonds	942,570	0	942,570
451-0000-391-0540	Series 2015 A (Oct) GO PI	1,730,000	(288,552)	1,441,448
451-0000-391-4500	From Water Fund	149,564	(149,564)	0
	Totals:	**354,196**	**(438,116)**	**2,505,509**

Expenditures:		**$**	**$**	**$**
451-0000-605-2023	Arch/Eng/Landscaping	374,400	(52,515)	321,885
451-0000-605-9006	Purchases $5,000 & Over	2,569,225	(385,601)	2,183,624
	Totals:	**354,196**	**(438,116)**	**2,505,509**

Fund 451: Water Project Fund
Maintenance Facility Imp. (WA1805)

Revenues:		**$**	**$**	**$**

451-0000-391-4500	From Water Fund	0	120,000	120,000
	Totals:	**0**	**120,000**	**120,000**

Expenditures:		$	$	$
451-0000-605-2023	Arch/Eng/Landscaping	0	10,000	10,000
451-0000-605-9003	Improvements	0	110,000	110,000
	Totals:	**0**	**120,000**	**120,000**

Fund 451: Water Project Fund
Master Plan Water Upgrades (WA1704)

Revenues:		$	$	$
451-0000-391-0540	Series 2015 A (Oct) GO PI	0	288,552	288,552
451-0000-391-0545	Series 2016 GO (Nov 4)	485,023	0	485,023
451-0000-391-0547	Series 2017B GO Bonds	1,200,000	0	1,200,000
451-0000-391-4500	From Water Fund	0	36,395	36,395
	Totals:	**1,685,023**	**324,947**	**2,009,970**

Expenditures:		$	$	$
451-0000-605-2023	Arch/Eng/Landscaping	69,030	20,000	89,030
451-0000-605-9001	Land	970	0	970
451-0000-605-9003	Improvements	1,615,023	304,947	1,919,970
	Totals:	**1,685,023**	**324,947**	**2,009,970**

Fund 452: Sewer Project Fund
Misc Annex Utility Improvements (SW1709)

Revenues:		$	$	$
452-0000-391-0529	Series 2013B GO Bonds	35,801	0	35,801
452-0000-391-4200	From Sewer Fund	188,564	(12,674)	175,890
	Totals:	**224,365**	**(12,674)**	**211,691**

Expenditures:		$	$	$
452-0000-606-2023	Arch/Eng/Landscaping	28,600	(1,695)	26,905
452-0000-606-9003	Improvements	195,765	(10,979)	184,786
	Totals:	**224,365**	**(12,674)**	**211,691**

Fund 452: Sewer Project Fund
Misc. Sewer Line (SW1804)

Revenues:		$	$	$
452-0000-391-4200	From Sewer Fund	495,898	(25,898)	470,000
	Totals:	**495,898**	**(25,898)**	**470,000**

Expenditures:	$	$	$

452-0000-606-2023	Arch/Eng/Landscaping	81,000	0	81,000
452-0000-606-9003	Improvements	414,898	(25,898)	389,000
	Totals:	**495,898**	**(25,898)**	**470,000**

Fund 452: Sewer Project Fund
Maintenance Facility Imp. (SW1808)

Revenues:		**$**	**$**	**$**
452-0000-391-4200	From Sewer Fund	200,000	38,572	238,572
	Totals:	**200,000**	**38,572**	**238,572**

Expenditures:		**$**	**$**	**$**
452-0000-622-9003	Improvements	200,000	38,572	238,572
	Totals:	**200,000**	**38,572**	**238,572**

Fund 311: General Project Fund
Fire Station 3 Improvements (GP1210)

Revenues:		**$**	**$**	**$**
311-0000-368-1040	Series 2011 GO Pub Imp	389,267	0	389,267
311-0000-368-1041	Series 2012 C GO Pub Imp	42,153	0	42,153
311-0000-368-1047	2014 A GO Bonds	3,061	0	3,061
311-0000-368-1051	Series 2015A (Oct) GO PI	29,534	(7,819)	21,715
311-0000-368-2101	Premium From Bond Sale	7,147	0	7,147
311-0000-391-0100	From General Fund	136	0	136
	Totals:	471,298	(7,819)	463,479

Expenditures:		**$**	**$**	**$**
311-0000-601-2010	Advertising & Publication	166	0	166
311-0000-601-2022	Construction Contracts	215	0	215
311-0000-601-2023	Arch/Eng/Landscaping	3,001	3,699	6,700
311-0000-601-4041	Bond Sale Expense	11,036	0	11,036
311-0000-601-9003	Improvements	456,880	(11,518)	445,362
	Totals:	471,298	(7,819)	463,479

Fund 311: General Project Fund
Fire Station Exhaust (GP1536)

Revenues:		**$**	**$**	**$**
311-0000-391-0100	From General Fund	20,000	(3,932)	16,068
	Totals:	20,000	(3,932)	16,068

Expenditures:		**$**	**$**	**$**
311-0000-601-9003	Improvements	20,000	(3,932)	16,068
	Totals:	**20,000**	**(3,932)**	**16,068**

Fund 311: General Project Fund
Generator Fire Station 5 (GP1604)

Revenues:		$	$	$
311-0000-368-1051	Series 2015 A (Oct) GO PI	14,534	0	14,534
311-0000-368-1054	Series 2016 GO (Nov 4)	41,997	(9,328)	32,669
311-0000-368-2101	Premium From Bond Sale	4,509	0	4,509
	Totals:	**61,040**	**(9,328)**	**51,712**

Expenditures:		$	$	$
311-0000-601-4041	Bond Sale Expense	1,040	0	1,040
311-0000-601-9006	Purchases Over $5,000	60,000	(9,328)	50,672
	Totals:	**61,040**	**(9,328)**	**51,712**

Fund 311: General Project Fund
Fire Facilities (GP1804)

Revenues:		$	$	$
311-0000-368-1051	Series 2015A (Oct) GO PI	0	7,819	7,819
311-0000-368-1054	Series 2016 GO (Nov 4)	0	9,328	9,328
311-0000-368-1055	Series 2017A GO Bonds	411,354	0	411,354
311-0000-368-2101	Premium From Bond Sale	18,800	0	18,800
	Totals:	**430,154**	**17,147**	**447,301**

Expenditures:		$	$	$
311-0000-601-4041	Bond Sale Expense	5,594	0	5,594
311-0000-601-9003	Improvements	374,560	17,147	391,707
311-0000-601-9006	Purchases Over $5,000	50,000	0	50,000
	Totals:	**430,154**	**17,147**	**447,301**

SECTION IV. That this Ordinance shall take effect from and after its date of passage, as the law direct, the welfare of the City of Kingsport, Tennessee requiring it.

_____
JOHN CLARK, Mayor

ATTEST:

_____
JAMES H. DEMMING, City Recorder

APPROVED AS TO FORM:

_____
J. MICHAEL BILLINGSLEY, City Attorney

PASSED ON 1ST READING:
PASSED ON 2ND READING:

KINGSPORT
TENNESSEE

AGENDA ACTION FORM

Budget Adjustment Ordinance for FY18

To: Board of Mayor and Aldermen
From: Jeff Fleming, City Manager

Action Form No.: AF-310-2017
Work Session: December 18, 2017
First Reading: December 19, 2017

Final Adoption: January 9, 2018
Staff Work By: Judy Smith
Presentation By: Jeff Fleming

Recommendation:
Approve the Ordinance.

Executive Summary:
The ordinance will transfer $14,847 to the Veterans Memorial to complete the Sentinel Soldier monument, $45,000 to the Lazy River Maintenance project to paint and repair the Lazy River, $21,422 to the Rotherwood Greenbelt project to finalize and close the project and appropriate $12,000 from TDOT to the Wilcox Drive Sidewalk Phase 5 project for CEI services and concrete cylinders tested. The projects to close are GP1405, NC1511, GP1514, GP1538, GP1208, GP1500, GP1013, MPO017, GP1210, GP1536, GP1221 and GP1604.

Water and Sewer funds will be amended by transferring $120,000 to the Water Maintenance Facility Improvement project, $324,947 to the Master Plan Water Upgrades project, and $38,572 to the Sewer Maintenance Facility Improvement project. The projects to close are WA1706, WA1603 and SW1709.

Attachments:
1. Ordinance

Funding source appropriate and funds are available: _____

	Y	N	O
Adler			
Begley			
Cooper			
George			
McIntire			
Olterman			
Clark			

KINGSPORT
TENNESSEE

AGENDA ACTION FORM

Acceptance of FY2017 Comprehensive Annual Financial Report

To: Board of Mayor and Aldermen
From: Jeff Fleming, City Manager

Action Form No.: AF- 04-2018
Work Session: January 8, 2018
First Reading: N/A

Final Adoption: January 9, 2018
Staff Work By: Lisa Winkle
Presentation By: Demming/McIntire

Recommendation:
Accept the comprehensive annual financial report for the fiscal year ending June 30, 2017.

Executive Summary:
Attached for your consideration is the comprehensive annual financial report (CAFR). The report contains management's transmittal letter to the Board of Mayor and Alderman, the Management's Discussion of Analysis (MD&A) letter that summarizes significant financial changes and overview of the City's financial condition at June 30, 2017, the auditor's opinion letter, audited financial statements, stat tables, compliance reports and findings.

The audit for June 30, 2017 was conducted by Brown Edwards & Company, LLP. Richard Linnen was the partner in charge of our audit and will be at the work session for any questions. Other members of the audit team were David Elkins and Ron Shadden.

Mike McIntire, the Chairman of the Audit Committee, will give a short presentation.

Mr. Mike McIntire discussed the 2017 CAFR and the results of the audit with Mr. Linnen and his audit team on December 19, 2017. The CAFR was filed with the state on December 31, 2017.

It should be noted there were no material weakness findings and no significant deficiency findings listed in the report. However the report does contain 2 compliance findings related to federal grant procedures. These are discussed in the compliance section at the back of the CAFR, beginning on page 247 of the report.

Attachments:
1. Comprehensive Annual Financial Report

	Y	N	O
Adler			
Begley			
Cooper			
George			
McIntire			
Olterman			
Clark			

City of Kingsport Tennessee

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

City of Kingsport, Tennessee

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

Prepared By

The Finance Department

James H. Demming, City Recorder

Lisa Winkle, Comptroller

CITY OF KINGSPORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS

	Page
I. INTRODUCTORY SECTION (UNAUDITED)	
Letter of Transmittal	1
GFOA Certificate of Achievement	7
Organizational Chart	8
History and Organization	9
List of Principal Officials	10
II. FINANCIAL SECTION	
Independent Auditors' Report	11
A. MANAGEMENT'S DISCUSSION AND ANALYSIS	14
B. BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	27
Statement of Activities	28
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	29
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	31
Statement of Revenues, Expenditures, and Changes in Fund Balances	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	34
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	35
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Purpose School Fund	38
Proprietary Fund Financial Statements	
Statement of Net Position	40
Statement of Revenues, Expenses, and Changes in Fund Net Position	42
Statement of Cash Flows	43
Notes to the Financial Statements	45
Required Supplementary Information	
Schedule of Changes in Net Pension Liability (Asset) - Public Employee Pension Plan - City of Kingsport	167
Schedule of Contributions - Public Employee Pension Plan - City of Kingsport	167
Notes to Schedule - Public Employee Pension Plan - City of Kingsport	168
Schedule of Proportionate Share of Net Pension Liability (Asset) - Teacher Legacy Pension Plan - Kingsport City Schools	169
Schedule of Contributions - Teacher Legacy Pension Plan - Kingsport City Schools	169
Schedule of Proportionate Share of Net Pension Liability (Asset) - Teacher Retirement Plan - Kingsport City Schools	170
Schedule of Contributions - Teacher Retirement Plan - Kingsport City Schools	170
Schedule of Funding Progress - Postemployment Health Insurance Plan - City of Kingsport	171
Schedule of Funding Progress - Postemployment Health Insurance Plans - Kingsport City Schools	171

TABLE OF CONTENTS

II. FINANCIAL SECTION (CONTINUED)

C. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Major Governmental Funds

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Debt Service Fund 172

Nonmajor Governmental Funds

Combining Balance Sheet 173
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 174
Combining Balance Sheet - Nonmajor Governmental Funds - Public Safety 175
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Public Safety 176
Combining Balance Sheet - Nonmajor Governmental Funds - Transportation 177
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Transportation 178
Combining Balance Sheet - Nonmajor Governmental Funds - Culture and Recreation 179
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Culture and Recreation 180
Combining Balance Sheet - Nonmajor Governmental Funds - Education 181
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Education 182
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Criminal Forfeiture Fund 183
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Drug Fund 184
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - State Street Aid Fund 185
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Regional Sales Tax Revenue Fund 186
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Visitors Enhancement Fund 187
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Steadman Cemetery Fund 188
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Public Library Commission Fund 189
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Bays Mountain Park Fund 190
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Senior Citizens Advisory Board Fund 191
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - School Nutrition Services Fund 192
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Palmer Center Fund 193
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Allandale Trust Fund 194

CITY OF KINGSPORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS

II. FINANCIAL SECTION (CONTINUED)

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

Nonmajor Enterprise Funds
Combining Statement of Net Position 195
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position 197
Combining Statement of Cash Flows 198

Internal Service Funds
Combining Statement of Net Position 200
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position 202
Combining Statement of Cash Flows 203

Discretely Presented Component Units
Statement of Cash Flows 205

D. SUPPLEMENTAL INFORMATION

Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source 206
Schedule by Function and Activity 207
Schedule of Changes by Function and Activity 209

Other
Schedule of Operating Costs - Enterprise Funds 210
Schedule of Operating Costs - Nonmajor Enterprise Funds 211
Schedule of Expenditures of Federal Awards 212
Schedule of Expenditures of State Awards 214

III. STATISTICAL SECTION (UNAUDITED)

Net Position by Component 215
Changes in Net Position 216
Governmental Activities Tax Revenues by Source 218
Fund Balances of Governmental Funds 219
Changes in Fund Balances of Governmental Funds 220
General Government Tax Revenues by Source 222
Assessed Value and Estimated Actual Value of Taxable Property 223
Property Tax Rates - Direct and Overlapping Governments 224
Principal Property Taxpayers 225
Property Tax Levies and Collections 226
Schedule of Changes In Property Tax Receivable 227
Local Option Sales Tax Collections 228
Ratios of Outstanding Debt by Type 229
Ratios of General Bonded Debt Outstanding 230
Direct and Overlapping Governmental Activities Debt 231
Legal Debt Margin Information 232
Pledged-Revenue Coverage 233

CITY OF KINGSPORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS

III. STATISTICAL SECTION (UNAUDITED) (CONTINUED)

Demographic and Economic Statistics	234
Principal Employers	235
Full-Time Equivalent City Government Employees by Function	236
Operating Indicators by Function	237
Capital Asset Statistics by Function	238
Utility Rate Structure and Number of Customers	239
Schedule of Unaccounted for Water - AWWA Reporting and Performance Indicators Worksheets	240
Top Ten Water Customers	242
Top Ten Sewer Customers	243
Schedule of Bonds Payable - Future Requirements	244
Salaries and Surety Bonds of Principal Officials	245
Schedule of Insurance in Force	246

IV. COMPLIANCE SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	247
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	249
Schedule of Findings and Questioned Costs	252
Summary Schedule of Prior Audit Findings	255

KINGSPORT
TENNESSEE
Administration

December 29, 2017

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, 2017.

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, 2017. 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 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 the MD&A and should be read in conjunction with it. The City of Kingsport's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Kingsport was incorporated in 1917 and is celebrating its centennial year. The city has a population of 53,558 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

City Hall | Administration
225 West Center Street | Kingsport, TN 37660-4265 | P: 423-229-9400 | F: 423-229-9350
www.kingsporttn.gov

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 35 through 37* as part of the basic financial statements for the City's funds.

Factors Affecting Financial Condition

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

Beginning in 2012, the State of Tennessee made changes that are very popular and favorable for taxpayers, but the net effect was a reduction in recurring revenue to many local governments. Taxes were reduced or eliminated on groceries, inheritance, and income on stocks and bonds. Some of these are phased out over a period of time, so the full effect has not been felt. For the City of Kingsport that's a net reduction of $1,289,900 (Source: Tennessee Municipal League).

In 2017, taxes on fuel (gas/diesel) were increased, which means an additional $500,293 in state street aid for local roads, plus increased state funding on state routes (Source: Tennessee Municipal League).

Education funding has also been in flux. An ongoing lawsuit regarding whether cities are obligated to share mixed drink taxes with counties has been slowly working its way through the court system. To date, the legislature has been unwilling to resolve the matter with legislation clarifying the original intent of the law. Each year, an extension has been granted, but eventually this matter will have to be addressed. The exposure to Kingsport is approaching $2 million.

Changes were also made to allow one-time monies to be appropriated for education without the requirement of maintenance of effort. Additionally, another lawsuit (Athens vs. McMinn County) allowed counties to accrue unspent money from annual county property taxes paid by all county taxpayers (including cities), but spend it only on county schools. These well-intended situations opened the door for counties to pre-plan the reduction of revenue shared

with city schools. In 2017, Sullivan County reduced 5.5 cents of the county tax rate away from schools, resulting in an annual loss of $644,882 to Kingsport City Schools. Another $1,132,912 was not shared with Kingsport City Schools for capital facilities (or renovation funds). This was exacerbated by the fact the County's unexpected decisions were made after the city budget was adopted, so there was no opportunity to plan for the loss.

Another substantial financial challenge has been the loss of sales tax revenue. Tennessee is heavily reliant on the sales tax; however, more and more sales are transacted online. Many (if not most) online purchases are exempt from sales tax because the seller has no physical presence within the state. Tennessee joined a national lawsuit seeking a remedy from the Supreme Court on a streamlined uniform online sales tax. Until that case is resolved, Tennessee and its local governments remain at financial risk.

In addition to online sales tax challenges, Kingsport faces stiff competition within the region for traditional in-store sales. In 2017, the city absorbed a $650,000 loss in sales tax collections and reset the FY18 budget to 2015 levels.

The sum of these actions and circumstances leaves many cities, including Kingsport, scrambling to either cut services or increase funding from other sources. The main source of revenue for cities is the property tax, but fees for specific services are another source. Fees allow specific users to pay for a specific service based on the cost of the service rather than a universal tax on the value of property.

In March 2016, the City approved a new franchise agreement with Kingsport Power Company (dba AEP Appalachian Power). This agreement has a 20-year term and included a provision to establish a franchise fee. The City subsequently adopted a new franchise fee which is expected to result in approximately $3,900,000 annually beginning in FY2017. All neighboring cities receive similar proceeds from TVA, so this allows Kingsport to 'catch up'. It should be noted that a considerable number of Kingsport city residents in Colonial Heights already paid the fee to TVA and Kingsport Power's net cost to the consumer is still lower, so the franchise fee does not put the city at a competitive disadvantage. Proceeds from the franchise fee are specifically earmarked for paving (80%), economic development (10%) and aesthetics/beautification (10%). The paving monies allowed Kingsport to adopt a comprehensive and sustainable paving plan that calls for all local streets to be paved in a 20-year cycle, which is an industry standard.

In June 2016, the City approved its first sanitation fee. Historically, the expense of sanitation services have been borne by property taxpayers. However, non-residential property taxpayers – who pay most of the property taxes – do not receive sanitation services from the city. They must pay for private services. So, they have been subsidizing residential sanitation services all along. This fact had been pointed out by auditors for many years with a warning that it should be moved to a self-sufficient enterprise fund (the expenses and revenues are balanced by a fee for service paid by those who receive the service). The initial fee passed ($8 per month) is expected to generate $2,400,000 annually beginning in FY2017 and covers 62% of the cost of sanitation services. Eventually, the fee will need to incrementally increase to create a fully-funded enterprise fund in future years. The $2,400,000 that is now covered by a sanitation fee made it possible to reallocate general fund monies to other needs: $1,400,000 was set aside for operational needs ($700,000 to offset losses from cuts to the Hall income Tax and $700,000 for general operating expenses) and $1,000,000 for investments into amenities that differentiate the city and promote growth ($300,000 for debt service for capital expenses and $700,000 in annual cash).

2017 was also a reappraisal year for Sullivan County. Every four years, Tennessee counties reappraise the value of property and the tax rate is rolled back to ensure that local governments receive the same amount of revenue. Any change to that rate requires it to be advertised as a tax increase and adopted accordingly. The previous city tax rate was $2.07. The new rate is $1.9750. The rate in 2009 was $2.30. The rate in 1967 was $2.80.

To offset rising expenses and unexpected external factors, the City has become more efficient by investing in technology, vehicles, and resources to allow employees to work smarter. For example, YourGOV was deployed to encourage citizens to self-report public works issues 24 hours a day, 7 days a week using their desktop or mobile devices. This gets the information directly to the source without multiple steps of processing and handling. It also allows a report back to the requestor upon completion. Decisions made in prior years also continue to pay off, such as automated collection of garbage, trash, leaves, and recycling, as well as automated utility meter reading. To

translate that into impact to the workforce, the city currently has 759 full-time equivalent employees or 0.0142 per capita. This is down from 0.0154 per capita in 2007. Had we maintained the same ratio, the number of city employees would be 825 today. That's a savings of 66 employees – a tremendous efficiency to taxpayers and ratepayers.

Overall, Kingsport continues to provide the highest quality services at the most competitive prices. A Kingsport city resident's cost-of-living for city services and utilities is 3.5% lower than Johnson City and 2% lower than Bristol, TN.

Local Economy Kingsport is the largest City in the Kingsport-Bristol-Bristol, TN-VA Metropolitan Statistical Area which has a population of 307,491. The city's 2016 unemployment rate of 4.6% is down from a high of 10.9% during the recession of 2009 and very near the pre-recessionary rate of 4.4% in 2008.

Near the end of 2016, Leclerc Foods, a Canadian snack cake company, announced plans to locate a second facility and create a US headquarters in Kingsport with an investment of $49 million and the creation of 105 jobs.

Meade Tractor consolidated its John Deere operations from three states to a new Kingsport facility with 30 employees.

Last year Agero opened its seventh call center just a few miles outside of Kingsport on the Blountville-Bristol border. Agero has already hired about 500 associates with plans to add 150 more employees within the next year.

In Phipps Bend, a joint venture between Kingsport and Hawkins County:

- Bahrat Forge recently purchased Walker Forge and plans to increase employment by 60-100 people
- Homeland Vinyl expanded its building by 50,000 square feet; this expansion will lead to 40 additional hires
- Miyake Forging, an automotive supplier, announced plans to invest $13.5 million in constructing a new facility and will employ 60
- Cooper Standard, another automotive supplier in the park, announced just this month that it will invest $1 million in new equipment and hire an additional 98 people

Forward Air's recent expansion announcement will mean some 200 more drivers to be hired and based out of its Kingsport facility.

On the residential front, Kingsport issued 418 residential building permits and 133 commercial building permits for a combined value of $115.44 million in fiscal year 2017. Residential development grew in value of construction by about 15.3% during the year. There were 86 new single family housing starts valued at $20.6 million. Average construction cost was around $240,200 per unit.

The largest multi-family permit in the city's history was issued during 2017. Town Park Lofts, a 263-unit, 4-story development in Downtown Kingsport has a construction value of $25,134,000. This in addition to three other projects issued recently: Riverbend Villas (265 units), The Overlook at Indian Trail (168 units), and The Retreat at MeadowView (150 units).

Kingsport continues to generate 62% of countywide sales tax revenue. This has been remarkably consistent since 2011 – three years prior to the grand opening of Bass Pro Shop and The Pinnacle shopping center in Bristol. In 2017, new owners made a major investment at Fort Henry Mall. Dunham's Sports and NCG Cinema opened their doors amidst major upgrades to mall aesthetics and infrastructure (lighting, floorcovering, electrical, plumbing). Downtown Kingsport added a unique shopping destination of its own, Mercantile on Broad, which features locally-made products from multiple vendors.

Investments at the Academic Village in Downtown Kingsport continue to pay off. Nearly 3,000 students partake of higher education opportunities annually. Educational attainment in the city continues to rise. The city's median age is 43.3 (lowest in 5 years), which is substantial because retiring baby boomers should be skewing the number much higher. Median household income is $42,066, which is up 22% from 10 years ago. K-12 enrollment at Kingsport City Schools also increased by 1,200 students since 2007, an 18% increase.

Long-term Financial Planning As a part of the City's annual budget process, the BMA re-evaluates the adopted multi-year Capital Improvement Plan (CIP) for utility, general government and school related activities to address needed improvements to existing City facilities, roads and infrastructure. The CIP currently includes plans for several significant projects scheduled over the next few years. These include improvements to the City's Library, Parks and Recreational facilities ($7M), improvements to local roads and bridges ($24M), improvements to General Government and Educational facilities ($23M), improvements to the Water System ($14M), and improvements and expansion of the Wastewater System ($30M). While the CIP generally looks out over a 5 year period, the plan for the water and sewer utility systems encompass a 10 year period. These projects will be funded mostly by the issuance of new debt. Even with this significant amount of new debt, the total outstanding debt is expected to be within the parameters of the adopted debt limits as specified in the BMA's debt management policy.

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

Moody's and S&P, two of the most respected firms on Wall Street, reaffirmed Kingsport's bond ratings of AA and Aa2. They cited the city's strong economy, strong budgetary performance, and very strong liquidity. They also cited the city's very strong budgetary flexibility with an available fund balance of 22% of operating expenditures and strong management with good financial policies and practices.

Major Initiatives

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

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

Awards and Acknowledgements

Awards The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsport for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the 17th 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, 2016. The annual budget document dated July 1, 2017 has been submitted to the GFOA for review and it is anticipated that it will also receive this award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,

Tilden J. Fleming
City Manager

James H. Demming
City Recorder/CFO

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kingsport

Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

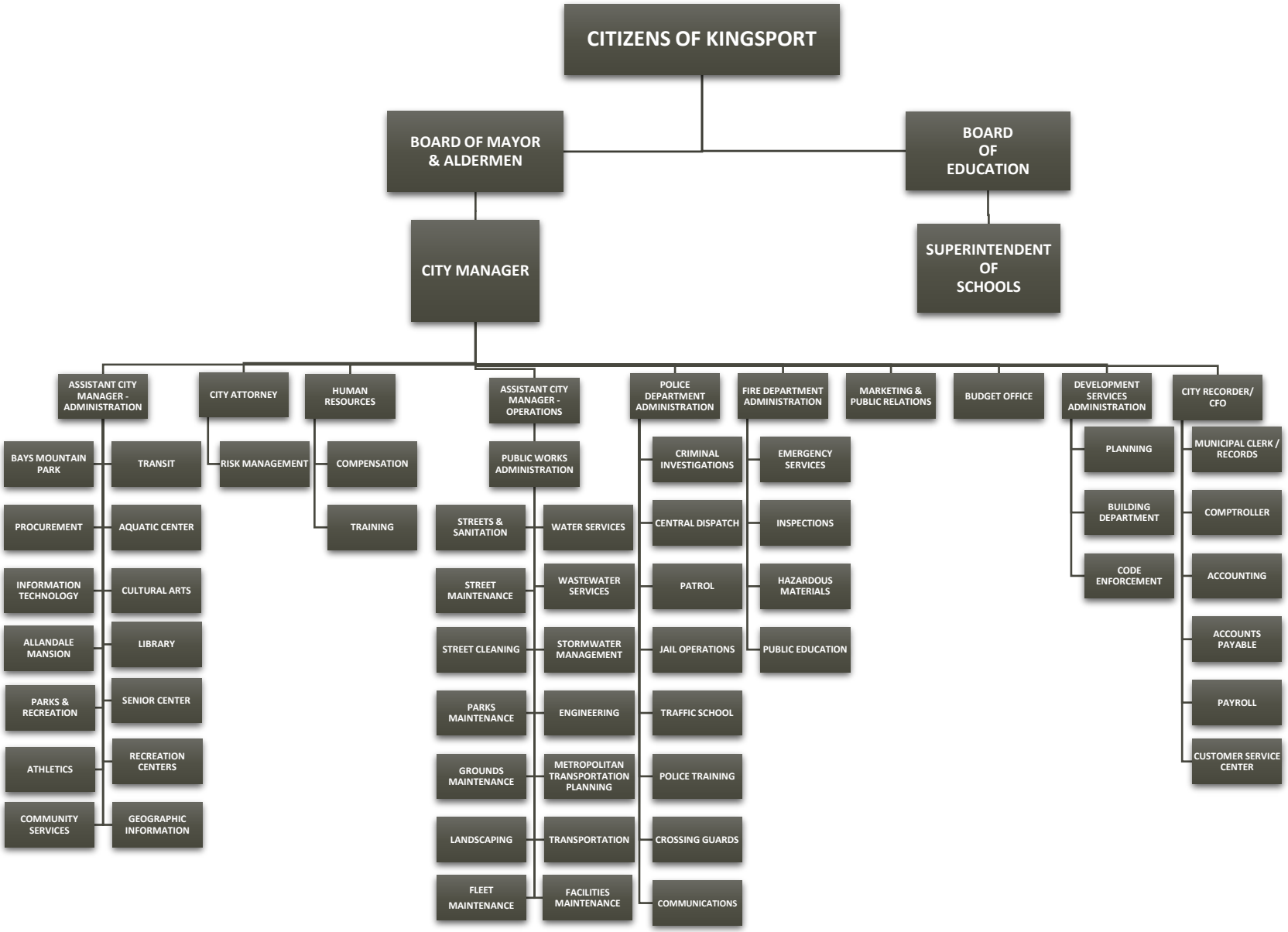
June 30, 2016

Christopher P. Morrill

Executive Director/CEO

KINGSPORT
TENNESSEE

ORGANIZATIONAL CHART



CITY OF KINGSPORT, TENNESSEE

HISTORY AND ORGANIZATION

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

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

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, 2017

BOARD OF MAYOR AND ALDERMEN

John Clark	Mayor
Mike McIntire	Vice-Mayor
Jennifer Adler	Alderman
Joe Begley	Alderman
Betsy Cooper	Alderman
Colette George	Alderman
Tommy Olterman	Alderman

CHARTER OFFICERS

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

DEPARTMENT HEADS

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

CITY OF KINGSPORT, TENNESSEE

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2017

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingsport, Tennessee as of and for the year ended June 30, 2017, 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 17 percent, 44 percent, and 53 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 9 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 17 percent, 44 percent, and 53 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 9 percent, respectively, of the assets and net positions of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the ECD, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Auditor's Responsibility (Continued)

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingsport, Tennessee, as of June 30, 2017, 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 other required schedules related to pension and insurance be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kingsport, Tennessee's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, 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.

Other Matters (Continued)

Other Information (Continued)

The combining and individual non-major fund financial statements and schedules, supplemental information, including the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors.

In our opinion, the combining and individual non-major fund financial statements and schedules, supplemental information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the City of Kingsport, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kingsport, Tennessee's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
December 29, 2017

A. MANAGEMENT'S DISCUSSION AND ANALYSIS

KINGSPORT
TENNESSEE

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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 6 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $420,545 (net position).
- The City's total net position increased by $51,856 for the fiscal year ended June 30, 2017.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $67,642, an increase of $33,905.
- The increase primarily relates to current year receipt from Sullivan County of the City's share of County School Bonds. The bonds are a liability of the County paid for by all county residents. When school bonds are issued by the County, the Cities within the County receive a share of the bonds based on average daily attendance percentages of all schools within the county.
- Approximately 21% of this total fund balance, $13,911, 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 $13,911 or approximately 17% of total general fund expenditures including transfers out.
- The City's total gross debt increased by $13,928 (6%) during the current fiscal year. The increase is the result of new bonds issued in fiscal year 2017 as well as current year draws on the state revolving loan. On November 4, 2016, the City issued $21,335 General Obligation Public Improvement Bonds, Series 2016. During the fiscal year the City drew funds from the state revolving totaling $8,977.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the assets plus deferred outflows of resources less liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes or earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, highway transportation planning, economic and physical development, culture and recreation, and education. The business-type activities of the City include water, sewer, solid waste, storm water management, aquatic center, conference center and golf course. The government-wide financial statements can be found on pages 27 and 28 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-three (23) individual governmental funds. Nineteen (19) of these governmental funds are classified as nonmajor and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the general purpose school fund, the capital project fund, the debt service fund and nonmajor governmental funds, all of which are combined into a single, aggregated presentation. Individual fund data for nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 29-39 of this report.

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

Proprietary funds

The City maintains thirteen (13) different types of proprietary funds, including enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, solid waste management, storm water management, aquatic center, convention center and golf course activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for vehicle maintenance and replacement and self-insurance activities. During 2015 the Kingsport City Schools became self-insured for employees and retirees which resulted in two new internal service funds. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Kingsport City Schools went back to the State insurance plan effective January 1, 2017. When the run off claims incurred during the period of self-insurance are finalized, the 2 school related insurance internal service funds will be closed out and any remaining assets returned to the General Purpose School Fund.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the water, sewer, aquatic center, and convention center activities, which are considered to be major funds of the City. In addition the proprietary fund financial statements include a column for other enterprise funds. This column presents the information for the City's solid waste management, storm water management, and golf course activities. Individual fund data for these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 40-44 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-166 of this report.

Other information

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 172-205 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceed liabilities by $420,545 at the close of the most recent fiscal year.

By far the largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Kingsport's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	$ 146,034	$ 111,975	$ 41,159	$ 41,419	$ 187,193	$ 153,394
Capital Assets	342,418	328,423	302,375	282,724	644,793	611,147
Total Assets	488,452	440,398	343,534	324,143	831,986	764,541
Total Deferred Outflows of Resources	23,662	24,688	3,820	4,128	27,482	28,816
Long-term Liabilities Outstanding	205,755	191,862	142,687	126,914	348,442	318,776
Other Liabilities	17,869	18,549	6,755	7,068	24,624	25,617
Total Liabilities	223,624	210,411	149,442	133,982	373,066	344,393
Total Deferred Inflows of Resources	65,295	78,650	562	1,625	65,857	80,275
Net Position:						
Net Investment in Capital Assets	232,739	215,147	193,031	188,268	425,770	403,415
Restricted	25,660	173	858	605	26,518	778
Unrestricted	(35,204)	(39,295)	3,461	3,791	(31,743)	(35,504)
Total Net Position	$ 223,195	$ 176,025	$ 197,350	$ 192,664	$ 420,545	$ 368,689

A portion of the City's net position, $26,518 (6%) represents resources that are subject to external restrictions on how they may be used. Of this amount $25,318 represents unspent bond proceeds from the Sullivan County School Bonds restricted for school capital projects.

During the current fiscal year, the government's net position increased by $51,856. Net position for governmental activities increased by $47,170 while net position for business-type activities increased by $4,686.

The $47,170 current year increase in net position for governmental activities was primarily a result of the City Schools share of County School Bonds issued by Sullivan County. This revenue is recorded as intergovernmental revenue. Kingsport City Schools received $45,281 from Sullivan County. $20,000 was immediately used to purchase Sullivan North High School campus from the County. The County will continue to use North High School while they build a new high school. The City is expected to take possession by June 30, 2021 and use the building as a middle school. The remaining proceeds will be used for the City’s Dobyns-Bennett High School Science and Technology Center project.

The primary reason for the increase in net position in the business-type activities is due to the increase in water and sewer user rates.

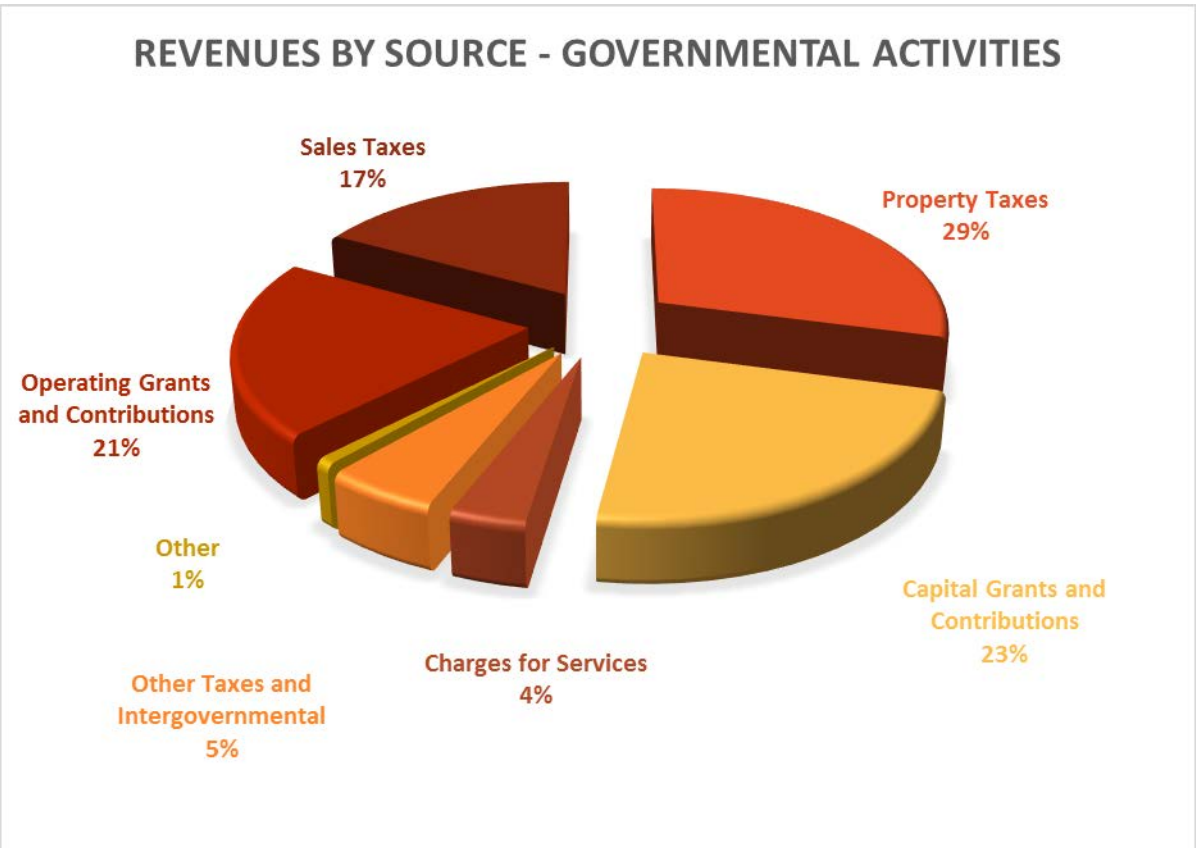
The following is a summary of activities for the City during the fiscal year ended June 30, 2017:

City of Kingsport's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	$ 7,441	$ 7,118	$ 35,392	$ 32,691	$ 42,833	$ 39,809
Operating Grants and Contributions	42,103	38,590	168	175	42,271	38,765
Capital Grants and Contributions	47,444	2,411	1,710	1,495	49,154	3,906
General Revenues						
Property Taxes	59,355	57,058	0	0	59,355	57,058
Sales Taxes	34,602	34,387	0	0	34,602	34,387
Other Taxes and Intergovernmental	11,138	6,774	0	0	11,138	6,774
Unrestricted Investment Earnings	332	212	277	179	609	391
Grants and Contributions Not Restricted to Specific Programs	1,121	995	0	0	1,121	995
Other	183	940	0	0	183	940
Total Revenues	203,719	148,485	37,547	34,540	241,266	183,025
Expenses:						
General Government	11,673	10,413	0	0	11,673	10,413
Public Safety	23,373	21,663	0	0	23,373	21,663
Public Works	18,087	15,579	0	0	18,087	15,579
Highway Transportation Planning	4,382	4,428	0	0	4,382	4,428
Economic and Physical Development	2,023	4,327	0	0	2,023	4,327
Culture and Recreation	8,323	7,784	0	0	8,323	7,784
Education	81,496	78,181	0	0	81,496	78,181
Interest on Long-term Debt	3,847	4,008	0	0	3,847	4,008
Water	0	0	11,389	11,030	11,389	11,030
Sewer	0	0	11,727	11,853	11,727	11,853
Solid Waste Management	0	0	4,638	4,424	4,638	4,424
Storm Water Management	0	0	1,477	1,458	1,477	1,458
Aquatic Center	0	0	3,063	2,985	3,063	2,985
MeadowView Conference Resort and Convention Center	0	0	2,638	2,685	2,638	2,685
Cattails at MeadowView Golf Course	0	0	1,274	1,312	1,274	1,312
Total Expenses	153,204	146,383	36,206	35,747	189,410	182,130
Increase (Decrease) in Net Position before Transfers	50,515	2,102	1,341	(1,207)	51,856	895
Transfers	(3,345)	(4,180)	3,345	4,180	0	0
Change in Net Position	47,170	(2,078)	4,686	2,973	51,856	895
Net Position, beginning of period	176,025	178,103	192,664	189,691	368,689	367,794
Net Position, end of period	$ 223,195	$ 176,025	$ 197,350	$ 192,664	$ 420,545	$ 368,689

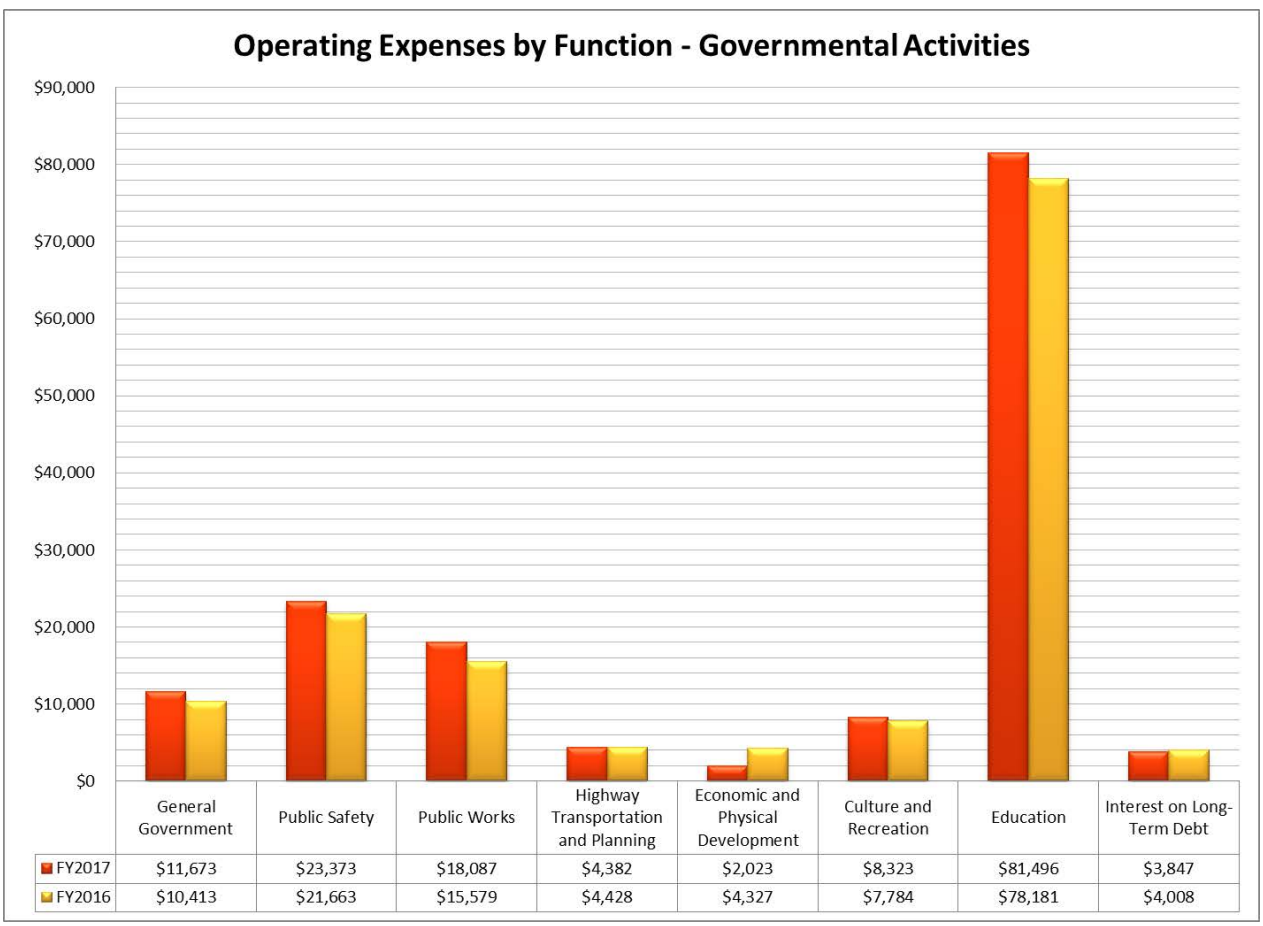
Governmental Activities - Revenue

The City's governmental revenues totaling $203,719 were more than the prior year by $55,234. Property taxes were more than the prior year by $2,297. However $45,281 of the increase was one time receipt of the City School's share of Sullivan County School Bonds. This is shown as the increase in capital grants.



Governmental Activities – Operating Expenses

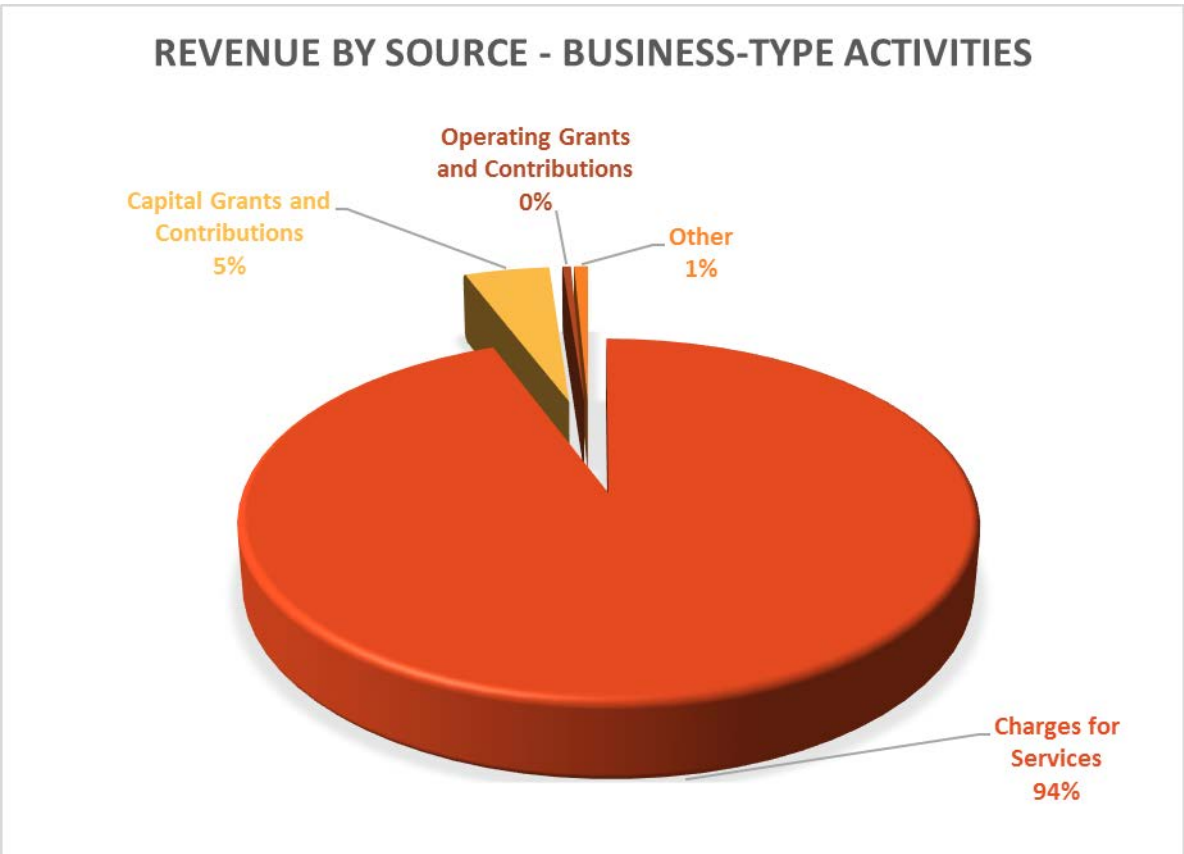
Operating expenses for governmental activities were more than the prior year by $6,821. Operating expenses for the public works function were more than the prior year by $2,508 while operating expenses for the economic and physical development function were less than the prior year by $2,304. This change is primarily due to the engineering department expenses now being included under public works when they had previous been included in economic and physical development. Education expenses saw an increase of $3,315 and public safety saw an increase of $1,710.



	General Government	Public Safety	Public Works	Highway Transportation and Planning	Economic and Physical Development	Culture and Recreation	Education	Interest on Long-Term Debt
FY2017	$11,673	$23,373	$18,087	$4,382	$2,023	$8,323	$81,496	$3,847
FY2016	$10,413	$21,663	$15,579	$4,428	$4,327	$7,784	$78,181	$4,008

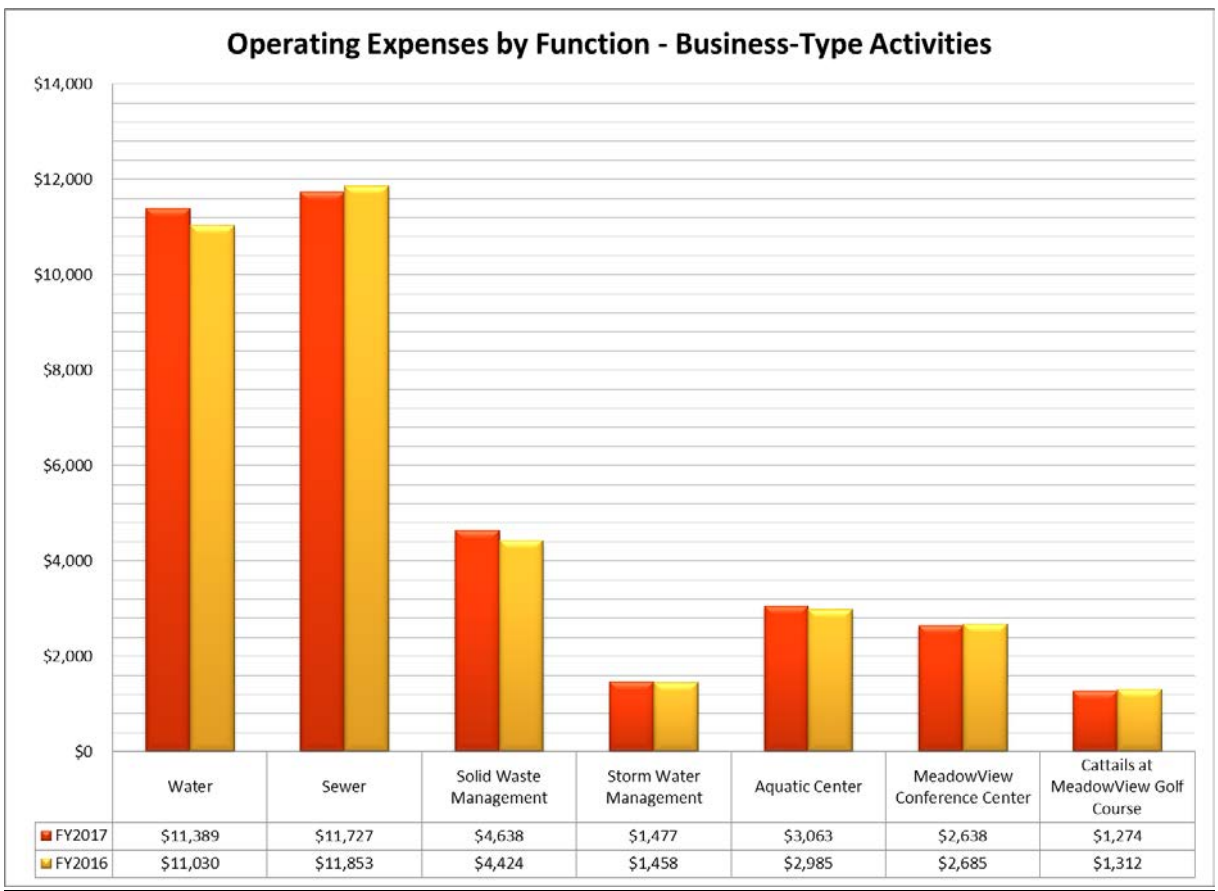
Business-Type Activities - Revenue

The City's business-type revenues totaling $37,547 were more than the prior year by $3,007. A primary factor in the increased revenue was the new monthly sanitation fee implemented by the Solid Waste Management Fund. Additional factors include the 2% increase for inside water rates and a 2% increase for all sewer rates.



Business-Type Activities – Operating Expenses

Operating expenses for business-type activities were more than the prior year by $459. The water fund expenses increased by $359 while solid waste management expenses increased $214.



	Water	Sewer	Solid Waste Management	Storm Water Management	Aquatic Center	MeadowView Conference Center	Cattails at MeadowView Golf Course
FY2017	$11,389	$11,727	$4,638	$1,477	$3,063	$2,638	$1,274
FY2016	$11,030	$11,853	$4,424	$1,458	$2,985	$2,685	$1,312

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 $67,642 an increase of $33,905 in comparison with the prior year. Approximately 21% of this total amount, $13,911 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance consists of $337 nonspendable primarily attributed to inventories and a perpetual care trust, $37,109 restricted primarily for capital projects, and $16,285 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 $13,911 while total fund balance was $14,115. Of the total fund balance $24 is considered nonspendable while $180 is considered assigned. The majority of the assigned fund balance represents encumbrance carryovers from fiscal year 2017 to fiscal year 2018. As a matter of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out.

Unassigned fund balance represents approximately 17% of total general fund expenditures and transfers out, while total fund balance represents 18% of that same amount. During fiscal year 2017, the fund balance of the City's General Fund increased by $866.

The general purpose school fund has a total fund balance of $6,574, of which most is uncommitted. The net increase in fund balance during the current year in the general purpose school fund was $777.

The capital project fund has a total fund balance of $41,040. Of this amount, $36,920 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 $4,120 is assigned to the capital project fund. The net increase in this fund balance of $31,493 was primarily due to the Kingsport City School's share of the Sullivan County School Bond issue received as intergovernmental revenue in the General Purpose School Fund and transferred to the Capital Project Fund to be held until used for appropriate projects.

The debt service fund has a total fund balance of $132. Debt service expenditures (principal and interest) totaled $11,958 for fiscal year 2017. This was $96 less than the debt service expenditures paid in fiscal year 2016.

Nonmajor (other) governmental funds have a fund balance of $5,781. The net increase in fund balance during the current year in nonmajor governmental funds was $681.

Proprietary funds

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

Unrestricted net position of the water and sewer funds at the end of the fiscal year amounted to $4,552 and $1,339 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 $1,760 increase and are detailed as follows:

$	230	Appropriate additional state sales tax revenue to cover additional transfers
	178	Appropriate additional Hall Income tax to cover additional transfers
	710	Appropriate additional engineering charges to cover additional transfers
	100	Appropriate additional gross receipts tax to cover additional transfers
	176	Appropriate TVA Impact funds to cover additional transfers
	252	Appropriate other revenue received to cover additional transfers
	114	Provide funding for prior year encumbrances
$	1,760	

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, 2017, amounts to $644,793 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress.

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

- The most significant business-type construction project during fiscal year 2017 was a $16,500 water intake project to upgrade the water treatment plant. This project is being funded primarily by a state revolving loan. Business-type construction in progress at the close of the fiscal year was $41,997.
- 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 2017 was the $20,000 purchase of Sullivan North High School from Sullivan County. This purchase will be included in construction in process until the City has possession of the building and it has been renovated and ready for students to use. Governmental construction in progress at the close of the fiscal year was $35,255.

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

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 32,271	$ 32,227	$ 8,065	$ 8,048	$ 40,336	$ 40,275
Buildings and Systems	93,256	98,118	245,745	246,696	339,001	344,814
Improvements other than Buildings	17,763	10,584	4,134	4,522	21,897	15,106
Machinery and Equipment	18,780	19,511	2,282	2,538	21,062	22,049
Software	293	293	152	195	445	488
Infrastructure	144,800	149,419	0	0	144,800	149,419
Construction in Progress	35,255	18,271	41,997	20,725	77,252	38,996
Total Capital Assets	$ 342,418	$ 328,423	$ 302,375	$ 282,724	$ 644,793	$ 611,147

Long-term debt

At the end of the current fiscal year, the City had total gross debt outstanding of $241,154. 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	
	2017	2016	2017	2016	2017	2016
Notes Payable	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
General Obligation Bonds	108,242	107,558	114,306	109,182	222,548	216,740
Loans from Other Governments	5,734	6,592	12,872	3,894	18,606	10,486
Total Long-term Debt	$ 113,976	$ 114,150	$ 127,178	$ 113,076	$ 241,154	$ 227,226

During the current fiscal year, the City's total gross debt increased by $13,928 (6%). The governmental activities long-term debt decreased by $174 while business-type activities long-term debt increased by $14,102.

The current year decrease in long-term debt for governmental activities can be attributed to refunding bonds issued in prior years.

The current year increase in long term debt for business-type activities can be attributed primarily to the water fund’s draws on the state revolving loan being used to fund the City’s new raw water intake project. In 2017, the City’s Water Fund received $8,977 in draws from the state revolving loan.

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 2017 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 73-126 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City's 2016 unemployment rate of 4.6% is down from a high of 10.9% during the recession of 2009.
- Inflationary trends in the region are comparable to national indices.
- 551 building permits with an estimated value of $115,441 were issued during this fiscal year, compared to 606 building permits with an estimated value of $87,070 for the previous year.

Short term interest rates on investments for the City's operating funds increased to approximately 0.86% by the end of fiscal year 2017. The City's most recent investment bid was awarded at a rate of 1.42%.

All of these factors were considered in preparing the City's budget for the 2018 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to $13,911. The City has assigned fund balance of $156 to cover encumbrances remaining from FY2017.

For the FY2018 budget year, both water rates and sewer rates were left unchanged.

Requests for Information

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

B. BASIC FINANCIAL STATEMENTS

KINGSPORT
TENNESSEE

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	Industrial Development Board	Emergency Communications District
ASSETS:					
Cash	$ 1,709,546	$ 10,707	$ 1,720,253	$ 1,340,740	$ 1,573,848
Equity in Pooled Cash and Investments	28,242,836	11,421,378	39,664,214	0	0
Long Term Certificates of Deposit	250,692	0	250,692	0	0
Investments	395,451	0	395,451	0	0
Accounts Receivable, Net	39,781,211	4,526,760	44,307,971	6,975	0
Accrued Interest Receivable	42,794	16,269	59,063	0	0
Due from Other Governments	29,689,653	412,513	30,102,166	0	0
Internal Balances	3,171,167	(3,171,167)	0	0	0
Inventories	570,429	610,492	1,180,921	0	0
Prepaids	801,226	189,954	991,180	8,222	37,841
Land Held for Sale or Development	0	0	0	8,602,190	0
Net Pension Asset	58,657	0	58,657	0	0
Restricted Assets:					
Cash	37,027,198	26,225,542	63,252,740	0	0
Long Term Certificates of Deposit	1,000,000	0	1,000,000	0	0
Investments	3,216,124	671,335	3,887,459	316,742	0
Receivables	0	0	0	499,216	0
Capital Assets:					
Land	32,271,141	8,065,419	40,336,560	1,200,238	242,010
Buildings and Systems	186,630,956	392,281,417	578,912,373	7,896,063	2,022,110
Improvements Other Than Buildings	34,024,798	10,610,708	44,635,506	584,105	0
Machinery and Equipment	57,221,051	7,008,032	64,229,083	0	1,133,810
Software	978,806	310,517	1,289,323	0	0
Infrastructure	294,046,497	0	294,046,497	0	0
Construction in Progress	35,254,924	41,997,134	77,252,058	0	0
Less: Accumulated Depreciation	(298,009,871)	(157,898,133)	(455,908,004)	(515,987)	(810,536)
Other Assets, Net	76,994	245,334	322,328	0	0
Total Assets	488,452,280	343,534,211	831,986,491	19,938,504	4,199,083
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Outflows Related to Refunding	3,551,454	1,951,066	5,502,520	0	0
Deferred Outflows Related to Pensions	20,110,590	1,869,116	21,979,706	0	0
Total Deferred Outflows of Resources	23,662,044	3,820,182	27,482,226	0	0
LIABILITIES:					
Accounts Payable and Other Current Liabilities	12,869,997	3,190,934	16,060,931	29,868	3,427
Due to Other Governments	5,760	241,737	247,497	0	0
Compensated Absences Payable	3,659,650	631,559	4,291,209	0	0
Accrued Interest Payable	1,262,192	1,156,858	2,419,050	34,267	0
Unearned Revenue	71,220	31,920	103,140	14,000	0
Liabilities Payable from Restricted Assets	0	1,502,730	1,502,730	0	0
Noncurrent Liabilities:					
Due Within One Year	8,667,256	8,631,933	17,299,189	218,415	0
Due in More Than One Year	112,612,476	125,277,270	237,889,746	14,293,707	0
Pension Liability	35,688,064	5,511,742	41,199,806	0	0
OPEB Liability	48,787,590	3,265,898	52,053,488	0	0
Total Liabilities	223,624,205	149,442,581	373,066,786	14,590,257	3,427
DEFERRED INFLOWS OF RESOURCES:					
Deferred Inflows Related to Property Taxes	54,880,532	0	54,880,532	0	0
Deferred Inflows Related to Other Taxes	433,636	0	433,636	0	0
Deferred Inflows Related to Pensions	9,980,429	561,961	10,542,390	0	0
Total Deferred Inflows of Resources	65,294,597	561,961	65,856,558	0	0
NET POSITION:					
Net Investment in Capital Assets	232,739,291	193,031,301	425,770,592	1,262,240	2,587,394
Restricted for Debt Service	0	543,875	543,875	0	0
Restricted for Capital Improvements	25,318,872	314,162	25,633,034	0	0
Restricted for Other Purposes	188,804	0	188,804	0	0
Restricted for Perpetual Care (Nonexpendable)	152,692	0	152,692	0	0
Unrestricted	(35,204,137)	3,460,513	(31,743,624)	4,086,007	1,608,262
Total Net Position	$ 223,195,522	$ 197,349,851	$ 420,545,373	$ 5,348,247	$ 4,195,656

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total	Industrial Development Board	Emergency Communications District
Primary Government:									
Governmental Activities:									
General Government	$ 11,672,892	$ 1,011,092	$ 476,022	$ 2,102,048	$ (8,083,730)	$ 0	$ (8,083,730)		
Public Safety	23,373,247	1,422,778	368,968	0	(21,581,501)	0	(21,581,501)		
Public Works	18,087,183	1,218,571	0	0	(16,868,612)	0	(16,868,612)		
Highways and Transportation	4,381,789	121,005	3,003,653	61,189	(1,195,942)	0	(1,195,942)		
Economic and Physical Development	2,023,477	25	431,356	0	(1,592,096)	0	(1,592,096)		
Culture and Recreation	8,322,721	1,465,081	182,749	0	(6,674,891)	0	(6,674,891)		
Education	81,495,584	2,202,762	37,639,948	45,281,286	3,628,412	0	3,628,412		
Interest on Long Term Debt	3,847,436	0	0	0	(3,847,436)	0	(3,847,436)		
Total Governmental Activities	153,204,329	7,441,314	42,102,696	47,444,523	(56,215,796)	0	(56,215,796)		
Business - Type Activities:									
Water	11,389,112	13,643,424	53,917	996,353	0	3,304,582	3,304,582		
Sewer	11,727,265	14,363,873	80,884	713,504	0	3,430,996	3,430,996		
Solid Waste Management	4,638,331	2,829,363	4,047	0	0	(1,804,921)	(1,804,921)		
Storm Water Management	1,476,865	1,901,456	8,088	0	0	432,679	432,679		
Aquatic Center	3,062,597	1,337,074	7,391	0	0	(1,718,132)	(1,718,132)		
MeadowView Conference Resort and Convention Center	2,637,666	435,600	13,550	0	0	(2,188,516)	(2,188,516)		
Cattails at MeadowView Golf Course	1,274,403	881,851	0	0	0	(392,552)	(392,552)		
Total Business - Type Activities	36,206,239	35,392,641	167,877	1,709,857	0	1,064,136	1,064,136		
Total Primary Government	$ 189,410,568	$ 42,833,955	$ 42,270,573	$ 49,154,380	(56,215,796)	1,064,136	(55,151,660)		
Component Units:									
Industrial Development Board	$ 1,618,242	$ 285,797	$ 457,045	$ 0				$ (875,400)	$ 0
Emergency Communications District	612,574	769,230	61,878	0				0	218,534
Total Component Units	$ 2,230,816	$ 1,055,027	$ 518,923	$ 0				(875,400)	218,534
General Revenues:									
Property Taxes					59,355,264	0	59,355,264	0	0
Sales Taxes					34,602,066	0	34,602,066	0	0
Alcoholic Beverage Taxes					1,928,659	0	1,928,659	0	0
Occupational Licenses and Business Taxes					6,655,136	0	6,655,136	0	0
Hotel / Motel Taxes					1,686,532	0	1,686,532	0	0
Income Taxes					867,272	0	867,272	0	0
Grants and Contributions Not Restricted to Specific Programs					1,121,189	0	1,121,189	0	50,000
Unrestricted Investment Earnings					332,007	276,550	608,557	10,701	124
Miscellaneous					182,882	0	182,882	0	0
Transfers					(3,344,653)	3,344,653	0	0	0
Total General Revenues and Transfers					103,386,354	3,621,203	107,007,557	10,701	50,124
Change in Net Position					47,170,558	4,685,339	51,855,897	(864,699)	268,658
Net Position - Beginning					176,024,964	192,664,512	368,689,476	6,212,946	3,926,998
Net Position - Ending					$ 223,195,522	$ 197,349,851	$ 420,545,373	$ 5,348,247	$ 4,195,656

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash	$ 15,292	$ 0	$ 0	$ 0	$ 1,694,254	$ 1,709,546
Equity in Pooled Cash and Investments	6,880,354	6,721,557	108,679	4,542,058	2,447,795	20,700,443
Long-Term Certificates of Deposit	0	0	0	0	250,692	250,692
Investments	0	0	0	0	395,451	395,451
Taxes Receivable, net	38,420,594	0	0	0	0	38,420,594
Accounts Receivable, net	1,026,096	56,843	0	0	41,714	1,124,653
Accrued Interest Receivable	0	0	9,301	33,247	69	42,617
Due from Other Governments	5,498,339	21,577,910	0	529,742	2,083,662	29,689,653
Due from Other Funds	4,156,450	451,025	0	0	0	4,607,475
Inventories	2,448	2,452	0	0	156,148	161,048
Prepaids	21,942	1,370	0	0	580	23,892
Cash - Restricted	0	0	13,702	37,013,496	0	37,027,198
Investments - Restricted	0	0	0	43,681	97,351	141,032
Total Assets	$ 56,021,515	$ 28,811,157	$ 131,682	$ 42,162,224	$ 7,167,716	$ 134,294,294
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
Accounts Payable	$ 554,232	$ 400,715	$ 0	$ 1,013,311	$ 364,325	$ 2,332,583
Compensated Absences Payable	6,306	297,063	0	0	0	303,369
Due to Other Governments	5,712	0	0	0	48	5,760
Due to Other Funds	0	0	0	0	840,345	840,345
Contracts Payable	0	0	0	109,011	7,461	116,472
Other Liabilities	2,529,698	3,928,773	0	0	113,724	6,572,195
Unearned Revenue	20	10,555	0	0	60,645	71,220
Total Liabilities	3,095,968	4,637,106	0	1,122,322	1,386,548	10,241,944

(continued)

CITY OF KINGSPORT, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	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	38,376,755	17,600,000	0	0	0	55,976,755
Unavailable Revenue Other	433,636	0	0	0	0	433,636
Total Deferred Inflows of Resources	38,810,391	17,600,000	0	0	0	56,410,391
Fund Balances:						
Nonspendable:						
Inventory	2,448	2,452	0	0	156,148	161,048
Prepaids	21,942	1,370	0	0	0	23,312
Allandale Trust Principal	0	0	0	0	152,692	152,692
Restricted for:						
Unspent Bond Proceeds	0	0	0	36,919,593	0	36,919,593
Unspent Federal Forfeitures	0	0	0	0	97,351	97,351
Unspent Hotel Tax	0	0	0	0	91,453	91,453
Assigned to:						
Fund Balance Allocations	158,541	0	0	0	0	158,541
Future Industrial Park	20,927	0	0	0	0	20,927
Education	0	6,570,229	0	0	2,404,432	8,974,661
Debt Service	0	0	131,682	0	0	131,682
Capital Projects	0	0	0	4,120,309	0	4,120,309
Community Development	0	0	0	0	16,471	16,471
Other Projects	0	0	0	0	1,119,485	1,119,485
Public Safety	0	0	0	0	365,918	365,918
Transportation	0	0	0	0	570,928	570,928
Culture and Recreation	0	0	0	0	759,726	759,726
Allandale	0	0	0	0	46,564	46,564
Unassigned	13,911,298	0	0	0	0	13,911,298
Total Fund Balances	14,115,156	6,574,051	131,682	41,039,902	5,781,168	67,641,959
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 56,021,515	$ 28,811,157	$ 131,682	$ 42,162,224	$ 7,167,716	$ 134,294,294

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, 2017

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

Total Fund Balance of Governmental Funds	$ 67,641,959
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	332,399,872
Property tax assessments are reported as revenue in the government - wide statements in the period in which an enforceable legal claim arises against property owners. In governmental funds, these assessments are not available to finance current period expenditures and are reported as unearned revenue until paid by property owners.	1,096,223
Net pension asset related to the teacher retirement plan is reported on statement of net position.	58,657
Deferred outflows related to refunding is reported is on statement of net position.	3,551,454
Deferred outflows related to pensions is reported on the statement of net position.	20,110,590
Deferred inflows related to pensions is reported on the statement of net position.	(9,980,429)
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.	18,582,353
Long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(210,265,157)
Net Position of Governmental Activities	$ 223,195,522

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, 2017

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	$ 48,097,883	$ 29,724,239	$ 0	$ 0	$ 4,169,604	$ 81,991,726
Licenses and Permits	569,817	0	0	0	0	569,817
Intergovernmental	24,368,885	74,171,179	184,235	1,226,042	11,374,577	111,324,918
Charges for Services	2,811,932	1,357,415	0	0	1,232,033	5,401,380
Fines and Forfeitures	930,840	0	0	0	243,245	1,174,085
Investment Earnings	54,346	0	162,902	71,062	5,224	293,534
Contributions and Donations	181,885	0	0	654,677	411,904	1,248,466
Miscellaneous	119,650	630,996	0	0	8	750,654
Total Revenues	77,135,238	105,883,829	347,137	1,951,781	17,436,595	202,754,580
EXPENDITURES:						
Current:						
General Government	8,611,071	0	0	0	1,204,169	9,815,240
Public Safety	21,308,120	0	0	0	113,373	21,421,493
Public Works	10,134,719	0	0	0	0	10,134,719
Economic and Physical Development	1,598,330	0	0	0	431,356	2,029,686
Transportation	0	0	0	0	4,381,788	4,381,788
Culture and Recreation	5,565,884	0	0	0	431,563	5,997,447
Education	0	67,856,899	0	0	8,458,703	76,315,602
Miscellaneous	798,983	0	0	0	0	798,983
Debt Service:						
Principal	0	0	7,953,385	0	0	7,953,385
Interest	0	0	4,004,572	0	0	4,004,572
Bond Issuance Costs	0	0	0	88,997	0	88,997
Other Costs	0	0	14,941	0	0	14,941
Capital Outlay	37,133	825,283	0	29,607,934	547,172	31,017,522
Total Expenditures	48,054,240	68,682,182	11,972,898	29,696,931	15,568,124	173,974,375
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,080,998	37,201,647	(11,625,761)	(27,745,150)	1,868,471	28,780,205

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):						
Transfers In	3,442,979	13,351,133	11,713,325	50,927,665	2,838,208	82,273,310
Transfers Out	(31,657,606)	(49,775,300)	0	(159,575)	(4,025,482)	(85,617,963)
Issuance of Debt	0	0	0	7,821,325	0	7,821,325
Premiums on Debt Issued	0	0	0	648,278	0	648,278
Total Other Financing Sources (Uses)	(28,214,627)	(36,424,167)	11,713,325	59,237,693	(1,187,274)	5,124,950
Net Change in Fund Balances	866,371	777,480	87,564	31,492,543	681,197	33,905,155
Fund Balances, July 1, 2016	13,248,785	5,796,571	44,118	9,547,359	5,099,971	33,736,804
Fund Balances, June 30, 2017	$ 14,115,156	$ 6,574,051	$ 131,682	$ 41,039,902	$ 5,781,168	$ 67,641,959

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, 2017

Amounts reported for governmental activities in the statement of activities are different because:	
Net Change in Fund Balance of Governmental Funds	$ 33,905,155
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.	16,447,255
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is a decrease to net position.	(1,439,816)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	25,643
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.	127,985
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	(52,213)
Increase in OPEB Liability	(4,628,396)
Increase in Accrued Interest	(86,723)
Decrease in Pension Liabilities and Deferrals net of pension asset	2,981,027
The issuance of long term debt (e.g. bonds) provide current financial resources to governmental funds, while the repayment of the principal of long term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.	(109,359)
Change in Net Position of Governmental Activities	$ 47,170,558

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
General Property	$ 38,620,300	$ 39,051,831	$ 39,095,872	$ 44,041
Gross Receipts	8,738,300	8,966,165	9,002,011	35,846
Licenses and Permits	476,800	555,599	569,817	14,218
Intergovernmental:				
Federal	18,900	0	0	0
State	6,002,200	6,540,481	6,567,968	27,487
County	18,152,000	17,543,801	17,576,560	32,759
Local	218,000	218,000	224,357	6,357
Charges for Services	1,933,800	2,814,074	2,811,932	(2,142)
Fines and Forfeitures	789,000	924,849	930,840	5,991
Investment Earnings	21,700	21,700	54,346	32,646
Contributions and Donations	125,000	219,385	181,885	(37,500)
Miscellaneous	79,100	79,161	119,650	40,489
Total Revenues	75,175,100	76,935,046	77,135,238	200,192
EXPENDITURES:				
General Government:				
Board of Mayor and Aldermen	159,250	164,727	153,370	11,357
Judicial	30,950	31,067	28,952	2,115
City Attorney	449,300	428,136	406,776	21,360
City Manager	430,100	430,398	416,299	14,099
Assistant City Manager	124,900	134,625	133,186	1,439
Budget Office	194,700	200,734	196,706	4,028
Special Programs	2,620,800	2,516,988	2,501,442	15,546
Public Information Office	355,010	377,550	363,226	14,324
Personnel	1,146,200	1,170,014	1,153,737	16,277
Purchasing	293,550	277,976	267,561	10,415
Finance Administration	1,695,900	1,720,187	1,683,972	36,215
Records Administration	103,200	106,218	102,295	3,923
Information Technology	1,049,550	1,054,838	1,047,094	7,744
Community Services Office	199,944	168,378	156,455	11,923
Total General Government	8,853,354	8,781,836	8,611,071	170,765

(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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Public Safety:				
Police Administration	1,788,400	1,851,234	1,823,931	27,303
Jail Operations	479,000	467,215	459,068	8,147
Training	392,100	374,274	363,214	11,060
Traffic School	12,020	14,930	13,941	989
Investigations	1,599,400	1,503,333	1,486,666	16,667
Patrol Division	6,098,000	5,986,303	5,959,690	26,613
Central Dispatch	1,194,300	1,191,786	1,184,004	7,782
Communications	426,200	378,272	348,148	30,124
Fire Control and Prevention	9,344,600	9,696,128	9,669,458	26,670
Total Public Safety	21,334,020	21,463,475	21,308,120	155,355
Public Works:				
Administration	186,400	192,042	189,996	2,046
Engineering	1,188,500	1,132,732	1,107,356	25,376
Transportation	1,339,650	1,352,390	1,332,407	19,983
Streets and Sanitation Administration	312,100	321,037	309,010	12,027
Street Cleaning	451,700	477,705	464,934	12,771
Street Maintenance	2,073,200	2,142,943	2,124,400	18,543
Building Maintenance	1,864,547	1,853,346	1,825,015	28,331
Grounds Maintenance	1,397,500	1,432,795	1,400,894	31,901
Park Maintenance	726,500	775,113	754,175	20,938
Landscaping	646,100	655,575	626,532	29,043
Inter Local Agreements	1,000	1,000	0	1,000
Total Public Works	10,187,197	10,336,678	10,134,719	201,959
Economic and Physical Development:				
Administration	491,100	519,550	506,332	13,218
Planning	270,900	291,207	286,353	4,854
Geographic Information	359,000	436,496	428,954	7,542
Code Enforcement	386,500	389,554	376,691	12,863
Total Economic and Physical Development	1,507,500	1,636,807	1,598,330	38,477

(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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Culture and Recreation:				
Administration	407,200	402,058	384,802	17,256
Adult Education	4,800	5,100	4,285	815
Charter Bus Service	12,500	12,588	10,625	1,963
Parks and Recreation Centers	385,400	409,719	408,896	823
Lynn View	53,500	46,280	45,746	534
Farmers Market	18,300	27,989	23,443	4,546
Carousel	64,250	66,234	61,044	5,190
Swimming Pools	19,100	23,298	22,606	692
Athletics	1,007,100	1,008,888	993,770	15,118
Cultural Arts	212,800	207,734	202,820	4,914
Allandale	257,500	258,791	245,137	13,654
Senior Citizens Center	700,100	736,450	719,156	17,294
Bays Mountain Park	1,293,000	1,203,124	1,156,649	46,475
Library	1,273,200	1,299,833	1,286,905	12,928
Total Culture and Recreation	5,708,750	5,708,086	5,565,884	142,202
Miscellaneous	1,986,428	828,187	798,983	29,204
Capital Outlay	138,400	107,875	37,133	70,742
Total Expenditures	49,715,649	48,862,944	48,054,240	808,704
Excess of Revenues Over Expenditures	25,459,451	28,072,102	29,080,998	1,008,896
Other Financing Sources (Uses):				
Transfers In	3,482,400	3,482,401	3,442,979	(39,422)
Transfers Out	(28,863,451)	(31,662,067)	(31,657,606)	4,461
Net Other Financing Sources (Uses)	(25,381,051)	(28,179,666)	(28,214,627)	(34,961)
Net Change in Fund Balances	78,400	(107,564)	866,371	973,935
Fund Balances, July 1, 2016	(78,400)	107,564	13,248,785	13,141,221
Fund Balances, June 30, 2017	$ 0	$ 0	$ 14,115,156	$ 14,115,156

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
County Taxes:				
Property Taxes	$ 19,125,000	$ 20,077,000	$ 20,233,749	$ 156,749
Gross Receipts Taxes	9,043,000	9,457,000	9,427,255	(29,745)
Other Taxes	42,000	42,000	63,235	21,235
Intergovernmental:				
Federal	103,500	93,575	94,698	1,123
State	28,183,400	28,761,181	28,795,195	34,014
County	0	45,281,286	45,281,286	0
Charges for Services	1,480,000	1,480,000	1,357,415	(122,585)
Miscellaneous	625,000	695,265	630,996	(64,269)
Total Revenues	58,601,900	105,887,307	105,883,829	(3,478)
EXPENDITURES:				
Instruction:				
Regular	34,939,341	37,020,017	36,282,476	737,541
Special Education	5,269,300	5,453,217	5,095,009	358,208
Vocational	1,447,050	1,499,650	1,434,616	65,034
Total Instruction	41,655,691	43,972,884	42,812,101	1,160,783
Student Support Services:				
Attendance	64,350	66,071	65,092	979
Health Services	825,847	874,920	872,517	2,403
Other	2,314,000	2,402,171	2,310,725	91,446
Total Student Support Services	3,204,197	3,343,162	3,248,334	94,828
Instructional Staff Support Services:				
Regular	2,919,761	3,065,314	3,028,203	37,111
Special Education	543,200	553,275	528,746	24,529
Vocational	186,650	193,150	180,189	12,961
Technology	2,129,850	2,235,546	1,997,457	238,089
Total Instructional Staff Support Services	5,779,461	6,047,285	5,734,595	312,690
General Administrative Support Services:				
Board of Education	1,135,300	1,135,300	1,113,736	21,564
Office of Superintendent	903,100	919,311	917,996	1,315
Total General Administrative Support Services	2,038,400	2,054,611	2,031,732	22,879

(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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
School Administrative Support Services	3,260,035	3,358,237	3,351,574	6,663
Business Administrative Support Services:				
Fiscal Services	427,950	439,182	424,019	15,163
Human Resources	379,850	409,841	408,342	1,499
Total Business Administrative Support Services	807,800	849,023	832,361	16,662
Operations and Maintenance Support Services:				
Operations	4,600,800	4,731,303	4,612,058	119,245
Plant Maintenance	2,093,050	2,538,477	2,456,707	81,770
Total Operations and Maintenance Support Services	6,693,850	7,269,780	7,068,765	201,015
Student Transportation Support Services	1,921,850	1,945,593	1,698,028	247,565
Noninstructional Services:				
After School Programs	506,400	523,104	490,259	32,845
Community Service	558,700	590,916	589,150	1,766
Total Noninstructional Services	1,065,100	1,114,020	1,079,409	34,611
Capital Outlay	2,446,266	1,358,493	825,283	533,210
Total Expenditures	68,872,650	71,313,088	68,682,182	2,630,906
Deficiency of Revenues Under Expenditures	(10,270,750)	34,574,219	37,201,647	2,627,428
OTHER FINANCING SOURCES (USES):				
Transfers In	13,425,550	13,425,550	13,351,133	(74,417)
Transfers Out	(3,857,300)	(49,902,797)	(49,775,300)	127,497
Total Other Financing Sources (Uses)	9,568,250	(36,477,247)	(36,424,167)	53,080
Net Change in Fund Balances	(702,500)	(1,903,028)	777,480	2,680,508
Fund Balances, July 1, 2016	702,500	1,903,028	5,796,571	3,893,543
Fund Balances, June 30, 2017	$ 0	$ 0	$ 6,574,051	$ 6,574,051

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business - Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
ASSETS:							
Current Assets:							
Cash	$ 0	$ 0	$ 10,507	$ 0	$ 200	$ 10,707	$ 0
Equity in Pooled Cash and Investments	6,500,775	3,639,935	0	0	1,280,668	11,421,378	7,542,393
Accounts Receivable, Net	1,932,054	1,824,592	72,233	88,876	609,005	4,526,760	235,964
Accrued Interest Receivable	3,724	10,018	0	1,597	930	16,269	177
Due from Other Governments	346,926	65,587	0	0	0	412,513	0
Inventories	489,952	0	11,391	0	109,149	610,492	409,381
Prepaids	135,771	46,843	7,340	0	0	189,954	777,334
Total Current Assets	9,409,202	5,586,975	101,471	90,473	1,999,952	17,188,073	8,965,249
Noncurrent Assets:							
Restricted Assets:							
Cash	875,733	445,838	0	230,927	107,634	1,660,132	0
Cash from Unspent Bonds	5,794,206	16,683,963	0	943,413	1,143,828	24,565,410	0
Long Term Certificates of Deposit	0	0	0	0	0	0	1,000,000
Investments	202,205	312,129	0	135,977	21,024	671,335	3,075,092
Total Restricted Assets	6,872,144	17,441,930	0	1,310,317	1,272,486	26,896,877	4,075,092
Capital Assets:							
Land	853,388	1,167,851	845,711	1,515,497	3,682,972	8,065,419	14,695
Buildings and Systems	119,944,077	210,939,481	19,272,330	39,530,846	2,594,683	392,281,417	14,897
Improvements Other Than Buildings	0	0	0	2,865,257	7,745,451	10,610,708	0
Software	141,493	88,304	0	0	80,720	310,517	0
Machinery and Equipment	1,130,908	1,421,527	163,567	1,336,049	2,955,981	7,008,032	30,557,177
Construction in Progress	22,099,477	13,647,348	0	3,287,692	2,962,617	41,997,134	0
Less: Accumulated Depreciation	(49,640,378)	(82,702,489)	(2,657,529)	(15,085,520)	(7,812,217)	(157,898,133)	(20,568,339)
Total Capital Assets	94,528,965	144,562,022	17,624,079	33,449,821	12,210,207	302,375,094	10,018,430
Other Assets:							
Prepaid Landfill Closure Costs	0	0	0	0	245,334	245,334	0
Deposits	0	0	0	0	0	0	76,994
Total Other Assets	0	0	0	0	245,334	245,334	76,994
Total Noncurrent Assets	101,401,109	162,003,952	17,624,079	34,760,138	13,728,027	329,517,305	14,170,516
Total Assets	110,810,311	167,590,927	17,725,550	34,850,611	15,727,979	346,705,378	23,135,765
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows Related to Refunding	111,764	225,352	707,658	857,621	48,671	1,951,066	0
Deferred Outflows Related to Pensions	840,675	546,794	20,849	0	460,798	1,869,116	0
Total Deferred Outflows of Resources	952,439	772,146	728,507	857,621	509,469	3,820,182	0

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business - Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
LIABILITIES:							
Current Liabilities:							
Accounts Payable	451,448	1,539,304	114,164	52,080	565,851	2,722,847	205,199
Due to Other Governments	137,887	97,473	6,377	0	0	241,737	0
Due to Other Funds	0	0	912,492	734,537	1,524,138	3,171,167	595,963
Compensated Absences Payable	280,908	187,960	15,730	0	146,961	631,559	108,702
Retainages Payable	885,521	417,523	0	145,927	53,759	1,502,730	0
Accrued Interest Payable	225,062	512,766	175,049	180,245	63,736	1,156,858	0
General Obligation Bonds - Current	1,884,866	4,123,815	905,646	883,260	371,746	8,169,333	0
State Revolving Loan Current	462,600	0	0	0	0	462,600	0
Unearned Revenue	0	0	31,920	0	0	31,920	0
Other Payables	446,825	21,262	0	0	0	468,087	3,643,548
Total Current Liabilities	4,775,117	6,900,103	2,161,378	1,996,049	2,726,191	18,558,838	4,553,412
Noncurrent Liabilities:							
General Obligation Bonds Payable (Net of Discounts and Premiums)	23,879,209	52,602,734	15,867,835	15,205,851	5,312,560	112,868,189	0
State Revolving Loan Payable	12,409,081	0	0	0	0	12,409,081	0
OPEB Liability	1,526,097	935,187	46,470	0	758,144	3,265,898	0
Post Closure Liablility	0	0	0	0	0	0	0
Pension Liability	2,475,884	1,602,087	73,420	0	1,360,351	5,511,742	0
Total Noncurrent Liabilities	40,290,271	55,140,008	15,987,725	15,205,851	7,431,055	134,054,910	0
Total Liabilities	45,065,388	62,040,111	18,149,103	17,201,900	10,157,246	152,613,748	4,553,412
DEFERRED INFLOWS OF RESOURCES:							
Deferred Inflows Related to Pensions	256,065	152,366	4,318	0	149,212	561,961	0
Total Deferred Inflows of Resources	256,065	152,366	4,318	0	149,212	561,961	0
NET POSITION:							
Net Investment in Capital Assets	61,687,415	104,519,436	850,598	18,304,123	7,669,729	193,031,301	10,018,430
Restricted for Debt Service	202,205	312,129	0	10,351	19,190	543,875	0
Restricted for Capital Improvements	0	0	0	226,083	88,079	314,162	0
Unrestricted	4,551,677	1,339,031	(549,962)	(34,225)	(1,846,008)	3,460,513	8,563,923
Total Net Position	$ 66,441,297	$ 106,170,596	$ 300,636	$ 18,506,332	$ 5,930,990	$ 197,349,851	$ 18,582,353

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, 2017

	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	$ 13,115,947	$ 14,202,929	$ 1,258,944	$ 435,600	$ 5,611,360	$ 34,624,780	$ 23,521,152
Penalties and Fines	470,181	153,069	0	0	(300)	622,950	0
Miscellaneous	57,296	7,875	78,130	0	1,610	144,911	648,390
Total Operating Revenue	13,643,424	14,363,873	1,337,074	435,600	5,612,670	35,392,641	24,169,542
OPERATING EXPENSES:							
Operating Costs	7,846,593	5,270,786	1,869,170	820,048	6,682,304	22,488,901	22,039,853
Depreciation	3,053,247	4,981,603	677,409	1,349,776	583,849	10,645,884	2,126,058
Total Operating Expenses	10,899,840	10,252,389	2,546,579	2,169,824	7,266,153	33,134,785	24,165,911
Operating Income (Loss)	2,743,584	4,111,484	(1,209,505)	(1,734,224)	(1,653,483)	2,257,856	3,631
NONOPERATING REVENUES (EXPENSES):							
Investment Earnings	69,782	181,072	0	12,549	13,147	276,550	38,472
Federal Interest Subsidy	53,917	80,884	7,391	13,550	12,135	167,877	0
Interest Expense	(451,786)	(1,395,762)	(516,018)	(430,674)	(123,446)	(2,917,686)	0
Gain (Loss) on Disposal of Capital Assets	0	0	0	0	0	0	85,882
Bond Issue Cost	(37,486)	(79,114)	0	(37,168)	0	(153,768)	0
Total Nonoperating Revenues (Expenses)	(365,573)	(1,212,920)	(508,627)	(441,743)	(98,164)	(2,627,027)	124,354
Income (Loss) Before Capital Contributions and Transfers	2,378,011	2,898,564	(1,718,132)	(2,175,967)	(1,751,647)	(369,171)	127,985
Capital Contributions	996,353	713,504	0	0	0	1,709,857	0
Transfers In	144,141	0	2,041,151	1,661,499	2,728,511	6,575,302	0
Transfers Out	(1,581,052)	(1,509,477)	(42,549)	0	(97,571)	(3,230,649)	0
Change in Net Position	1,937,453	2,102,591	280,470	(514,468)	879,293	4,685,339	127,985
Net Position, July 1, 2016	64,503,844	104,068,005	20,166	19,020,800	5,051,697	192,664,512	18,454,368
Net Position, June 30, 2017	$ 66,441,297	$ 106,170,596	$ 300,636	$ 18,506,332	$ 5,930,990	$ 197,349,851	$ 18,582,353

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, 2017

	Business - Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Aquatic Center	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Customers and Users	$ 13,313,864	$ 13,906,625	$ 1,347,947	$ 435,910	$ 5,242,952	$ 34,247,298	$ 0
Receipts from Interfund Services Provided	166,301	306,483	9,117	0	127,463	609,364	24,058,213
Payments to Suppliers	(5,597,660)	(1,237,960)	(1,271,569)	(743,373)	(3,704,345)	(12,554,907)	(22,063,652)
Payments to Employees	(4,271,279)	(2,968,843)	(580,950)	0	(2,772,051)	(10,593,123)	(1,614,231)
Net Cash Provided (Used) by Operating Activities	3,611,226	10,006,305	(495,455)	(307,463)	(1,105,981)	11,708,632	380,330
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers from Other Funds	144,141	0	2,041,151	1,661,499	2,728,511	6,575,302	0
Transfers to Other Funds	(1,581,052)	(1,509,477)	(42,549)	0	(97,571)	(3,230,649)	0
Advances From Other Funds	2,425,283	0	(220,701)	691,487	275,098	3,171,167	72,177
Net Cash Provided (Used) by Noncapital Financing Activities	988,372	(1,509,477)	1,777,901	2,352,986	2,906,038	6,515,820	72,177
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Proceeds from Capital Debt	12,507,371	7,450,000	0	3,500,000	0	23,457,371	0
Capital Transfers from Other Funds	0	0	0	0	0	0	0
Intergovernmental Revenue for Capital Projects	1,055,091	577,452	0	0	0	1,632,543	0
Acquisition and Construction of Capital Assets	(12,734,557)	(12,301,426)	(13,447)	(3,392,081)	(1,275,020)	(29,716,531)	(1,113,426)
Principal Paid on Capital Debt	(2,056,050)	(4,235,337)	(879,664)	(735,198)	(482,835)	(8,389,084)	0
Interest Paid on Capital Debt	(421,473)	(1,453,869)	(486,485)	(329,695)	(111,009)	(2,802,531)	0
Proceeds from Sales of Capital Assets	0	0	0	0	0	0	85,882
Net Cash Used by Capital and Related Financing Activities	(1,649,618)	(9,963,180)	(1,379,596)	(956,974)	(1,868,864)	(15,818,232)	(1,027,544)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from Sales and Maturities of Investments	0	0	0	0	0	0	0
Purchase of Investments	(56,277)	(155,142)	0	(30,048)	(12,836)	(254,303)	(714,955)
Interest Received	71,299	182,823	0	10,952	12,800	277,874	38,458
Net Cash Provided (Used) by Investing Activities	15,022	27,681	0	(19,096)	(36)	23,571	(676,497)
Net Increase (Decrease) In Cash and Cash Equivalents	2,965,002	(1,438,671)	(97,150)	1,069,453	(68,843)	2,429,791	(1,251,534)
Cash and Cash Equivalents, July 1, 2016	10,205,712	22,208,407	107,657	104,887	2,601,173	35,227,836	8,793,927
Cash and Cash Equivalents, June 30, 2017	$ 13,170,714	$ 20,769,736	$ 10,507	$ 1,174,340	$ 2,532,330	$ 37,657,627	$ 7,542,393

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017

	Business - Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Aquatic Center	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating Income (Loss)	$ 2,743,584	$ 4,111,484	$ (1,209,505)	$ (1,734,224)	$ (1,653,483)	$ 2,257,856	$ 3,631
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	3,053,247	4,981,603	677,409	1,349,776	583,849	10,645,884	2,126,058
(Increase) Decrease in Assets:							
Accounts Receivable	(276,493)	(150,764)	21,580	310	(242,255)	(647,622)	(111,329)
Inventory	29,470	0	(2,667)	0	(2,402)	24,401	(4,211)
Prepaids and Deposits	(96,449)	(46,843)	(7,340)	0	42,568	(108,064)	(458,981)
Increase (Decrease) in Liabilities:							
Accounts Payable	(2,445,207)	713,637	18,869	(69,252)	147,069	(1,634,884)	(220,583)
Claims Payable	0	0	0	0	0	0	(60,963)
Benefits Payable	0	0	0	0	0	0	(892,494)
Pension Liabilities and Deferrals	(63,443)	(41,649)	(2,563)	0	(34,398)	(142,053)	0
Compensated Absences Payable	10,170	(3,836)	(1,124)	0	6,236	11,446	(798)
OPEB Liability	122,041	82,906	10,402	0	78,001	293,350	0
Other Payables	109,679	6,623	0	0	0	116,302	0
Unearned Revenue	0	0	(516)	0	0	(516)	0
Retainages Payable	424,627	353,144	0	145,927	(31,166)	892,532	0
Net Cash Provided (Used) by Operating Activities	$ 3,611,226	$ 10,006,305	$ (495,455)	$ (307,463)	$ (1,105,981)	$ 11,708,632	$ 380,330
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:							
Cash	$ 0	$ 0	$ 10,507	$ 0	$ 200	$ 10,707	$ 0
Equity in Pooled Cash and Investments	6,500,775	3,639,935	0	0	1,280,668	11,421,378	7,542,393
Restricted Cash from Unspent Bonds	5,794,206	16,683,963	0	943,413	1,143,828	24,565,410	0
Restricted Cash	875,733	445,838	0	230,927	107,634	1,660,132	0
Cash and Cash Equivalents, June 30, 2017	$ 13,170,714	$ 20,769,736	$ 10,507	$ 1,174,340	$ 2,532,330	$ 37,657,627	$ 7,542,393
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:							
Capital Assets Contributed by Developers	$ 189,048	$ 391,014	$ 0	$ 0	$ 0	$ 580,062	$ 0
Federal Interest Subsidy Paid Directly to Bank	$ 53,917	$ 80,884	$ 7,391	$ 13,550	$ 12,135	$ 167,877	$ 0

See accompanying notes to the basic financial statements.

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.

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.

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.

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.

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

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

2. 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.

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 estimated fair market value at the date of donation.

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.

Interest incurred during the construction phase of capital assets related to business-type activities is included as part of the capitalized value of the assets constructed. Debt service interest for business-type activities totaled $3,771,282. The amount expensed was $2,917,686 and the amount capitalized was $853,596. The detailed amounts in the respective funds are as follows:

	Water Fund	Sewer Fund	Solid Waste Management Fund	Storm Water Management Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Cattails at MeadowView Golf Course Fund	Total Business - Type Activities
Interest Expensed	$ 451,786	$ 1,395,762	$ 91,519	$ 16,228	$ 516,018	$ 430,674	$ 15,699	$ 2,917,686
Capitalized Interest	432,408	274,633	50,248	36,623	0	59,684	0	853,596
Debt Service Interest	$ 884,194	$ 1,670,395	$ 141,767	$ 52,851	$ 516,018	$ 490,358	$ 15,699	$ 3,771,282

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

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

6. Compensated absences

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

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

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, 2017 are as follows:

Compensated Absences, July 1, 2016	$ 4,093,919
Compensated Absences Earned - FY 2017	3,681,994
Compensated Absences Used - FY 2017	(3,484,704)
Compensated Absences, June 30, 2017	$ 4,291,209

7. Long-term obligations

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

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

8. Net position

The City's net position is classified as follows:

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

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

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

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.

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 two items that qualify for reporting in this category; deferred outflows related to refunding and deferred outflows related to pensions. Both are reported in the government-wide statement of net position and the statement of net position for proprietary funds. These items result from the differences in the carrying value of refunded debt and its reacquisition price and from the requirements recognized under GASB 68 for pensions. The deferred outflows related to refunding amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions reflect payments made by the City not currently recognized by the pension plans.

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 three types of deferred inflows. One item occurs only under a modified accrual basis of accounting. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes in both the General Fund and General Purpose School Fund, as well as the Hall Income Tax in the General Fund and other receivables not collected within 60 days of year-end and property taxes collected in advance of their due date. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item relates to unearned property taxes recorded in advance of the year in which they are intended to fund operations. This item is a deferred inflow in both the governmental fund balance sheet and the entity wide statement of net position. The third item relates to the recognition of employee pensions as required under GASB 68. This item is a deferred inflow found in the entity wide statement of net position.

	Entity- Wide Statements Governmental	Governmental Funds Statements
Property Taxes Receivable - General Fund (unavailable)	$ 0	$ 1,096,223
Property Taxes Receivable - General Fund (unearned / unavailable)	37,280,532	37,280,532
Hall Income Taxes Receivable - General Fund (unearned / unavailable)	433,636	433,636
Property Taxes Receivable - School Fund (unearned / unavailable)	17,600,000	17,600,000
	$ 55,314,168	$ 56,410,391

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.

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 $332,399,872 difference are as follows:

Governmental funds capital assets	$ 609,841,404
Less: accumulated depreciation	(277,441,532)
Net adjustment to increase *fund balances – total governmental funds* to arrive at *net position – governmental activities*	$ 332,399,872

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 $(210,265,157) difference are as follows:

Bonds payable, net of premiums and discounts	$ (115,545,922)
Notes payable	(5,733,810)
Compensated absences	(3,247,579)
OPEB liability	(48,787,590)
Accrued interest payable	(1,262,192)
Pension liability	(35,688,064)
Net adjustment to reduce *fund balances – total governmental funds* to arrive at *net position – governmental activities*	$ (210,265,157)

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 $16,447,255 difference are as follows:

Capital outlays	$ 31,017,522
Depreciation expense	(14,570,267)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$ 16,447,255

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 $(1,439,816) difference are as follows:

Capital asset donations reported in statement of activities	$	252,454
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		(1,603,675)
Asset disposals		(88,595)
Net adjustment to reduce *net changes in fund balances – total governmental funds* to arrive at *changes in net* position *of governmental activities*	$	(1,439,816)

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 $25,643 difference are as follows:

Unearned property taxes as of June 30, 2017	$	1,096,223
Prior years' unearned property taxes		(1,070,580)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net* position *of governmental activities*	$	25,643

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 $127,985 difference are as follows:

Investment earnings	$	38,472
Gain on disposal of capital assets		85,882
Operating gain		3,631
Net transfers in		0
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net* position *of governmental activities*	$	127,985

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 $(109,359) difference are as follows:

Principal payments	$	7,953,385
Inter-local cooperative agreement payments		120,000
Principal payments on HUD Loan		43,000
Issuance of general obligation bonds and notes payable		(7,821,325)
Premium on issuance of general obligation bonds		(648,278)
Amortization of premiums, discounts and refunding costs		243,859
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net position* of *governmental activities*	$	(109,359)

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, 2017 are as follows:

	Major Governmental Funds					
Fund Balances:	General Fund	General Purpose Schools Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Non-spendable:						
Inventory	$ 2,448	$ 2,452	$ 0	$ 0	$ 156,148	$ 161,048
Prepaids	21,942	1,370	0	0	0	23,312
Allandale Trust Principal	0	0	0	0	152,692	152,692
Total Non-spendable	24,390	3,822	0	0	308,840	337,052
Restricted for:						
Unspent Bond Proceeds	0	0	0	36,919,593	0	36,919,593
Unspent Federal Forfeitures	0	0	0	0	97,351	97,351
Unspent Hotel Tax	0	0	0	0	91,453	91,453
Total Restricted	0	0	0	36,919,593	188,804	37,108,397
Assigned to:						
Fund Balance Allocations	158,541	0	0	0	0	158,541
Future Industrial Park	20,927	0	0	0	0	20,927
Debt Service	0	0	131,682	0	0	131,682
Capital Projects	0	0	0	4,120,309	0	4,120,309
Other Projects	0	0	0	0	1,119,485	1,119,485
Community Development	0	0	0	0	16,471	16,471
Allandale Fund	0	0	0	0	46,564	46,564
Education:						
General Purpose School Fund	0	6,570,229	0	0	0	6,570,229
School Nutrition Fund	0	0	0	0	2,338,035	2,338,035
School Projects Fund	0	0	0	0	0	0
Palmer Center Fund	0	0	0	0	66,397	66,397
Public Safety:						
Criminal Forfeiture Fund	0	0	0	0	83,455	83,455
Drug Fund	0	0	0	0	282,463	282,463
Justice Assistance Grant Fund	0	0	0	0	0	0
Transportation:						
Federal Transit Fund	0	0	0	0	525,600	525,600
MPO Fund	0	0	0	0	42,646	42,646
State Street Aid Fund	0	0	0	0	2,682	2,682
Culture and Recreation:						
Regional Sales Tax Fund	0	0	0	0	387,707	387,707
Visitors Enhancement Fund	0	0	0	0	0	0
Steadman Cemetary Fund	0	0	0	0	10,012	10,012
Library Commission Fund	0	0	0	0	4,272	4,272
Bays Mountain Park Fund	0	0	0	0	204,672	204,672
Senior Citizens Fund	0	0	0	0	153,063	153,063
Total Assigned	179,468	6,570,229	131,682	4,120,309	5,283,524	16,285,212
Unassigned:	13,911,298	0	0	0	0	13,911,298
Total Fund Balances	$ 14,115,156	$ 6,574,051	$ 131,682	$ 41,039,902	$ 5,781,168	$ 67,641,959

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2017, there were no instances of expenditures exceeding appropriations in any funds.

C. Deficit fund equity

For the fiscal year ended June 30 2017, the Solid Waste Management Fund reports a deficit total net position in the amount of, $(1,507). For the fiscal year ended June 30, 2017 the Solid Waste Management Fund had a positive change in net position of $496,406. This positive change is a result of the City implemented monthly sanitation fee and continued transfers from the General Fund.

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

There were no instances of deficit fund equity in any additional funds of the City at June 30, 2017.

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, 2017, 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, 2017, the City's carrying amount of deposits was $104,611,218 and the bank balance was $107,070,041.

The carrying amount of deposits at June 30, 2017 for the IDBK, a discretely presented component unit, was $1,340,740 and the bank balance was $1,340,740. The IDBK's deposits in financial institutions were entirely insured through FDIC or collateralized through the Tennessee Bank Collateral Pool at June 30, 2017.

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, 2017.

The carrying amount of deposits at June 30, 2017 for the ECD was $1,573,848 and the deposits in financial institutions were $1,647,883.

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).

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and investments (continued)

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

At June 30, 2017, the City's carrying amount for investments are as follows:

Investment Type	Fair Value	Weighted Average Maturity (in Years)
Certificate of Deposit	$ 1,250,692	0.76
Tennessee Local Government Investment Pool	4,282,910	0.12
Total	$ 5,533,602	

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, 2017.

Concentration of Credit Risk

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

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

Receivables as of June 30, 2017 for the City's individual major funds, non-major funds, and internal service funds in the aggregate, and for the component units in total, including the applicable allowances for uncollectible accounts, are as follows:

	General	General Purpose School	Capital Projects	Water	Sewer	Aquatic Center	MeadowView Conference Resort and Convention Center	Non-Major Governmental	Non-Major Business-Type	Internal Service	Total Primary Government	Component Units
Receivables:												
Taxes	$ 39,027,611	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 39,027,611	$ 0
Accounts	1,365,497	115,381	0	2,009,373	2,105,520	72,233	88,876	41,714	742,940	235,964	6,777,498	6,975
Intergovernmental	5,498,339	21,577,910	529,742	346,926	65,587	0	0	2,083,662	0	0	30,102,166	0
Gross receivables	45,891,447	21,693,291	529,742	2,356,299	2,171,107	72,233	88,876	2,125,376	742,940	235,964	75,907,275	6,975
Less: Allowances for uncollectibles	(946,418)	(58,538)	0	(77,319)	(280,928)	0	0	0	(133,935)	0	(1,497,138)	0
Net total receivables	$ 44,945,029	$ 21,634,753	$ 529,742	$ 2,278,980	$ 1,890,179	$ 72,233	$ 88,876	$ 2,125,376	$ 609,005	$ 235,964	$ 74,410,137	$ 6,975

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	$ 20,705
Uncollectibles related to general activities	(38,436)
Uncollectibles related to school activities	(5,251)
Uncollectibles related to water sales	(3,723)
Uncollectibles related to sewer charges	32,303
Uncollectibles related to solid waste charges	(18,496)
Uncollectibles related to storm water management fees	(445)
Uncollectibles related to internal service funds activities	520
Total uncollectibles of the current fiscal year	$ (12,823)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets

Capital asset activity for the year ended June 30, 2017, was as follows:

Primary government

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 32,226,534	$ 126,500	$ (81,893)	$ 0	$ 32,271,141
Construction in Progress	18,271,076	28,201,939	(11,245,006)	26,915	35,254,924
Total capital assets, not being depreciated	50,497,610	28,328,439	(11,326,899)	26,915	67,526,065
Capital assets, being depreciated:					
Buildings	186,473,472	169,721	(12,237)	0	186,630,956
Improvements other than buildings	25,595,304	8,434,854	(5,360)	0	34,024,798
Equipment	55,086,922	3,622,227	(1,488,098)	0	57,221,051
Software	908,338	110,368	(39,900)	0	978,806
Infrastructure	292,617,695	1,428,802	0	0	294,046,497
Total capital assets, being depreciated	560,681,731	13,765,972	(1,545,595)	0	572,902,108
Less accumulated depreciation for:					
Buildings	(88,355,694)	(5,031,833)	12,237	0	(93,375,290)
Improvements other than buildings	(15,010,872)	(1,256,313)	5,360	0	(16,261,825)
Equipment	(35,575,701)	(4,249,843)	1,384,803	0	(38,440,741)
Software	(614,821)	(111,028)	39,900	0	(685,949)
Infrastructure	(143,198,758)	(6,047,308)	0	0	(149,246,066)
Total accumulated depreciation	(282,755,846)	(16,696,325)	1,442,300	0	(298,009,871)
Total capital assets, being depreciated, net	277,925,885	(2,930,353)	(103,295)	0	274,892,237
Governmental activities capital assets, net	$ 328,423,495	$ 25,398,086	$ (11,430,194)	$ 26,915	$ 342,418,302

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

Governmental activities:	
General government	$ 1,507,508
Economic and physical development	21,684
Public safety	1,666,035
Public works	7,352,690
Culture and recreation	2,182,529
Education	3,965,879
Total depreciation expense - governmental activities	$ 16,696,325

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets (continued)

Primary government (continued)

	Beginning Balance	Additions	Deletions	Adjustments	Amount
Business-type activities:					
Capital assets, not being depreciated:					
Water					
Land	$ 843,351	$ 10,037	$ 0	$ 0	$ 853,388
Construction in Progress	13,301,192	12,228,494	(3,430,209)	0	22,099,477
Sewer					
Land	1,167,851	0	0	0	1,167,851
Construction in Progress	5,498,787	11,971,454	(3,822,893)	0	13,647,348
Solid Waste Management					
Land	1,716,309	0	0	0	1,716,309
Construction in Progress	1,294,881	302,713	0	0	1,597,594
Storm Water					
Land	977,763	7,300	0	0	985,063
Construction in Progress	559,442	850,933	(45,352)	0	1,365,023
Aquatic Center					
Land	845,711	0	0	0	845,711
Construction in Progress	0	0	0	0	0
Meadowview Conference Resort and Convention Center					
Land	1,515,497	0	0	0	1,515,497
Construction in Progress	70,488	3,217,204	0	0	3,287,692
Cattails at Meadowview Golf Course					
Land	981,600	0	0	0	981,600
Construction in Progress	0	0	0	0	0
Total capital assets, not being depreciated	28,772,872	28,588,135	(7,298,454)	0	50,062,553
Capital assets, being depreciated:					
Water					
Buildings and system	115,863,905	4,090,209	(10,037)	0	119,944,077
Equipment and machinery	1,107,616	35,114	(11,822)	0	1,130,908
Software	141,493	0	0	0	141,493
Sewer					
Buildings and system	206,453,140	4,486,341	0	0	210,939,481
Equipment and machinery	1,363,989	57,538	0	0	1,421,527
Software	88,304	0	0	0	88,304
Solid Waste Management					
Buildings and system	314,558	50,248	0	0	364,806
Improvements other than Buildings	1,177,264	0	0	0	1,177,264
Equipment and machinery	2,141,516	0	0	0	2,141,516
Software	6,750	0	0	0	6,750
Storm Water					
Buildings and system	717,794	72,938	0	0	790,732
Improvements other than Buildings	534,297	0	0	0	534,297
Equipment and machinery	312,934	0	0	0	312,934
Software	68,125	5,845	0	0	73,970
Aquatic Center					
Buildings and system	19,272,330	0	0	0	19,272,330
Equipment and machinery	150,120	13,447	0	0	163,567
MeadowView Conference Resort and Convention Center					
Buildings	39,471,162	59,684	0	0	39,530,846
Improvements other than Buildings	2,865,257	0	0	0	2,865,257
Equipment	1,220,856	115,193	0	0	1,336,049
Cattails at MeadowView Golf Course					
Buildings	1,439,145	0	0	0	1,439,145
Improvements other than Buildings	6,033,890	0	0	0	6,033,890
Equipment	471,136	30,395	0	0	501,531
Total capital assets, being depreciated	401,215,581	9,016,952	(21,859)	0	410,210,674

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets (continued)

Primary government (continued)

	Amount	Additions	Deletions	Adjustments	Amount
Less accumulated depreciation for:					
Water					
Buildings and system	(45,657,354)	(2,960,216)	0	0	(48,617,570)
Equipment and machinery	(863,658)	(78,014)	11,819	0	(929,853)
Software	(77,938)	(15,017)	0	0	(92,955)
Sewer					
Buildings and system	(76,948,216)	(4,883,361)	0	0	(81,831,577)
Equipment and machinery	(757,953)	(80,581)	0	0	(838,534)
Software	(14,717)	(17,661)	0	0	(32,378)
Solid Waste Management					
Buildings and system	(129,447)	(12,008)		0	(141,455)
Improvements other than Buildings	(1,177,264)	0	0	0	(1,177,264)
Equipment and machinery	(937,565)	(221,819)	0	0	(1,159,384)
Software	(2,813)	(1,350)	0	0	(4,163)
Storm Water					
Buildings and system	(22,514)	(19,665)	0	0	(42,179)
Improvements other than Buildings	(142,479)	(35,620)	0	0	(178,099)
Equipment and machinery	(53,894)	(44,662)	0	0	(98,556)
Software	(14,786)	(14,112)	0	0	(28,898)
Aquatic Center					
Buildings and system	(1,925,280)	(646,948)	0	0	(2,572,228)
Equipment and machinery	(54,840)	(30,461)	0	0	(85,301)
MeadowView Conference Resort and Convention Center					
Buildings	(11,722,823)	(1,137,650)	0	0	(12,860,473)
Improvements other than Buildings	(882,595)	(169,933)		0	(1,052,528)
Equipment	(1,130,326)	(42,193)	0	0	(1,172,519)
Cattails at MeadowView Golf Course					
Buildings	(430,072)	(41,102)	0	0	(471,174)
Improvements other than Buildings	(3,886,009)	(182,624)	0	0	(4,068,633)
Equipment	(431,525)	(10,887)	0	0	(442,412)
Total accumulated depreciation	(147,264,068)	(10,645,884)	11,819	0	(157,898,133)
Total capital assets, being depreciated, net	253,951,513	(1,628,932)	(10,040)	0	252,312,541
Business-type activities capital assets, net	$ 282,724,385	$ 26,959,203	$ (7,308,494)	$ 0	$ 302,375,094

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

Business-type activities:	
Water	$ 3,053,247
Sewer	4,981,603
Solid Waste Management	235,177
Storm Water	114,059
Aquatic Center	677,409
MeadowView Conference Resort and Convention Center	1,349,776
Cattails at MeadowView Golf Course	234,613
Total depreciation expense - business-type activities	$ 10,645,884

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, 2017. 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, $11,600,721 through city bonded debt and $25,318,872 through county bonded debt for school projects. In the proprietary funds, funding for construction projects has been provided and is in segregated deposit and investment accounts totaling $24,565,410. 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, 2017:

		Business-Type					
	Governmental	Water	Sewer	Aquatic Center	MeadowView Conference Center	Other Enterprise Funds	Total Business-Type
Capital Assets	$ 640,428,173	$ 144,169,343	$ 227,264,511	$ 20,281,608	$ 48,535,341	$ 20,022,424	$ 460,273,227
Less Accumulated Depreciation	(298,009,871)	(49,640,378)	(82,702,489)	(2,657,529)	(15,085,520)	(7,812,217)	(157,898,133)
Net Capital Assets	342,418,302	94,528,965	144,562,022	17,624,079	33,449,821	12,210,207	302,375,094
Total Debt	121,279,732	38,635,756	56,726,549	16,773,481	16,089,111	5,684,306	133,909,203
Less Debt not related to Capital Assets	0	0	0	0	0	0	0
Less Capital related unspent debt proceeds	(11,600,721)	(5,794,206)	(16,683,963)	0	(943,413)	(1,143,828)	(24,565,410)
Total Capital Debt	109,679,011	32,841,550	40,042,586	16,773,481	15,145,698	4,540,478	109,343,793
Net Investment in Capital Assets	$ 232,739,291	$ 61,687,415	$ 104,519,436	$ 850,598	$ 18,304,123	$ 7,669,729	$ 193,031,301

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, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 2,063,238	$ 0	$ (863,000)	$ 1,200,238
Construction in Progress	187,450	78,727	(266,177)	0
Total capital assets, not being depreciated	2,250,688	78,727	(1,129,177)	1,200,238
Capital assets, being depreciated:				
Buildings	10,433,063	0	(2,537,000)	7,896,063
Improvements other than buildings	262,506	266,177	0	528,683
Signs	55,422	0	0	55,422
Total capital assets, being depreciated	10,750,991	266,177	(2,537,000)	8,480,168
Less accumulated depreciation for:				
Buildings	(477,062)	(232,328)	343,017	(366,373)
Improvements other than buildings	(67,398)	(26,794)	0	(94,192)
Signs	(55,422)	0	0	(55,422)
Total accumulated depreciation	(599,882)	(259,122)	343,017	(515,987)
Total capital assets, being depreciated, net	10,151,109	7,055	(2,193,983)	7,964,181
IDBK capital assets, net	$ 12,401,797	$ 85,782	$ (3,323,160)	$ 9,164,419

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, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 242,010	$ 0	$ 0	$ 242,010
Construction in Progress	0	0	0	0
Total capital assets, not being depreciated	242,010	0	0	242,010
Capital assets, being depreciated:				
Building	2,022,110	0	0	2,022,110
Furniture and Fixtures	211,978	1,968	0	213,946
Office Equipment	71,894	0	0	71,894
Communications Equipment	671,706	61,338	0	733,044
Other Fixed Assets	114,926	0	0	114,926
Total capital assets, being depreciated	3,092,614	63,306	0	3,155,920
Less accumulated depreciation for:				
Building	(37,915)	(50,552)	0	(88,467)
Furniture and Fixtures	(17,524)	(21,198)	0	(38,722)
Office Equipment	(60,942)	(2,826)	0	(63,768)
Communications Equipment	(473,921)	(106,988)	0	(580,909)
Other Fixed Assets	(32,978)	(5,692)	0	(38,670)
Total accumulated depreciation	(623,280)	(187,256)	0	(810,536)
Total capital assets, being depreciated, net	2,469,334	(123,950)	0	2,345,384
ECD capital assets, net	$ 2,711,344	$ (123,950)	$ 0	$ 2,587,394

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Inter-fund receivables, payables, and transfers

The composition of Interfund balances as of June 30, 2017, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund (major)	Aquatic Center Fund (major)	$ 912,492
	Community Development (nonmajor)	5,342
	Fleet Maintenance Fund (nonmajor)	595,963
	M P O Fund (nonmajor)	28,166
	MeadowView Conference Resort & Convention Center Fund (major)	734,537
	Regional Sales Tax Fund (nonmajor)	263,139
	Solid Waste Fund (nonmajor)	851,011
	State Street Aid Fund (nonmajor)	92,673
	Storm Water Management Fund (nonmajor)	673,127
		4,156,450
General Purpose School Fund (major)	Public Law 93-380 Fund (nonmajor)	322,993
	Special School Projects Fund (nonmajor)	128,032
		451,025
Total		$ 4,607,475

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

Interfund transfers

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

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	MeadowView Conference Resort and Convention Center	Nonmajor Proprietary	Total Proprietary	Total Internal Service	Total
General	$ 0	$ 13,322,715	$ 8,142,683	$ 4,654,208	$ 2,748,100	$ 28,867,706	$ 0	$ 500,000	$ 0	$ 2,289,900	$ 2,789,900	$ 0	$ 31,657,606
General Purpose School	228,628	0	3,411,067	46,045,497	90,108	49,775,300	0	0	0	0	0	0	49,775,300
Capital Projects	0	0	159,575	0	0	159,575	0	0	0	0	0	0	159,575
Nonmajor Governmental	127,843	28,418	0	227,960	0	384,221	0	1,541,151	1,661,499	438,611	3,641,261	0	4,025,482
Total Governmental	356,471	13,351,133	11,713,325	50,927,665	2,838,208	79,186,802	0	2,041,151	1,661,499	2,728,511	6,431,161	0	85,617,963
Water	1,581,052	0	0	0	0	1,581,052	0	0	0	0	0	0	1,581,052
Sewer	1,383,131	0	0	0	0	1,383,131	126,346	0	0	0	126,346	0	1,509,477
Aquatic Center	42,549	0	0	0	0	42,549	0	0	0	0	0	0	42,549
Non Major Proprietary	79,776	0	0	0	0	79,776	17,795	0	0	0	17,795	0	97,571
Total Proprietary	3,086,508	0	0	0	0	3,086,508	144,141	0	0	0	144,141	0	3,230,649
Total Internal Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	$ 3,442,979	$ 13,351,133	$ 11,713,325	$ 50,927,665	$ 2,838,208	$ 82,273,310	$ 144,141	$ 2,041,151	$ 1,661,499	$ 2,728,511	$ 6,575,302	$ 0	$ 88,848,612

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 4, 2016, the City issued General Obligation Public Improvement Bonds, Series 2016 with a par value of $21,335,000 and an average interest rate of 3.45%. The proceeds were used to fund certain public works projects consisting of the acquisition of public art; the acquisition, construction, improvement and renovation of public school facilities; road, street, parking, and sidewalk construction, improvement and expansion, including Bays Mountain road stabilization and Greenbelt improvements; the acquisition, construction, renovation, improvement and equipping of public buildings within the Municipality, including renovations to the library and Allandale, and including improvements to the public transit center and bus garage; acquisition of public works equipment, including firefighting equipment, a fire station generator, improvements to the firehouse technology system infrastructure, park maintenance equipment, traffic light upgrades, and mowing equipment; acquisition, construction, and improvement of public parks and recreational facilities, including Bays Mountain dam repair and Centennial Park fountain; renovation and improvement of the Meadowview Conference Center ballroom; 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 paying legal, fiscal, administrative, and engineering costs, reimbursing the Municipality for the costs of any of the above projects, paying capitalized interest, and paying costs incident to the issuance and sale of the bonds.

The net proceeds of $22,860,606 consisted of the par amount of the General Obligation Bonds, plus a net premium of $1,768,371, less an underwriter's discount and other issuance costs of $242,765. With the implementation of GASB 65, bond issuance costs are expensed in the year incurred.

Defeased Debt

In prior years, the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in an escrow account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2017 the following bonds outstanding are considered to be defeased:

Issue	Date Refunded	Amount Defeased	Call Date
General Obligation Bonds, Series 2008A	2/6/2015	$ 2,985,000	3/1/2018
General Obligation Bonds, Series 2008B	2/6/2015	4,455,000	3/1/2018
General Obligation Bonds, Series 2008A	10/27/2015	1,245,000	3/1/2018
General Obligation Bonds, Series 2008B	10/27/2015	1,860,000	3/1/2018
Water System Revenue and Tax Bonds, Series 2008	10/27/2015	505,000	3/1/2018
General Obligation Bonds, Series 2009A	6/3/2016	7,430,000	3/1/2019
General Obligation Bonds, Series 2009B	6/3/2016	4,335,000	3/1/2019
General Obligation Bonds, Series 2009E	6/3/2016	9,040,000	3/1/2020
Local Option Sales Tax Revenue and Tax Bonds, Series 2009C	6/3/2016	9,310,000	3/1/2019
		$ 41,165,000	

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities:

Inter-local Cooperative Agreements

The City entered into an inter-local agreement effective June 30, 2011 to contribute $720,000 to IDBK for financing incentives related to the former Quebecor property. This contribution will be paid in six installments of $120,000 per year beginning August 2011. As of June 30, 2017, $0 is outstanding.

Notes Payable

The City issued a loan with the State of Tennessee for Qualified Zone Academy Projects in November 2004 for $3,524,680 with a maturity date of November 2020. Annual principal payments are $220,293 and the interest rate is variable. As of June 30, 2017, $881,170 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, 2017, $413,067 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, 2017, $704,830 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, 2017, $598,000 is outstanding.

In December 2010, the City issued a loan with the State of Tennessee Energy Efficient Schools Initiative in the amount of $5,000,000 with an annual interest rate of .75%. Repayment began December 4, 2012. As of June 30, 2017, $3,136,743 is outstanding.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-term liabilities

Notes Payable (continued)

Governmental Activities (continued):

Payments to maturity on notes payable are as follows:

Fiscal Year Ending June 30	2004 QZAB	2005 QZAB	2009 QSCB	2010 HUD 108 Loan	2010 School Energy Efficiency Loan
2018	$ 220,292	$ 103,267	$ 77,374	$ 43,000	$ 417,658
2019	220,292	103,266	77,374	43,000	420,804
2020	220,293	103,267	77,374	43,000	423,973
2021	220,293	103,267	77,374	43,000	427,156
2022	0	0	77,374	43,000	430,374
2023	0	0	77,374	43,000	433,616
2024	0	0	77,374	43,000	436,801
2025	0	0	77,374	43,000	146,361
2026	0	0	77,374	43,000	0
2027	0	0	8,464	43,000	0
2028	0	0	0	43,000	0
2029	0	0	0	43,000	0
2030	0	0	0	43,000	0
2031	0	0	0	39,000	0
2032	0	0	0	0	0
2033	0	0	0	0	0
	$ 881,170	$ 413,067	$ 704,830	$ 598,000	$ 3,136,743

Governmental Activities (continued):

Bonds Payable

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

As previously mentioned, during the fiscal year ended June 30, 2017, the City issued General Obligation Public Improvement Bonds, Series 2016 at par value of $21,335,000. The portion of these bonds related to general governmental activities totals $7,821,325 and carry an average coupon rate of 3.45%.

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

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (Continued)

Debt Service Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2017
2007 General Obligation School and Public Improvement	08/01, 02/01	06/08/07	$ 19,360,000	4.000%-5.000%	$ 1,040,000
2008A General Obligation Public Improvement and Refunding	03/01, 09/01	06/12/08	7,480,000	3.500%-4.375%	750,000
2008B General Obligation	03/01, 09/01	06/12/08	11,165,000	3.500%-4.375%	1,120,000
2009A General Obligation Public Improvement	03/01, 09/01	01/22/09	11,507,548	2.000%-5.000%	1,092,209
2009B General Obligation	03/01, 09/01	01/22/09	7,100,000	2.000%-5.000%	680,000
2009D General Obligation Public Improvement (BABS)	03/01, 09/01	12/08/09	13,821,065	2.000%-5.000%	10,545,658
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	10,742,779	2.000%-4.000%	9,301,755
2012B General Obligation Refunding	04/01, 10/01	06/22/12	4,357,887	3.00%	1,289,445
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	4,790,338	2.000%-5.000%	3,889,260
2013 General Obligation Refunding	02/01, 05/01	02/08/13	12,177,052	2.000%-5.000%	9,530,942
2013B General Obligation Public Improvement	03/01, 09/01	10/21/13	13,406,846	2.000%-5.000%	11,910,699
2014A General Obligation Public Improvement	03/01, 09/01	10/31/14	14,596,848	2.000%-5.000%	12,788,665
2015 General Obligation Refunding	03/01, 09/01	02/06/15	17,695,000	2.000%-4.000%	17,400,000
2015A General Obligation Refunding and Improvement	03/01, 09/01	10/27/15	8,054,686	2.000%-4.000%	7,822,724
2016A General Obligation Refunding	03/01, 09/01	06/03/16	6,928,926	2.000%-4.000%	6,928,926
2016B General Obligation Refunding	03/01, 09/01	06/03/16	4,330,138	2.000%-4.000%	4,330,138
2016 General Obligation Public Improvement	03/01, 09/01	11/04/16	7,821,325	3.000%-4.000%	7,821,325
Total General Obligation Bonds (before net premiums and discounts of $7,304,176)					$ 108,241,746

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation School and Public Improvement Bonds, Series 2007, issued June 8, 2007 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 1,040,000	$ 41,600	$ 1,081,600
	$ 1,040,000	$ 41,600	$ 1,081,600

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 370,000	$ 30,000	$ 400,000
2019	380,000	15,200	395,200
	$ 750,000	$ 45,200	$ 795,200

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 550,000	$ 44,800	$ 594,800
2019	570,000	22,800	592,800
	$ 1,120,000	$ 67,600	$ 1,187,600

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 536,689	$ 38,321	$ 575,010
2019	555,520	22,221	577,741
	$ 1,092,209	$ 60,542	$ 1,152,751

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 335,000	$ 24,688	$ 359,688
2019	345,000	13,800	358,800
	$ 680,000	$ 38,488	$ 718,488

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 701,125	$ 538,635	$ 1,239,760
2019	698,509	507,084	1,205,593
2020	719,438	475,651	1,195,089
2021	742,984	442,377	1,185,361
2022	761,296	407,086	1,168,382
2023	784,842	369,972	1,154,814
2024	816,236	330,730	1,146,966
2025	816,236	289,918	1,106,154
2026	839,781	248,086	1,087,867
2027	868,558	203,997	1,072,555
2028	897,336	157,312	1,054,648
2029	931,346	106,837	1,038,183
2030	967,971	54,449	1,022,420
	$ 10,545,658	$ 4,132,134	$ 14,677,792

The GOB, Series 2009D Build America Bonds (BABS) carry an interest rate of 2.000% to 5.625%. During fiscal year 2017 the City's Debt Service Fund paid $380,859 and the Federal government paid $184,235 in interest, respectively.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 505,856	$ 302,111	$ 807,967
2019	512,512	291,994	804,506
2020	522,496	281,743	804,239
2021	535,808	266,068	801,876
2022	559,104	244,636	803,740
2023	575,744	227,863	803,607
2024	595,712	210,591	806,303
2025	612,352	192,719	805,071
2026	625,664	173,737	799,401
2027	652,288	153,402	805,690
2028	672,255	131,388	803,643
2029	692,223	107,859	800,082
2030	718,847	83,631	802,478
2031	745,472	57,034	802,506
2032	775,422	29,078	804,500
	$ 9,301,755	$ 2,753,854	$ 12,055,609

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 911,353	$ 38,683	$ 950,036
2019	378,092	11,343	389,435
	$ 1,289,445	$ 50,026	$ 1,339,471

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
2018	$ 315,001	$ 119,112	$ 434,113
2019	327,934	106,512	434,446
2020	338,229	96,674	434,903
2021	348,560	89,064	437,624
2022	358,892	78,607	437,499
2023	192,364	67,840	260,204
2024	197,494	62,069	259,563
2025	205,188	56,145	261,333
2026	210,318	49,989	260,307
2027	215,448	43,680	259,128
2028	223,142	37,216	260,358
2029	228,272	30,522	258,794
2030	235,966	23,674	259,640
2031	241,096	16,005	257,101
2032	251,356	8,169	259,525
	$ 3,889,260	$ 885,278	$ 4,774,538

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
2018	$ 979,308	$ 295,932	$ 1,275,240
2019	1,018,876	256,759	1,275,635
2020	1,048,552	226,193	1,274,745
2021	1,073,282	194,736	1,268,018
2022	830,928	162,538	993,466
2023	865,550	129,301	994,851
2024	890,280	103,334	993,614
2025	915,010	76,626	991,636
2026	939,740	53,751	993,491
2027	969,416	29,082	998,498
	$ 9,530,942	$ 1,528,252	$ 11,059,194

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
2018	$ 543,389	$ 481,846	$ 1,025,235
2019	550,699	470,978	1,021,677
2020	567,756	454,457	1,022,213
2021	596,997	426,069	1,023,066
2022	616,491	408,160	1,024,651
2023	640,858	383,500	1,024,358
2024	672,535	351,457	1,023,992
2025	638,421	317,830	956,251
2026	665,225	291,495	956,720
2027	692,029	263,223	955,252
2028	723,707	233,812	957,519
2029	752,947	204,864	957,811
2030	784,625	172,864	957,489
2031	816,302	139,517	955,819
2032	850,416	106,865	957,281
2033	882,094	72,848	954,942
2034	916,208	37,565	953,773
	$ 11,910,699	$ 4,817,350	$ 16,728,049

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
2018	$ 491,872	$ 479,108	$ 970,980
2019	508,833	464,183	973,016
2020	525,794	445,950	971,744
2021	551,236	419,024	970,260
2022	580,917	390,720	971,637
2023	602,119	370,176	972,295
2024	623,320	348,572	971,892
2025	653,002	316,664	969,666
2026	686,925	283,165	970,090
2027	720,847	251,575	972,422
2028	750,528	222,148	972,676
2029	780,210	191,533	971,743
2030	809,892	159,731	969,623
2031	843,814	126,657	970,471
2032	873,496	96,678	970,174
2033	898,938	70,092	969,030
2034	928,620	42,678	971,298
2035	958,302	14,374	972,676
	$ 12,788,665	$ 4,693,028	$ 17,481,693

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 0	$ 654,200	$ 654,200
2019	160,000	654,200	814,200
2020	1,220,000	649,400	1,869,400
2021	1,100,000	600,600	1,700,600
2022	1,145,000	556,600	1,701,600
2023	2,300,000	510,800	2,810,800
2024	2,390,000	418,800	2,808,800
2025	2,485,000	323,200	2,808,200
2026	2,580,000	223,800	2,803,800
2027	2,695,000	120,600	2,815,600
2028	1,325,000	39,750	1,364,750
	$ 17,400,000	$ 4,751,950	$ 22,151,950

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 234,628	$ 225,030	$ 459,658
2019	863,859	220,337	1,084,196
2020	805,202	211,699	1,016,901
2021	837,197	179,491	1,016,688
2022	853,194	162,747	1,015,941
2023	290,619	128,619	419,238
2024	250,626	119,900	370,526
2025	258,625	112,382	371,007
2026	266,623	104,623	371,246
2027	277,288	96,624	373,912
2028	285,287	88,306	373,593
2029	293,286	79,747	373,033
2030	301,284	70,948	372,232
2031	309,283	61,910	371,193
2032	319,948	52,631	372,579
2033	327,947	43,033	370,980
2034	338,611	33,195	371,806
2035	349,276	22,613	371,889
2036	359,941	11,698	371,639
	$ 7,822,724	$ 2,025,533	$ 9,848,257

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
2018	$ 0	$ 245,814	$ 245,814
2019	0	245,814	245,814
2020	578,803	245,814	824,617
2021	603,878	222,662	826,540
2022	626,863	198,507	825,370
2023	651,937	173,432	825,369
2024	679,101	147,354	826,455
2025	706,266	120,190	826,456
2026	733,430	91,940	825,370
2027	760,594	62,603	823,197
2028	785,668	39,785	825,453
2029	802,386	24,071	826,457
	$ 6,928,926	$ 1,817,986	$ 8,746,912

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
2018	$ 0	$ 150,777	$ 150,777
2019	0	150,777	150,777
2020	118,301	150,777	269,078
2021	369,488	146,045	515,533
2022	384,073	131,265	515,338
2023	398,658	115,903	514,561
2024	416,484	99,956	516,440
2025	431,069	83,297	514,366
2026	448,895	66,054	514,949
2027	466,721	48,098	514,819
2028	479,686	34,097	513,783
2029	491,030	24,503	515,533
2030	325,733	9,772	335,505
	$ 4,330,138	$ 1,211,321	$ 5,541,459

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
2018	$ 291,444	$ 278,173	$ 569,617
2019	304,275	266,515	570,790
2020	317,106	254,344	571,450
2021	328,103	241,660	569,763
2022	342,767	228,536	571,303
2023	355,598	214,825	570,423
2024	372,095	200,601	572,696
2025	386,759	185,718	572,477
2026	401,423	170,247	571,670
2027	401,423	154,190	555,613
2028	417,919	138,133	556,052
2029	434,416	121,417	555,833
2030	452,746	104,040	556,786
2031	467,410	90,458	557,868
2032	482,074	76,435	558,509
2033	493,071	61,973	555,044
2034	509,568	47,181	556,749
2035	524,232	31,894	556,126
2036	538,896	16,167	555,063
	$ 7,821,325	$ 2,882,507	$ 10,703,832

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 7,805,665	$ 3,988,830	$ 11,794,495
2019	7,174,109	3,720,517	10,894,626
2020	6,761,677	3,492,702	10,254,379
2021	7,087,533	3,227,796	10,315,329
2022	7,059,525	2,969,402	10,028,927
Next Five Years	40,787,736	10,344,245	51,131,981
Next Five Years	23,539,797	3,553,846	27,093,643
Next Five Years	8,025,704	505,311	8,531,015
	$ 108,241,746	$ 31,802,649	$ 140,044,395

The total on the statement of net assets has been adjusted by net premiums and discounts of $7,304,176.

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. At June 30, 2017, $12,871,681 had been drawn with outstanding principal and interest to be repaid starting September 20, 2017. Interest is paid monthly on the loan.

Bonds Payable

As previously mentioned, during the fiscal year ended June 30, 2017, the City issued General Obligation Bonds Series 2016 at par value of $21,335,000 and an average interest rate of 3.45%. Of this total $13,513,675 was used to fund capital projects for business type activities. These projects consist of $3,266,427 for the Meadowview Conference Resort and Convention Center renovations; $3,294,425 for water upgrades, improvements and replacement projects; and $6,952,823 for sewer projects including Colonial Heights phase 5 and West Kingsport line replacements.

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.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities:

Bonds Payable (continued)

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

Solid Waste Management Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2017
2009D BABS General Obligation Public Improvement	03/01, 09/01	12/08/09	$ 303,404	2.250%-5.625%	$ 231,501
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	1,141,983	2.000%-3.750%	746,128
2013 General Obligation Refunding	05/01, 11/01	02/08/13	132,948	2.000%-3.750%	104,058
2013B General Obligation Public Improvement	03/01, 09/01	10/21/13	289,856	2.000%-5.000%	257,510
2014A General Obligation Public Improvement	03/01, 09/01	10/31/14	1,008,152	2.000%-5.000%	2,291,336
Total Solid Waste Management Fund (before net premiums and discounts of $239,945)					$ 3,630,533

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

MeadowView Conference Resort and Convention Center Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2017
2009C Local Option Sales Tax Revenue and Tax Bonds	03/01, 09/01	01/22/09	$ 15,180,000	2.000%-5.000%	$ 1,445,000
2009D BABS General Obligation Public Improvement	03/01, 09/01	12/08/09	1,016,085	2.250%-5.625%	775,286
2016A General Obligation Refunding	03/01, 09/01	06/03/16	9,221,015	2.000%-4.000%	9,221,016
2016 General Obligation Public Improvement	03/01, 09/01	11/04/17	3,266,427	3.000%-4.000%	3,266,427
Total MeadowView Conference Resort and Convention Center Fund (before net premiums and discounts of $1,381,382)					$ 14,707,729
Cattails at MeadowView Golf Course Fund					
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	$ 517,721	2.000%-3.750%	$ 448,941
Total Cattails at MeadowView Golf Course Fund (before net premiums and discounts of $5,127)					$ 448,941

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

Storm Water Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2017
2009A General Obligation	03/01, 09/01	01/22/09	$ 652,452	2.000%-5.000%	$ 67,791
2009D BABS General Obligation	03/01, 09/01	12/08/09	606,808	2.250%-5.625%	463,002
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	395,414	2.000%-4.000%	342,374
2016A General Obligation Refunding	03/01, 09/01	06/03/16	430,058	2.000%-4.000%	430,059
Total Storm Water Fund (before net premiums and discounts of $56,534)					$ 1,303,226
Aquatic Center Fund					
2009D BABS General Obligation	03/01, 09/01	12/08/09	$ 554,170	2.250%-5.625%	$ 422,839
2009E General Obligation	03/01, 09/01	12/08/09	14,225,000	2.500%-5.000%	2,090,000
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	160,000	2.000%-4.000%	138,538
2012A General Obligation Public Improvement	04/01, 10/01	06/22/12	3,110,000	2.000%-5.000%	2,710,000
2013A General Obligation Public Improvement	03/01, 09/01	10/21/13	1,310,000	3.000%-4.000%	1,165,000
2016B General Obligation Refunding	03/01, 09/01	06/03/16	9,029,862	2.000%-4.000%	9,029,862
Total Aquatic Center Fund (before net premiums and discounts of $1,217,242)					$ 15,556,239

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

Water Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2017
2008 Water and Sewer System Revenue and Tax	03/01, 09/01	06/12/08	$ 1,200,000	3.500%-4.250%	$ 90,000
2008 Tennessee Municipal Bond Fund	Monthly	10/15/08	9,698,196	Variable	5,938,196
2009D BABS General Obligation Public Improvement	03/01, 09/01	12/08/09	4,045,387	2.250%-5.625%	3,086,685
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	2,430,991	2.000%-3.750%	2,104,900
2012B General Obligation Refunding	04/01, 10/01	06/22/12	1,194,406	3.000%	353,410
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	1,181,362	2.000%-3.750%	1,024,416
2013 General Obligation Refunding	05/01, 11/01	02/08/13	3,025,000	2.000%-3.750%	450,000
2013B General Obligation Public Improvement	03/01, 09/01	10/21/13	4,262,308	2.000%-5.000%	3,786,652
2014B General Obligation Public Improvement	03/01, 09/01	10/31/14	2,717,899	2.000%-5.000%	2,603,922
2015A General Obligation Refunding and Improvement	03/01, 09/01	10/27/15	2,226,419	1.000%-4.000%	2,162,302
2016 General Obligation Public Improvement	03/01, 09/01	11/04/16	3,294,425	3.000%-4.000%	3,294,425
Total Water Fund (before net premiums and discounts of $869,167)					$ 24,894,908

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

Sewer Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2017
2009D BABS General Obligation Public Improvement	03/01, 09/01	12/08/09	$ 6,068,081	2.250%-5.625%	$ 4,630,028
2011 General Obligation Public Improvement	03/01, 09/01	12/16/11	2,410,816	2.000%-3.750%	2,087,433
2012B General Obligation Refunding	04/01, 10/01	06/22/12	4,417,707	3.000%	1,307,145
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	1,673,596	2.000%-3.750%	1,451,256
2013 General Obligation Refunding	05/01, 11/01	02/08/13	27,760,000	2.000%-5.000%	17,860,000
2013B General Obligation Public Improvement	03/01, 09/01	10/21/13	9,550,990	2.000%-5.000%	8,485,140
2014B General Obligation Public Improvement	03/01, 09/01	10/31/14	6,582,101	2.000%-5.000%	6,306,078
2015A General Obligation Refunding and Improvement	03/01, 09/01	10/27/15	4,823,895	1.000%-4.000%	4,684,974
2016 General Obligation Public Improvement	03/01, 09/01	11/04/16	6,952,823	3.000%-4.000%	6,952,823
Total Sewer Fund (before net premiums and discounts of $2,961,672)					$ 53,764,877

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 15,392	$ 11,839	$ 27,231
2019	15,333	11,145	26,478
2020	15,793	10,454	26,247
2021	16,310	9,723	26,033
2022	16,712	8,947	25,659
2023	17,229	8,132	25,361
2024	17,918	7,269	25,187
2025	17,918	6,372	24,290
2026	18,435	5,453	23,888
2027	19,067	4,484	23,551
2028	19,699	3,458	23,157
2029	20,445	2,348	22,793
2030	21,250	1,196	22,446
	$ 231,501	$ 90,820	$ 322,321

GOBPI, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. During fiscal year 2017, the Solid Waste Management Fund paid $8,373 while the Federal government paid $4,047 in interest, respectively.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 139,149	$ 22,660	$ 161,809
2019	146,347	17,094	163,441
2020	148,746	12,703	161,449
2021	153,544	9,357	162,901
2022	158,342	4,750	163,092
	$ 746,128	$ 66,564	$ 812,692

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
2018	$ 10,692	$ 3,231	$ 13,923
2019	11,124	2,803	13,927
2020	11,448	2,470	13,918
2021	11,718	2,126	13,844
2022	9,072	1,775	10,847
2023	9,450	1,412	10,862
2024	9,720	1,128	10,848
2025	9,990	837	10,827
2026	10,260	587	10,847
2027	10,584	317	10,901
	$ 104,058	$ 16,686	$ 120,744

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
2018	$ 11,748	$ 10,417	$ 22,165
2019	11,906	10,183	22,089
2020	12,275	9,825	22,100
2021	12,907	9,212	22,119
2022	13,329	8,824	22,153
2023	13,855	8,291	22,146
2024	14,540	7,599	22,139
2025	13,803	6,871	20,674
2026	14,382	6,302	20,684
2027	14,962	5,691	20,653
2028	15,647	5,055	20,702
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
	$ 257,510	$ 104,150	$ 361,660

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
2018	$ 88,128	$ 85,842	$ 173,970
2019	91,167	83,167	174,334
2020	94,206	79,900	174,106
2021	98,764	75,076	173,840
2022	104,083	70,005	174,088
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	129,154	45,075	174,229
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	171,697	2,575	174,272
	$ 2,291,336	$ 840,846	$ 3,132,182

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 710,000	$ 57,800	$ 767,800
2019	735,000	29,400	764,400
	$ 1,445,000	$ 87,200	$ 1,532,200

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 51,545	$ 39,634	$ 91,179
2019	51,352	37,312	88,664
2020	52,891	34,999	87,890
2021	54,622	32,551	87,173
2022	55,968	29,954	85,922
2023	57,699	27,223	84,922
2024	60,007	24,336	84,343
2025	60,007	21,333	81,340
2026	61,738	18,255	79,993
2027	63,854	15,010	78,864
2028	65,970	11,575	77,545
2029	68,470	7,861	76,331
2030	71,163	4,006	75,169
	$ 775,286	$ 304,049	$ 1,079,335

The GOBPI, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. During fiscal year 2017, the MeadowView Conference Resort and Convention Center Fund paid $28,030 while the Federal government paid $13,550 in interest, respectively.

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:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 0	$ 327,129	$ 327,129
2019	0	327,129	327,129
2020	770,272	327,129	1,097,401
2021	803,641	296,318	1,099,959
2022	834,229	264,173	1,098,402
2023	867,599	230,803	1,098,402
2024	903,749	196,100	1,099,849
2025	939,898	159,950	1,099,848
2026	976,048	122,354	1,098,402
2027	1,012,198	83,312	1,095,510
2028	1,045,568	52,946	1,098,514
2029	1,067,814	32,034	1,099,848
	$ 9,221,016	$ 2,419,377	$ 11,640,393

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 121,715	$ 116,174	$ 237,889
2019	127,075	111,305	238,380
2020	132,433	106,222	238,655
2021	137,026	100,925	237,951
2022	143,150	95,444	238,594
2023	148,509	89,718	238,227
2024	155,398	83,777	239,175
2025	161,522	77,561	239,083
2026	167,646	71,100	238,746
2027	167,646	64,395	232,041
2028	174,536	57,689	232,225
2029	181,426	50,707	232,133
2030	189,081	43,450	232,531
2031	195,205	37,778	232,983
2032	201,329	31,922	233,251
2033	205,922	25,882	231,804
2034	212,812	19,704	232,516
2035	218,936	13,320	232,256
2036	225,060	6,752	231,812
	$ 3,266,427	$ 1,203,825	$ 4,470,252

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
2018	$ 23,924	$ 13,779	$ 37,703
2019	24,671	12,822	37,493
2020	25,793	12,082	37,875
2021	26,540	11,502	38,042
2022	27,288	10,706	37,994
2023	28,035	9,887	37,922
2024	28,783	9,046	37,829
2025	29,904	8,183	38,087
2026	30,652	7,285	37,937
2027	31,400	6,366	37,766
2028	32,521	5,424	37,945
2029	33,269	4,448	37,717
2030	34,390	3,450	37,840
2031	35,138	2,333	37,471
2032	36,633	1,191	37,824
	$ 448,941	$ 118,504	$ 567,445

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 33,311	$ 2,379	$ 35,690
2019	34,480	1,379	35,859
	$ 67,791	$ 3,758	$ 71,549

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 30,783	$ 23,647	$ 54,430
2019	30,668	22,262	52,930
2020	31,587	20,882	52,469
2021	32,620	19,421	52,041
2022	33,424	17,872	51,296
2023	34,458	16,243	50,701
2024	35,836	14,520	50,356
2025	35,836	12,728	48,564
2026	36,870	10,891	47,761
2027	38,134	8,956	47,090
2028	39,397	6,906	46,303
2029	40,890	4,690	45,580
2030	42,499	2,390	44,889
	$ 463,002	$ 181,408	$ 644,410

GOB, Series 2009D Build America Bonds (BABS) issued by the City carry an interest rate from 2.000% to 5.625%. During fiscal year 2017, the Storm Water Fund paid $16,721 while the Federal government paid $8,088 in interest, respectively.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 18,619	$ 11,120	$ 29,739
2019	18,864	10,748	29,612
2020	19,232	10,370	29,602
2021	19,722	9,793	29,515
2022	20,579	9,005	29,584
2023	21,192	8,387	29,579
2024	21,927	7,751	29,678
2025	22,539	7,094	29,633
2026	23,029	6,395	29,424
2027	24,009	5,646	29,655
2028	24,744	4,836	29,580
2029	25,479	3,970	29,449
2030	26,459	3,078	29,537
2031	27,439	2,099	29,538
2032	28,541	1,070	29,611
	$ 342,374	$ 101,362	$ 443,736

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
2018	$ 0	$ 15,257	$ 15,257
2019	0	15,257	15,257
2020	35,925	15,257	51,182
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
	$ 430,059	$ 112,837	$ 542,896

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 28,112	$ 21,618	$ 49,730
2019	28,007	20,352	48,359
2020	28,847	19,090	47,937
2021	29,791	17,755	47,546
2022	30,525	16,339	46,864
2023	31,469	14,849	46,318
2024	32,728	13,274	46,002
2025	32,728	11,636	44,364
2026	33,672	9,957	43,629
2027	34,826	8,188	43,014
2028	35,980	6,314	42,294
2029	37,343	4,288	41,631
2030	38,811	2,185	40,996
	$ 422,839	$ 165,845	$ 588,684

GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. During fiscal year 2017, the Aquatic Center Fund paid $15,290 while the Federal government paid $7,391 in interest.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 675,000	$ 82,263	$ 757,263
2019	695,000	60,325	755,325
2020	720,000	36,000	756,000
	$ 2,090,000	$ 178,588	$ 2,268,588

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
2018	$ 7,534	$ 4,500	$ 12,034
2019	7,633	4,349	11,982
2020	7,782	4,196	11,978
2021	7,980	3,963	11,943
2022	8,327	3,643	11,970
2023	8,575	3,394	11,969
2024	8,872	3,136	12,008
2025	9,120	2,870	11,990
2026	9,318	2,588	11,906
2027	9,715	2,285	12,000
2028	10,012	1,957	11,969
2029	10,310	1,606	11,916
2030	10,707	1,246	11,953
2031	11,103	849	11,952
2032	11,550	433	11,983
	$ 138,538	$ 41,015	$ 179,553

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:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 145,000	$ 78,906	$ 223,906
2019	155,000	71,656	226,656
2020	160,000	68,556	228,556
2021	160,000	65,356	225,356
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	32,481	227,481
2029	200,000	26,631	226,631
2030	205,000	20,381	225,381
2031	210,000	13,975	223,975
2032	220,000	7,152	227,152
	$ 2,710,000	$ 689,581	$ 3,399,581

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 50,000	$ 43,163	$ 93,163
2019	55,000	41,662	96,662
2020	55,000	40,013	95,013
2021	55,000	37,812	92,812
2022	60,000	35,613	95,613
2023	60,000	33,212	93,212
2024	65,000	31,413	96,413
2025	65,000	29,463	94,463
2026	65,000	27,431	92,431
2027	70,000	25,400	95,400
2028	70,000	22,600	92,600
2029	75,000	19,800	94,800
2030	80,000	16,800	96,800
2031	80,000	13,600	93,600
2032	85,000	10,400	95,400
2033	85,000	7,000	92,000
2034	90,000	3,600	93,600
	$ 1,165,000	$ 438,982	$ 1,603,982

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:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 0	$ 314,423	$ 314,423
2019	0	314,423	314,423
2020	246,699	314,423	561,122
2021	770,512	304,555	1,075,067
2022	800,927	273,735	1,074,662
2023	831,342	241,698	1,073,040
2024	868,516	208,444	1,076,960
2025	898,931	173,703	1,072,634
2026	936,105	137,746	1,073,851
2027	973,279	100,302	1,073,581
2028	1,000,314	71,103	1,071,417
2029	1,023,970	51,097	1,075,067
2030	679,267	20,378	699,645
	$ 9,029,862	$ 2,526,030	$ 11,555,892

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 90,000	$ 3,600	$ 93,600
	$ 90,000	$ 3,600	$ 93,600

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

Fiscal Year Ending June 30	Principal	Interest *	Total
2018	$ 555,000	$ 89,876	$ 644,876
2019	605,000	81,476	686,476
2020	630,000	72,319	702,319
2021	655,000	62,784	717,784
2022	655,000	52,870	707,870
2023	710,000	42,957	752,957
2024	735,000	32,211	767,211
2025	735,000	21,086	756,086
2026	658,196	9,962	668,158
	$ 5,938,196	$ 465,541	$ 6,403,737

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, 2017, to calculate an estimated annual effective interest rate of 1.514%.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 205,217	$ 157,608	$ 362,825
2019	204,452	148,376	352,828
2020	210,578	139,178	349,756
2021	217,469	129,442	346,911
2022	222,829	119,116	341,945
2023	229,721	108,256	337,977
2024	238,910	96,774	335,684
2025	238,910	84,832	323,742
2026	245,801	72,591	318,392
2027	254,225	59,691	313,916
2028	262,648	46,030	308,678
2029	272,602	31,261	303,863
2030	283,323	15,932	299,255
	$ 3,086,685	$ 1,209,087	$ 4,295,772

GOBPI, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. During fiscal year 2017, the Water Fund paid $111,433 while the Federal government paid $53,917 in interest, respectively.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 114,470	$ 68,365	$ 182,835
2019	115,977	66,075	182,052
2020	118,236	63,756	181,992
2021	121,248	60,209	181,457
2022	126,520	55,359	181,879
2023	130,285	51,563	181,848
2024	134,804	47,655	182,459
2025	138,569	43,611	182,180
2026	141,582	39,315	180,897
2027	147,607	34,714	182,321
2028	152,125	29,732	181,857
2029	156,644	24,407	181,051
2030	162,669	18,925	181,594
2031	168,693	12,906	181,599
2032	175,471	6,580	182,051
	$ 2,104,900	$ 623,172	$ 2,728,072

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 249,783	$ 10,602	$ 260,385
2019	103,627	3,109	106,736
	$ 353,410	$ 13,711	$ 367,121

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
2018	$ 54,590	$ 31,443	$ 86,033
2019	56,296	29,259	85,555
2020	58,855	27,570	86,425
2021	60,561	26,246	86,807
2022	62,267	24,429	86,696
2023	63,973	22,561	86,534
2024	65,679	20,642	86,321
2025	68,238	18,671	86,909
2026	69,943	16,624	86,567
2027	71,649	14,526	86,175
2028	74,208	12,377	86,585
2029	75,914	10,150	86,064
2030	78,473	7,873	86,346
2031	80,179	5,322	85,501
2032	83,591	2,717	86,308
	$ 1,024,416	$ 270,410	$ 1,294,826

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 140,000	$ 14,913	$ 154,913
2019	85,000	9,312	94,312
2020	80,000	6,763	86,763
2021	85,000	4,362	89,362
2022	10,000	1,813	11,813
2023	10,000	1,412	11,412
2024	10,000	1,113	11,113
2025	10,000	812	10,812
2026	10,000	563	10,563
2027	10,000	300	10,300
	$ 450,000	$ 41,363	$ 491,363

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:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 172,754	$ 153,189	$ 325,943
2019	175,078	149,734	324,812
2020	180,501	144,481	324,982
2021	189,797	135,456	325,253
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	270,365	33,975	304,340
2033	280,435	23,160	303,595
2034	291,281	11,942	303,223
	$ 3,786,652	$ 1,531,533	$ 5,318,185

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
2018	$ 115,438	$ 69,511	$ 184,949
2019	118,360	67,173	185,533
2020	121,283	64,170	185,453
2021	124,205	61,109	185,314
2022	125,666	58,610	184,276
2023	130,050	56,053	186,103
2024	131,511	53,437	184,948
2025	135,895	50,084	185,979
2026	140,279	45,941	186,220
2027	144,662	41,667	186,329
2028	149,046	37,262	186,308
2029	153,430	32,724	186,154
2030	156,352	28,078	184,430
2031	160,736	23,321	184,057
2032	166,581	18,412	184,993
2033	170,965	13,348	184,313
2034	176,809	8,132	184,941
2035	182,654	2,740	185,394
	$ 2,603,922	$ 731,772	$ 3,335,694

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
2018	$ 64,854	$ 62,201	$ 127,055
2019	238,782	60,904	299,686
2020	222,568	58,516	281,084
2021	231,412	49,614	281,026
2022	235,834	44,985	280,819
2023	80,331	35,552	115,883
2024	69,276	33,142	102,418
2025	71,487	31,064	102,551
2026	73,698	28,919	102,617
2027	76,646	26,708	103,354
2028	78,857	24,409	103,266
2029	81,068	22,043	103,111
2030	83,279	19,611	102,890
2031	85,490	17,113	102,603
2032	88,438	14,548	102,986
2033	90,649	11,895	102,544
2034	93,597	9,175	102,772
2035	96,544	6,250	102,794
2036	99,492	3,234	102,726
	$ 2,162,302	$ 559,883	$ 2,722,185

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 122,760	$ 117,169	$ 239,929
2019	128,163	112,259	240,422
2020	133,568	107,132	240,700
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
	$ 3,294,425	$ 1,214,143	$ 4,508,568

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 307,826	$ 236,463	$ 544,289
2019	306,678	222,612	529,290
2020	315,866	208,813	524,679
2021	326,204	194,206	520,410
2022	334,244	178,712	512,956
2023	344,582	162,419	507,001
2024	358,365	145,192	503,557
2025	358,365	127,275	485,640
2026	368,702	108,911	477,613
2027	381,337	89,556	470,893
2028	393,972	69,061	463,033
2029	408,903	46,902	455,805
2030	424,984	23,903	448,887
	$ 4,630,028	$ 1,814,025	$ 6,444,053

GOBPI, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. During fiscal year 2017, the Sewer Fund paid $167,195 while the Federal government paid $80,884 in interest, respectively.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 113,520	$ 67,798	$ 181,318
2019	115,014	65,527	180,541
2020	117,255	63,227	180,482
2021	120,242	59,709	179,951
2022	125,470	54,899	180,369
2023	129,204	51,135	180,339
2024	133,685	47,259	180,944
2025	137,420	43,249	180,669
2026	140,407	38,989	179,396
2027	146,382	34,425	180,807
2028	150,863	29,485	180,348
2029	155,344	24,205	179,549
2030	161,319	18,768	180,087
2031	167,293	12,799	180,092
2032	174,015	6,526	180,541
	$ 2,087,433	$ 618,000	$ 2,705,433

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 923,864	$ 39,214	$ 963,078
2019	383,281	11,499	394,780
	$ 1,307,145	$ 50,713	$ 1,357,858

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
2018	$ 77,336	$ 44,544	$ 121,880
2019	79,753	41,450	121,203
2020	83,378	39,058	122,436
2021	85,794	37,182	122,976
2022	88,211	34,608	122,819
2023	90,628	31,961	122,589
2024	93,045	29,243	122,288
2025	96,670	26,451	123,121
2026	99,087	23,551	122,638
2027	101,503	20,579	122,082
2028	105,128	17,533	122,661
2029	107,545	14,380	121,925
2030	111,170	11,153	122,323
2031	113,587	7,540	121,127
2032	118,421	3,849	122,270
	$ 1,451,256	$ 383,082	$ 1,834,338

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 1,635,000	$ 549,531	$ 2,184,531
2019	1,350,000	484,131	1,834,131
2020	1,375,000	443,631	1,818,631
2021	1,410,000	402,381	1,812,381
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
	$ 17,860,000	$ 3,885,931	$ 21,745,931

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
2018	$ 387,108	$ 343,265	$ 730,373
2019	392,316	335,523	727,839
2020	404,468	323,754	728,222
2021	425,299	303,530	728,829
2022	439,186	290,771	729,957
2023	456,545	273,204	729,749
2024	479,112	250,377	729,489
2025	454,809	226,421	681,230
2026	473,904	207,660	681,564
2027	492,999	187,519	680,518
2028	515,566	166,567	682,133
2029	536,397	145,944	682,341
2030	558,964	123,147	682,111
2031	581,531	99,391	680,922
2032	605,833	76,130	681,963
2033	628,400	51,897	680,297
2034	652,703	26,763	679,466
	$ 8,485,140	$ 3,431,863	$ 11,917,003

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 279,562	$ 168,339	$ 447,901
2019	286,640	162,677	449,317
2020	293,717	155,405	449,122
2021	300,795	147,991	448,786
2022	304,334	141,940	446,274
2023	314,950	135,747	450,697
2024	318,489	129,413	447,902
2025	329,105	121,291	450,396
2026	339,721	111,259	450,980
2027	350,338	100,908	451,246
2028	360,954	90,238	451,192
2029	371,570	79,251	450,821
2030	378,648	67,997	446,645
2031	389,264	56,479	445,743
2032	403,419	44,588	448,007
2033	414,035	32,327	446,362
2034	428,190	19,693	447,883
2035	442,347	6,635	448,982
	$ 6,306,078	$ 1,772,178	$ 8,078,256

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:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 140,517	$ 134,769	$ 275,286
2019	517,359	131,958	649,317
2020	482,230	126,785	609,015
2021	501,391	107,496	608,887
2022	510,972	97,468	608,440
2023	174,050	77,029	251,079
2024	150,098	71,807	221,905
2025	154,888	67,305	222,193
2026	159,679	62,658	222,337
2027	166,066	57,868	223,934
2028	170,856	52,886	223,742
2029	175,647	47,760	223,407
2030	180,437	42,490	222,927
2031	185,227	37,077	222,304
2032	191,615	31,521	223,136
2033	196,405	25,772	222,177
2034	202,792	19,880	222,672
2035	209,179	13,543	222,722
2036	215,566	7,006	222,572
	$ 4,684,974	$ 1,213,078	$ 5,898,052

4. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 259,082	$ 247,284	$ 506,366
2019	270,486	236,921	507,407
2020	281,893	226,101	507,994
2021	291,670	214,825	506,495
2022	304,705	203,159	507,864
2023	316,111	190,970	507,081
2024	330,776	178,326	509,102
2025	343,812	165,095	508,907
2026	356,848	151,342	508,190
2027	356,848	137,069	493,917
2028	371,512	122,795	494,307
2029	386,177	107,934	494,111
2030	402,472	92,487	494,959
2031	415,507	80,413	495,920
2032	428,543	67,948	496,491
2033	438,320	55,091	493,411
2034	452,984	41,942	494,926
2035	466,020	28,352	494,372
2036	479,057	14,372	493,429
	$ 6,952,823	$ 2,562,426	$ 9,515,249

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, 2017, was as follows:

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

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 8,169,333	$ 3,895,465	$ 12,064,798
2019	7,770,889	3,624,748	11,395,637
2020	7,678,325	3,395,230	11,073,555
2021	7,712,466	3,117,597	10,830,063
2022	7,490,473	2,869,706	10,360,179
Next Five Years	36,665,463	10,420,063	47,085,526
Next Five Years	29,665,208	4,163,333	33,828,541
Next Five Years	9,154,296	600,796	9,755,092
	$ 114,306,453	$ 32,086,938	$ 146,393,391

The total on the statement of net position has been adjusted by net premiums and discounts of $6,731,069.

5. 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, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
General Obligation Debt	$ 107,558,337	$ 7,821,325	$ (7,137,916)	$ 108,241,746	$ 7,805,665
Plus: Net Premiums and discounts	7,265,679	648,278	(609,781)	7,304,176	0
Total Bonds Payable	114,824,016	8,469,603	(7,747,697)	115,545,922	7,805,665
Interlocal Cooperative Agreement	120,000	0	(120,000)	0	0
Notes Payable-State	2,400,000	0	(400,933)	1,999,067	400,933
School Energy Efficiency Note	3,551,279	0	(414,536)	3,136,743	417,658
Hud 108 Note	641,000	0	(43,000)	598,000	43,000
Total Governmental Activities	$ 121,536,295	$ 8,469,603	$ (8,726,166)	$ 121,279,732	$ 8,667,256
Business-type activities:					
General Obligation Debt	$ 105,826,860	$ 13,513,675	$ (6,569,082)	$ 112,771,453	$ 7,369,333
Local Option Sales Tax Revenue and Tax Bonds	2,130,000	0	(685,000)	1,445,000	710,000
Water and Sewer Revenue and Tax Bonds	1,225,000	0	(1,135,000)	90,000	90,000
Plus: Net Premiums and discounts	6,174,646	1,120,093	(563,670)	6,731,069	0
Total Bonds Payable	115,356,506	14,633,768	(8,952,752)	121,037,522	8,169,333
State Revolving Note	3,894,310	8,977,371	0	12,871,681	462,600
Total Business-type Activities	$ 119,250,816	$ 23,611,139	$ (8,952,752)	$ 133,909,203	$ 8,631,933

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, 2017.

In August 2011, a bank loan known as the C & F Loan, was issued in the amount of $3,500,000, with a 20 year maturity with an annual interest rate of 4.68%. On January 17, 2017 the property used as collateral for this loan was sold to LeClerc and net proceeds from that sale totaling $2,350,000 were used to reduce the principal balance due. On February 22, 2017, the terms of the original loan were modified to allow the outstanding principal balance of $740,804 to be paid in 48 consecutive monthly installments of $16,357 beginning March 2017. At June 30, 2017, the outstanding principal balance on the loan was $682,175. The fixed interest rate is 2.84%

In October 2012, a bank loan known as the Bray Property Loan, was issued in the amount of $1,785,000, with a 5 year maturity. The annual rate of interest is 2.9% and currently only accrued interest is being paid on the loan. At June 30, 2017, the outstanding principal balance on the loan was $1,783,634.

In December 2013, a bank line of credit loan known as the General Shale Property Loan was established in the amount of $4,000,000, with a 7 year maturity. The annual rate of interest is 3% and currently only accrued interest is being paid on the loan draw amount on a semi-annual basis. At June 30, 2017, the outstanding principal balance on the loan was $3,280,320.

In May 2014, a bank loan known as the Heritage Glass Property Loan, was issued in the amount of $2,600,000, with a 16 year maturity. The annual rate of interest is 3.95%, compounded monthly. The loan draw amount was subsequently, increased up to a maximum of $2,675,000, with an extended maturity date of 20 years. At June 30, 2017, the outstanding principal balance on the loan was $2,585,499.

On May 15, 2015, the IDBK closed on a loan totaling $6,540,000 in order to purchase 33.75 acres and to construct an industrial building for lease to Pure Foods, Inc. At June 30, 2017, the principal balance outstanding on the loan was $5,316,679 and the variable interest rate was 2.124%. Effective November 15, 2017 through the maturity date of May 15, 2025, interest will accrue at a fixed rate of 3.89% per annum. The IDBK will begin making principal and interest payments monthly on December 15, 2017.

On October 5th, 2016 the IDBK established a draw-down closed-ended line of credit up to $1,000,000, known as the Brooks Property Loan. The line of credit will mature in two years and has a balloon feature at maturity. Annual payments of accrued interest will be due beginning October 2017. The interest rate will be 1.370% and will be subject to change at the beginning of each subsequent monthly calendar period by adding 1.100% to the current index. Under no circumstances will the interest rate be more than 3.37% per annum. At June 30, 2017, the principal balance outstanding on the loan was $863,814.
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Emergency Communications District (ECD)

The ECD, a discretely presented component unit of the City, reports no long-term liabilities at June 30, 2017.

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, 2017, the estimated remaining useful life is 29 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 2016 financial assurance amount of, $2,009,950, was adjusted for inflation by 1.30%, resulting in an amended amount of $2,036,079 at June 30, 2017.

The City's actual closure costs for the 30-year period through June 30, 2017 exceeded the liability amount by $245,334. The City has recorded this $245,334 in pre-paid landfill closing costs as of June 30, 2017, which will be offset as future closure costs are accrued.

	Ending June 30, 2017	Ending June 30, 2016	Ending June 30, 2015	Ending June 30, 2014	Ending June 30, 2013
Landfill closure costs paid	$ 1,398,655	$ 1,384,655	$ 1,384,655	$ 1,384,655	$ 1,349,663
Landfill closure costs accrued	1,153,321	1,096,753	1,042,480	981,726	922,385
Pre-paid landfill closure costs	$ 245,334	$ 287,902	$ 342,175	$ 402,929	$ 427,278

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, 2017. The estimated reserve requirements were as follows:

ESTIMATED REQUIRED RESERVES

	Low	Expected	High
Workers Compensation *	$ 2,112,268	$ 2,346,965	$ 2,581,661
Public Liability *	758,092	842,324	926,556

* Calculation utilizes U.S. Treasury yields as of June 30, 2017

Liabilities have been accrued to reflect the discounted expected claims of $2,346,965 for workers compensation and $842,324 for public liability, at June 30, 2017. The Insurance Reserve Fund has total assets of $6,337,377 at June 30, 2017. 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:

	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015	Year Ended June 30, 2014	Year Ended June 30, 2013
Claims Accrued, Beginning	$ 2,255,616	$ 2,111,500	$ 2,211,677	$ 2,557,398	$ 2,380,000
Claims Incurred	778,042	688,740	380,022	425,333	1,146,686
Claims Paid	(686,693)	(544,624)	(480,199)	(771,054)	(969,288)
Claims Accrued, Ending	$ 2,346,965	$ 2,255,616	$ 2,111,500	$ 2,211,677	$ 2,557,398

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

5. OTHER INFORMATION (CONTINUED)

A. Risk management (continued)

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

	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015	Year Ended June 30, 2014	Year Ended June 30, 2013
Claims Accrued, Beginning	$ 903,287	$ 1,186,835	$ 1,111,388	$ 1,067,117	$ 1,000,000
Claims Incurred	285,118	127,873	358,040	256,711	265,775
Claims Paid	(346,071)	(411,421)	(282,593)	(212,440)	(198,658)
Claims Accrued, Ending	$ 842,334	$ 903,287	$ 1,186,835	$ 1,111,388	$ 1,067,117

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

The City carries additional coverage for public officials and other employees through Liberty Mutual, Travelers and Western Surety insurance companies and property insurance through Travelers, EMC, Great American, and Hartford insurance companies. There has been no significant reduction in insurance coverage from the prior year, and the City has not had any settlements in the last five years, which were not covered by insurance.

Health insurance for the City is provided through a self-funded health insurance program. Effective January 1, 2017, the City's program is administered by Blue Cross Blue Shield of Tennessee. Run-off claims incurred prior to January 1, 2017 will continue to be administered by the City's previous administrator, Humana, Inc. until June 30, 2018. Premiums are evaluated annually based on historical expenditures and expected cost increase trends. Premium equivalents for participation in the self-funded programs are established annually based on quotations from the third-party administrator for projected expenses. The City carries stop-loss insurance.

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

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, 2017 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, 2017, the water fund and sewer fund had arbitrage rebate liabilities recorded of $40,037 and $97,473, respectively. These arbitrage rebate liabilities are not directly related to any bond issue, however are recorded in anticipation of future liabilities.

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

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

The Sullivan County Economic Development Partnership (SCEDP), (also known as NETWORKS), acquired considerable acreage near Tri-Cities Regional Airport for the purpose of establishing an industrial park. The related debt liabilities for SCEDP are reflected in the financial statements of Sullivan County, Tennessee government. In April 2005, $1,995,000 in capital outlay notes was issued, of which, the City is contingently liable for 31%. In July 2007, $6,500,000 in industrial park revenue bonds was issued, of which the City is contingently liable for 31%. In March 2015, $6,265,000 in industrial park refunding bonds was issued, of which, the City is contingently liable for 31%. The capital outlay notes and the bonds are secured by the assignment of revenue derived from property sales in the industrial park. The SCEDP is responsible for making the bond payments, funded primarily from the sale of land in the industrial park. In the event that SCEDP is financially unable to repay these debt issues, the City is responsible for a 31% portion of the debt. During fiscal year 2017, total revenue from property sales in the industrial park was $314,982 with $97,644 representing the City's 31% proportionate share of the proceeds. The current and prior residual net proceeds from property sales, were not sufficient for the SCEDP to make the total amount of the annual debt service payments at their time of maturity. Therefore, the City recorded an expenditure of $11,878 for the repayment of the associated debt principal and interest. As of June 30, 2017, a total of $6,045,000 of principal debt was outstanding, with $1,873,950 representing the City's 31% contingent share.

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

5. OTHER INFORMATION (CONTINUED)

B. Contingencies (continued)

Primary government (continued)

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

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

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

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

In July 2016, the City entered into an agreement with the Kingsport Housing & Redevelopment Authority (KHRA) to provide financial support to redevelop public housing facilities within the City. The estimated $50,500,000 project will rehabilitate 378 existing public housing units and construct 51 replacement units. To support the financing of this project, the KHRA, or an entity formed by KHRA, will be applying for approximately $17,000,000 of Low Income Housing Tax Credits. If the application is approved, the City has agreed to donate to KHRA up to a total of $4,493,440, in annual amounts, beginning January 30, 2018, of $224,672 over a twenty-year period, in support of this project, if needed. The total amount of the donation will be limited to the amount needed to complete the project or $4,493,440, whichever is less. Funds donated to the KHRA that are not used on the project, will be returned to the City.

5. OTHER INFORMATION (CONTINUED)

B. Contingencies (continued)

Component Unit – Industrial Development Board

In July 2011 the Industrial Development Board of the City of Kingsport (IDBK) entered into a loan agreement with a local bank in the amount of $3,500,000. The loan was used to purchase an industrial use facility near the Tri-Cities Regional Airport. In turn, the property was leased to C&F Manufacturing. In the event the manufacturing company fails to make lease payments, IDBK is required to fund the loan payments from other resources. The City and Sullivan County entered into agreements to support this project and share in a contingent liability, should the IDBK default on the loan. On October 7, 2014 the IDBK terminated the lease with C & F Manufacturing. On January 17, 2017 the property used as collateral for this loan was sold and net proceeds from that sale totaling $2,350,000 were used to reduce the principal balance due. The remaining outstanding principal balance of $740,804 has a fixed interest rate of 2.84% and is payable in 48 consecutive monthly installments of $16,357 beginning March 2017. At June 30, 2017, the outstanding principal balance on the loan was $682,175.Under the terms of their respective funding agreements, the City and the County each will pay to IDBK 50.0% of the amount necessary to make the debt service payments required under the terms of the loan agreement. Future obligations may be as much as $98,142 annually for up to 4 years.

In September 2012, the IDBK purchased real property located on West Sullivan Street and Clinchfield Streets within the City, known as the Bray Property. The purpose of this purchase is for future economic development, which will involve a significant quantity of residential housing units being constructed in the downtown area of the City. The IDBK purchased the property with proceeds from a $1,785,000 loan, to be repaid in five years with an interest rate of 2.9%. In the fall of 2016, the IDBK was actively negotiating the sale of the property and in anticipation of the sale, terminated its last tenant's lease agreement. The anticipated sale of the property is expected to relieve 100% of the existing principal balance in FY 2018. However, until such time as the property is sold, the City has approved an agreement with the IDBK to provide an annual contribution to the IDBK in an amount up to the required annual debt service interest on the loan, which is $52,587. In FY 2017 the City contributed $38,309 towards debt service. A contingent liability continues to exist should the IDBK default on the loan.

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

5. OTHER INFORMATION (CONTINUED)

B. Contingencies (continued)

Component Unit – Industrial Development Board (continued)

On December 27, 2013, The IDBK borrowed $4,000,000 at an interest rate of 3.0%, with a seven year term in order to purchase and develop certain property known as the General Shale Property. Consisting of approximately 98 acres, this property will be used to provide for future economic development opportunities and construct the City's Brickyard Park. By resolution adopted on December 17, 2013, the City and IDBK entered into an agreement wherein proceeds from the sale of all or any portion of the property would be applied toward the retirement of the principal loan balance. To support IDBK's acquisition of the property and to assure its ability to pay the loan, the City also agreed to make certain semi-annual contributions up to $60,000 each to the IDBK as economic development contributions for a period up to seven years, beginning in fiscal year 2014. The first such semi- annual contribution was made on or before June 1, 2014. Subsequent contributions will be made, on or before each December 1 and June 1, through December 1, 2020. IDBK agreed to use such contributions to pay interest payments due on the loan in the event net proceeds realized from the lease of all or any portion of the property are insufficient to pay such interest. During fiscal year 2017, the City recorded the expenditure of $85,940 to the IDBK for loan interest payments. 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.

In May 2014, the IDBK obtained a $2,600,000 loan to purchase a glass manufacturing facility from AGC Glass. The loan carried a rate of 3.95%. Principal and interest were payable monthly over 15 years. The City became contingently liable for the loan through a contribution agreement with IDBK, previously approved by the BMA in April 2014. The facility was leased to a glass manufacturer, Heritage Glass, which in the spring of 2015 suspended operations and defaulted under the lease. The monthly lease payments covered the principal and interest on the loan. As a result of the lease default by Heritage Glass, IDBK modified the terms of the loan whereby the lender agreed to accept interest only payments through December 31, 2015. In the spring of 2016, the IDBK successfully recruited and negotiated a lease agreement with a new glass manufacturer, EnviraGlass, LLC, to begin operations at the facility. In May 2016, the City's BMA approved an amendment to the IDBK contribution agreement providing for a maximum contribution amount of $3,873,839. This allowed IDBK to obtain a subsequent loan, with the proceeds used to retire the existing loan and make improvements to the facility. The new loan amount was for $2,675,000, with a rate of interest of 3.95% fixed, and payable in monthly installments over 20 years. The new glass manufacturer, EnviraGlass, entered into a lease agreement with IDBK for use of the facility. By the fall of 2016 EnviraGlass, LLC. had suspended operations and defaulted under the lease. In the spring of 2017 the IDBK entered into a lease agreement with Eastman. Monthly rental payments under the agreement with Eastman are sufficient to pay principal and interest on the loan.

On May 15, 2015, the IDBK closed on a loan totaling $6,540,000 in order to purchase 33.75 acres and to construct an industrial building for lease to Pure Foods, Inc. Interest on the loan accrues on the outstanding principal balance during the period May 15, 2015 through November 14, 2017, at a rate per annum equal to the LIBOR Rate plus ninety-nine basis points (.99). During the period November 15, 2017 through the maturity date of May 15, 2025, interest will accrue under the loan at a fixed rate of 3.89% per annum. On March 18, 2015, the City entered into an agreement with IDBK to provide economic development contributions as needed, during the 10 year term of the loan, in order to: support IDBK's acquisition and improvement of the property; to make the debt service payments under the loan, after application of the net rental income from the lease with Pure Foods, Inc.; and to make debt service payments for any other leases and rental agreements on the property. During FY 2017 Pure Foods, Inc. defaulted on its lease agreement and Brim Foods Company, Inc. entered into a lease agreement for this property. Net rental income during FY 2017 was sufficient to make required debt service payments.

5. OTHER INFORMATION (CONTINUED)

C. Contingencies (continued)

Component Unit – Industrial Development Board (continued)

IDBK will use all net rental income received from the leases and rental agreements on the property, and all net proceeds realized from the sale of all or any portion of the property, to pay the accrued interest and debt service payments due under the loan. In the event any indebtedness remains outstanding under the loan at the maturity date, the City shall: (1) purchase the property from IDBK for a purchase price equal to the outstanding loan amount, or (2) provide an economic development contribution to IDBK sufficient to pay the outstanding indebtedness on the loan.

On October 5th, 2016 the IDBK established a draw-down closed-ended line of credit up to $1,000,000, to purchase real property in downtown Kingsport from the Brooks Family Limited Partnership #3. The line of credit will mature in two years and has a balloon feature at maturity. In September 2016, the City entered into an agreement with IDBK to provide economic development contributions as needed during the two year term. At June 30, 2017, the principal balance outstanding on the loan was $863,814.

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans

Defined Benefit Pension Plan – City of Kingsport

Plan description

Employees of the City of Kingsport are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The City elected to close participation in this plan to new membership effective June 30, 2012, but the plan will continue providing benefits to existing members and retirees. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs .

Benefits provided

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

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

Employees covered by benefit terms

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	821
Inactive employees entitled to but not yet receiving benefits	833
Active employees	771
	2425

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

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – City of Kingsport (continued)

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees hired before October 1, 2010 are non-contributory members in the plan and make no employee contributions to the plan. Employees hired from October 1, 2010 thru June 30, 2012 are contributory members in the plan and contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation.

For the year ended, June 30, 2017, the Actuarially Determined Contribution (ADC) for the City was $5,411,518 based on an aggregate employer rate of 16.93 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 15.89 percent and the employer rate for public safety officers was 19.39 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, 2016 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – City of Kingsport (continued)

Actuarial assumptions (continued)

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

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

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

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

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

Defined Benefit Pension Plan – City of Kingsport (continued)

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Postion (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/15	$ 200,917,396	$ 170,410,111	$ 30,507,285
Changes for the year:			
Service Cost	2,641,482	0	2,641,482
Interest	14,899,301	0	14,899,301
Differences between expected and actual experience	(2,335,240)	0	(2,335,240)
Contributions by employer	0	5,449,196	(5,449,196)
Contributions by employees	0	128,305	(128,305)
Net Investment income	0	4,463,037	(4,463,037)
Benefit payments, including refunds of employee contributions	(9,803,076)	(9,803,076)	0
Administrative expense	0	(59,140)	59,140
Net Changes	5,402,467	178,322	5,224,145
Balance at 6/30/16	$ 206,319,863	$ 170,588,433	$ 35,731,430

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's Net Pension Liability	$ 62,347,211	$ 35,731,430	$ 13,531,035

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

Pension expense

For the year ended June 30, 2017, the City recognized pension expense of $4,507,625.

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, 2017, 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	$ 1,036,785	$ 3,910,923
Net difference between projected and actual earning on pension plan investments	5,656,862	0
Contributions subsequent to the measurement date June 30, 2016	5,411,518	(not applicable)
	$ 12,105,165	$ 3,910,923

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2016", 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:	
2018	(343,911)
2019	(343,911)
2020	2,306,185
2021	1,164,361
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, 2017, the City reported a payable of $458,728 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

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, 2017, $71,559 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, 2017 were $1,152,451 and consisted of $565,427 made by the City and $587,024 made by employees.

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

Plan description

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

Benefits provided

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

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

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

Benefits provided (continued)

service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Kingsport City Schools for the year ended June 30, 2017 to the Teacher Legacy Pension Plan were $2,842,309, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded lability.

Net pension liability

At June 30, 2017, the Kingsport City Schools reported a liability of $5,468,376 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Kingsport City Schools' proportion of the net pension liability 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, 2016, Kingsport City Schools' proportion was 0.875018 percent. The proportion measured as of June 30, 2015 was 0.855531 percent.

Pension expense

For the year ended June 30, 2017, Kingsport City Schools recognized pension expense of $760,772.

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, 2017, 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	$ 230,129	$ 6,620,391
Net difference between projected and actual earnings on pension plan investments	6,105,516	0
Changes in proportion of Net Pension Liability (Asset)	494,871	0
Kingsport City Schools contributions subsequent to the measurement date of June 30, 2016	2,842,309	(not applicable)
	$ 9,672,825	$ 6,620,391

Kingsport City Schools employer contributions of $2,842,309, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability in the year ended June 30, 2018. 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:	
2018	(906,895)
2019	(906,895)
2020	2,021,917
2021	403,854
2022	(401,857)
Thereafter	0

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

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

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

Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

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

Actuarial assumptions (continued)

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

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was 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 7.5 percent, as well as what Kingsport City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Kingsport City Schools' proportionate share of the net pension liability (asset)	$ 30,027,791	$ 5,468,376	$ (14,875,537)

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, 2017, Kingsport City Schools reported a payable of $514,456 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

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

Plan description

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

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested pursuant to the rule of 80. Members are vested with five years of service credit. Service related to disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls, and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Kingsport City Schools for the year ended June 30, 2017 to the Teacher Retirement Plan were $186,428, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

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

Pension liabilities (assets)

At June 30, 2017, Kingsport City Schools reported an asset of $58,657 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, 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, 2016 Kingsport City Schools' proportion was 0.563449 percent. The proportion measured as of June 30, 2015 was 0.409670 percent.

Pension Expense

For the year ended June 30, 2017, Kingsport City Schools recognized pension expense of $48,749.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2017, 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	$ 5,684	$ 6,762
Net difference between projected and actual earnings on pension plan investments	9,604	0
Changes in proportion of Net Pension Liability (Asset)	0	4,314
Kingsport City Schools contributions subsequent to the measurement date of June 30, 2016	186,428	(not applicable)
	$ 201,716	$ 11,076

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 $186,428 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2018. 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:	
2018	2,015
2019	2,015
2020	2,015
2021	1,557
2022	(501)
Thereafter	(2,890)

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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study and performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

5. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (continued)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Kingsport City Schools' proportionate share of the net pension liability (asset)	$ 27,699	$ (58,657)	$ (122,283)

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, 2017, Kingsport City Schools reported a payable of $35,433 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

Defined Contribution Plan – Kingsport City Schools

Plan description

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

Contributions

An employer contribution equal to 5% of the teacher's compensation is made by the Kingsport City Schools. Teachers are automatically enrolled in the plan when hired with an employee contribution rate of 2 percent. Teachers have the ability to opt out of employee contribution portion within 30 days of hire date. Teachers may make voluntary contributions to the plan up to the Internal Revenue Service code annual maximum. Total contributions for the year ended June 30, 2017 were $370,074 and consisted of $231,249 made by the Kingsport City Schools and $138,825 made by teachers.

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB)

Postemployment Health and Life Insurance Plans – City of Kingsport

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

Plan description

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

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

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

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

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

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

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

Plan Description (continued)

The number of active and retired employee participants as of the last full actuarial valuation date of June 30, 2017 was as follows.

Active employees - health & life insurance benefits	623
Active employees - life insurance benefit only	116
Retired employees - health & life insurance benefits	130
Retired employees - life insurance benefit only	186
Total	1,055

Funding policy

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

Annual OPEB Cost and Net OPEB Obligation	City of Kingsport Retiree Plan
Annual Required Contribution (ARC) as of end of year	$ 1,958,087
Interest on the Net OPEB Obligation (NOO) to end of year	751,061
NOO Amortization Adjustment to the ARC	(601,930)
Annual OPEB Cost	2,107,218
Annual Employer Contribution for pay-as-you-go cost	(716,322)
Annual Employer Contribution for pre-funding	0
Change in NOO	1,390,896
NOO as of Beginning of Year	15,021,229
NOO as of end of year	$ 16,412,125

Year End*	Plan	Annual OPEB Cost	Percentage OPEB Cost Contributed	Net OPEB Obligation at Year End
06/30/17	City Retiree	$ 2,107,218	36.58%	$ 16,412,125
06/30/16	City Retiree	1,961,217	25.63%	15,021,229
06/30/15	City Retiree	1,858,603	41.45%	13,528,307
06/30/14	City Retiree	1,956,061	44.54%	12,388,944
06/30/13	City Retiree	2,029,501	35.00%	11,254,354
06/30/12	City Retiree	2,562,314	32.00%	9,936,937
06/30/11	City Retiree	2,422,409	20.00%	8,203,478
06/30/10	City Retiree	2,581,342	47.00%	6,272,246
06/30/09	City Retiree	3,292,208	27.00%	4,906,010
06/30/08	City Retiree	3,166,263	20.00%	2,518,897

*Data not available for the 2007 year.

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

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

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2016 and the immediate two years prior was as follows:

	City of Kingsport Retiree Plan FY 2016-17	City of Kingsport Retiree Plan FY 2015-16	City of Kingsport Retiree Plan FY 2014-15
Actuarial valuation date	07/01/16	07/01/15	07/01/14
Actuarial accrued liability (AAL) as of beginning of year	$ 23,001,429	$ 21,829,468	$ 20,682,464
Actuarial value of assets as of beginning of year	0	0	0
Unfunded actuarial accrued liability (UAAL)	23,001,429	21,829,468	20,682,464
Covered payroll (active plan members)	32,056,115	30,794,328	29,609,931
UAAL as a percentage of covered payroll	71.75%	70.89%	69.85%

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

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

Actuarial Methods and Assumptions

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

For the fiscal year 2017 OPEB, an actuarial valuation was performed. Per capita costs have been updated. Health care trend rates and per capita costs are expected to be updated again in the next full OPEB valuation, which will be for the fiscal year ending June 30, 2018 to comply with GASB 75.

Measurement Date	June 30, 2017
Discount Rate	5.00%
Payroll Growth	4.00% per year
Inflation Rate	3.00% per year
Cost Method	Projected Unit Credit with linear proration to decrement
Amortization	Level % of pay over thirty years based on an open group
Census Data	As of August 2017

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

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

Actuarial Methods and Assumptions (continued)

Health Care Coverage Election Rate	Active employees with current coverage: 85% Active employees with no coverage: 0% Active employees with and without current coverage electing life insurance: 100% Retired employees with current coverage: 100% Retired employees with no coverage: 0%
Spousal Coverage	Based on actual data for retirees. 80% of current actives are assumed to have spousal coverage at retirement. Husbands are assumed to be three years older than wives
Employer Funding Policy	Pay-as-you-go cash basis
Mortality	SOA RPH-2014 Total Dataset Headcount-weighted Mortality with Scale MP-2016
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

Health Care Trend Rates

FYE	Rate	FYE	Rate
2018	9.0%	2023	6.5%
2019	8.5%	2024	6.0%
2020	8.0%	2025	5.5%
2021	7.5%	2026+	5.0%
2022	7.0%		

Retiree Contributions	Retiree contributions are assumed to increase according to health care trend rates. All retirees are assumed to qualify for the wellness rate
Per Capita Costs	Annual per capita costs were calculated based on City paid claims experience for the 12-month period ending June 30, 2017 plus administrative expenses, actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates
Explicit Subsidy	The difference between the premium rate and the retiree contribution
Implicit Subsidy	The difference between the per capita cost and the premium rate

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Health and Life Insurance Plans – Kingsport City Schools

Plan description

The Kingsport City Schools (KCS) provide postemployment health insurance and life insurance benefits for certain eligible retired full-time employees under a single-employer defined benefit plan. The health plan became self-insured effective January 1, 2015 and through December 31, 2016. Retirees, their dependents, and survivors are eligible to remain on the plan until age 65. All employees must have been enrolled in KCS's offered health insurance plan as an active full-time employee at the date of retirement.

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

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

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

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

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

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

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

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

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

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

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

Plan description (continued)

The number of active and retired employee participants as of the last full actuarial valuation date of June 30, 2016 was as follows.

Active employees - health & life insurance benefits	711
Active employees - life insurance benefit only	276
Retired employees - health & life insurance benefits	87
Retired employees - life insurance benefit only	281
Total	1,355

Effective January 1, 2017 the Kingsport City Schools decided to return to and participate in the state-administered Teacher Group Insurance Plan and Medicare Supplement Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-201 for the state plan and TCA 8-27-701 for the Medicare Supplement Plan. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy.

The eligibility requirements for the City self-insured plan and the State plan are substantially the same with one exception. When the City Schools returned to the State plan a policy was adopted to exclude employees hired after July 1, 2015. However this rule does not apply to employees working at another TCRS employer prior to July 1, 2015 who is hired by the Kingsport City Schools.

Special Funding Situation

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

Funding policy

The premium requirements of plan members are established and may be amended by the KCS Board of Education. The plan was self-insured for claims incurred from January 1, 2015 through December 31, 2016 and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claim liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates.

Effective January1, 2017 the premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. 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.

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

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

Funding policy (continued)

Annual OPEB Cost and Net OPEB Obligation	Kingsport City Schools Retiree Plan
Annual Required Contribution (ARC) as of end of year	$ 2,146,154
Interest on the Net OPEB Obligation (NOO) to end of year	664,225
NOO Amortization Adjustment to the ARC	(532,336)
Annual OPEB Cost	2,278,043
Annual Employer Contribution for pay-as-you-go cost	(1,180,277)
Annual Employer Contribution for pre-funding	0
Change in NOO	1,097,766
NOO as of Beginning of Year	13,284,502
NOO as of end of year	$ 14,382,268

Year End	Plan	Annual OPEB Cost	Percentage OPEB Cost Contributed	Net OPEB Obligation at Year End
06/30/17	KCS Retiree	$ 2,278,043	55.00%	$ 14,382,268
06/30/16	KCS Retiree	2,585,421	54.50%	13,284,502
06/30/15	KCS Retiree	2,477,290	52.03%	12,043,095
06/30/14	State Teacher Group	1,511,954	25.00%	10,798,845
06/30/13	State Teacher Group	1,912,941	21.00%	9,660,477
06/30/12	State Teacher Group	2,021,793	19.00%	8,156,792
06/30/11	State Teacher Group	1,992,215	20.00%	6,527,534
06/30/10	State Teacher Group	2,055,663	17.00%	4,932,899
06/30/09	State Teacher Group	1,992,895	17.00%	3,233,246
06/30/08	State Teacher Group	1,900,000	17.00%	1,575,446

*Data not available for the fiscal year ending 06/30/07

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

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

Funding policy (continued)

Annual OPEB Cost and Net OPEB Obligation	Medicare Supplement Plan
Annual Required Contribution (ARC) as of end of year **(1)**	$ 2,906,000
Interest on the Net OPEB Obligation (NOO) to end of year	705,975
NOO Amortization Adjustment to the ARC	(708,811)
Annual OPEB Cost	2,903,164
Annual Employer Contribution for pay-as-you-go cost	(470,081)
Annual Employer Contribution for pre-funding	0
Change in NOO	2,433,083
NOO as of Beginning of Year	18,826,012
NOO as of end of year	$ 21,259,095

Year End	Plan	Annual OPEB Cost	Percentage OPEB Cost Contributed	Net OPEB Obligation at Year End
06/30/17	Medicare Supplement Plan	$ 2,903,164	11.01%	$ 21,259,095
06/30/16	Medicare Supplement Plan	2,944,065	11.01%	18,826,012
06/30/15	Medicare Supplement Plan	2,920,015	11.01%	16,201,966
06/30/14	Medicare Supplement Plan	2,816,431	11.00%	13,601,970
06/30/13	Medicare Supplement Plan	2,085,190	13.00%	11,094,436
06/30/12	Medicare Supplement Plan	2,206,865	11.00%	9,275,049
06/30/11	Medicare Supplement Plan	2,013,969	11.00%	7,311,881
06/30/10	Medicare Supplement Plan	2,079,538	10.00%	5,518,188
06/30/09	Medicare Supplement Plan	2,033,125	10.00%	3,650,763
06/30/08	Medicare Supplement Plan	1,928,000	6.00%	1,815,000

*Data not available for the fiscal year ending 06/30/07

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

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

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2016 and the immediate two years prior was as follows:

	Kingsport City Schools Retiree Plan FY 2016-17	Kingsport City Schools Retiree Plan FY 2015-16	Kingsport City Schools Retiree Plan FY 2014-15
Actuarial valuation date	07/01/16	07/01/15	07/01/14
Actuarial accrued liability (AAL) as of beginning of year	$ 22,000,831	$ 24,335,937	$ 23,268,269
Actuarial value of assets as of beginning of year	0	0	0
Unfunded actuarial accrued liability (UAAL)	22,000,831	24,335,937	23,268,269
Covered payroll (active plan members)	45,781,376	43,335,770	41,669,010
UAAL as a percentage of covered payroll	48.06%	56.16%	55.84%

	Medicare Supplement Plan FY 2016-17	Medicare Supplement Plan FY 2015-16	Medicare Supplement Plan FY 2014-15
Actuarial valuation date	07/01/16	07/01/15	07/01/14
Actuarial accrued liability (AAL) as of beginning of year **(1)**	$ 25,653,000	$ 25,653,000	$ 25,653,000
Actuarial value of assets as of beginning of year	0	0	0
Unfunded actuarial accrued liability (UAAL)	25,653,000	25,653,000	25,653,000

(1) Effective January 1, 2017, Kingsport City Schools current and future retirees will be covered under the Local Ecuation Employee Group OPEB Plan through the State of Tennessee. Due to this change, the City of Kingsport has opted to disclose the same AAL and ARC as the FY 2015/16 and FY 2016/17 reporting periods.

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

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

Actuarial Methods and Assumptions

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

Health care trend rates and per capita costs are expected to be updated again in the next full OPEB valuation, which will be for the fiscal year ending June 30, 2018 to comply with GASB 75.

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

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

Actuarial Methods and Assumptions (continued)

Measurement Date	June 30, 2017
Discount Rate	5.00%
Payroll Growth	4.00% per year
Inflation Rate	3.00% per year
Cost Method	Projected Unit Credit with linear proration to decrement
Amortization	Level % of pay over thirty years based on an open group
Census Data	As of October 2017
Health Care Coverage Election Rate	Active employees with current coverage: 85% Active employees eligible for life insurance: 100% Active employees with no coverage: 0% Retired employees with current coverage: 100% Retired employees with current life insurance coverage: 100% Retired employees with no coverage or life insurance: 0%
Spousal Coverage	Based on actual data for actives and retirees Husbands are assumed to be three years older than wives
Employer Funding Policy	Pay-as-you-go cash basis
Mortality	SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017
Disability	None
Turnover Rate	Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. Rates represent the probability of termination in the next 12 months as used in the TCRS actuarial valuation as of June 30, 2016
Retirement Rate	Annual rates of retirement are based on the TCRS actuarial valuation as of July 1, 2013.
Health Care Trend Rates	

FYE	Rate	FYE	Rate
2018*	9.0%	2023	6.5%
2019	8.5%	2024	6.0%
2020	8.0%	2025	5.5%
2021	7.5%	2026+	5.0%
2022	7.0%		

*Initial trend was modified for actual premium increases from January 1, 2017 to January 1, 2018 of 7.18%

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

5. OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (OPEB) (continued)

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

Actuarial Methods and Assumptions (continued)

	care trend rates.
Per Capita Costs	Annual per capita costs were calculated based premium rates effective January 1, 2017 using health index factors and current enrollment. The costs are assumed to increase with health care trend rates
Explicit Subsidy	The difference between the premium rate and the retiree contribution
Implicit Subsidy	The difference between the per capita cost and the premium rate

5. OTHER INFORMATION (CONTINUED)

E. On-Behalf Payments

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

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 2017, on-behalf payments made by the State of Tennessee totaled, $105,437, and have been recorded as revenue and expenditure in the general purpose school fund. During the year ended June 30, 2017, Kingsport City Schools contributed $364,644 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, 2015 and 2016, the taxes assessed on the previously mentioned taxpayer, accounted for approximately 23% and 25% 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, 2017 is valued as follows:

Note Receivable from Phipps Bend Venture	$	499,216
20% interest in capital of Phipps Bend Joint Venture		316,742
Total Investment	$	815,958

5. OTHER INFORMATION (CONTINUED)

G. Joint Ventures (continued)

Audited information for the Phipps Bend joint venture as of June 30, 2017 is as follows:

	Phipps Bend Joint Venture
Operating Revenues	$ 12,200
Operating Expenses	(48,070)
Non Operating Revenues	743
Non Operating Expenses	0
Capital Contributions	
Principal and interest payments on loan by Hawkins County as guarantor	0
Accounting fees paid by Hawkins County	5,000
Change in Net Position	(30,127)
Net Position, July 1	2,349,919
Net Postion, June 30	$ 2,319,792
Total Assets	$ 3,782,981
Total Liabilities	(1,463,189)
Total Net Position	$ 2,319,792

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

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

5. OTHER INFORMATION (CONTINUED)

H. Jointly Governed Organization

Tri-Cities Airport Authority

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

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

Tri-Cities Airport Authority
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, 2017 is presented below:

	Tri-Cities Airport Authority
Operating Revenues	$ 6,806,062
Operating Expenses	(6,430,436)
Depreciation	(5,451,093)
Non Operating Revenues	1,227,848
Non Operating Expenses	(55,687)
Capital Contributions	2,710,960
Change in Net Position	(1,192,346)
Beginning Net Position, July 1	91,745,416
Net Position, June 30	$ 90,553,070
Total Assets	$ 94,609,048
Total Deferred Outflows of Resources	614,227
Total Liabilities	(4,460,497)
Total Deffered Inflows of Resources	(209,708)
Total Net Position	$ 90,553,070

5. OTHER INFORMATION (CONTINUED)

I. Subsequent Events

On August 1, 2017 the City purchased 14 acres of land from the General Shale Company for $1,000,000. The property will be utilized to enhance recreation opportunities.

August 1, 2017 the City awarded a construction contract to Armstrong construction in the amount of $4,186,000 to construct the new Kingsport Area Transit Service (KATS) terminal building. Funding for the construction was split using 80% Federal Transit Administration funds, 10% State of Tennessee funds, and 10% City funds.

In August 2017, the City requested and received an additional loan draw of $363,417 from the $15,000,000 Drinking Water Revolving Fund loan bringing the total outstanding balance to $13,235,098. The City began monthly principal payments of $46,260 on this loan in September 2017. The City is allowed to make one additional draw to complete the project. The additional draw must be completed no later than August 7, 2018. After the final draw is complete, a new amortization schedule will be prepared.

Effective August 15, 2017 the BMA approved changes to the requirements for post-employment health insurance.

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.

On September 8, 2017, the City issued General Obligation Improvement Bonds, Series 2017A and 2017B. The Series A bonds were issued at a par value of $14,855,000, plus a net premium of $678,917, less an underwriter's discount and other bond issuance costs of $202,004. The average coupon rate is 3.0511%. Net interest cost is 2.7224% and the true interest cost is 2.6745%. The Series B bonds were issued at a par value of $11,250,000, plus a net premium of $468,799, less an underwriter's discount and other bond issuance costs of $151,616. The average coupon rate is 3.0149%. Net interest cost is 2.7197% and the true interest cost is 2.6736%. The Series A and B bonds will mature on March 1 of each year, beginning March 1, 2019 and through March 1, 2037. Moody's Investors Service assigned an Aa2 rating on the bonds and Standard and Poor's Financial Services assigned an AA rating on the bonds. The Series 2017A and B Bonds are to be used to finance the City's adopted Capital Improvement Program (CIP), for the fiscal year 2018, as approved by the BMA.

On October 3, 2017, the BMA approved Resolution 2018-047 which authorized the City to enter into an intergovernmental financing agreement with the other Authority Members of the Tri-Cities Airport Authority to guarantee repayment, of each Member's pro rata share, of proposed debt to be issued by the Airport Authority. Proceeds from the debt issue will provide funding for an economic development project known as the Aerospace Park Project. The agreement limits each authority member's commitment to its pro rata share of up to $8,500,000 of the debt issued by the Airport Authority. The City of Kingsport's pro rata share is 18.7% of the debt issued (up to $1,589,500). As a part of the intergovernmental financing agreement, each authority member will enter into a Guaranty Agreement, in which, they will pledge the full faith and credit and unlimited taxing power of their respective entity, to the payment of their pro rata portion of the principal and interest on the debt.

5. OTHER INFORMATION (CONTINUED)

I. Subsequent Events (continued)

On October 3, 2017, the City adopted Resolution 2018-052 which approved a new contribution agreement with the IDBK to provide $65,000 annually for 3 years, beginning November 1, 2017. Related to the IDBK refinancing of the loan for the property known as the Bray Property, The annual contributions will provide funding support for the IDBK's economic development activities, including servicing of the loan, if needed.

On October 17, 2017, the City adopted Resolution 2018-059 which awarded Burwil Construction Company, Inc. the bid for general contractor of the Dobyns-Bennett High School Regional Science and Technology Center. The total contract amount for construction is $19,812,354. The architect firm of Perkins and Will, Inc. agreed to a fee of 5.5% of construction total.

On October 17, 2017 the BMA authorized a non-binding letter of intent to purchase the Regions Bank building located in downtown Kingsport for a stated purchase price of $2,700,000. The closing is expected to take place before March 31, 2018.

On October 19, 2017 the IDBK sold the property known as the Bray Property, rendering City Resolution 2018-052 no longer necessary. The proceeds from the sale of the property retired the full principal balance outstanding of $ 1,785,000.

On December 5, 2017 the BMA approved the termination of an Interlocal Agreement between Sullivan County, Bluff City and Kingsport, which began on January 31, 2011 to provide animal control and operation of one or more animal shelters within Sullivan County, Bluff City, and Kingsport. As a result and effective at midnight on December 31, 2017, the City will assume responsibility of animal control services and the animal shelter within city limits.

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

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

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

	2014	2015	2016	2017
Actuarially Determined Contribution	$ 6,099,494	$ 5,677,773	$ 5,449,196	$ 5,411,518
Contributions in Relation to the Actuarially Determined Contribution	6,099,494	5,677,773	5,449,196	5,411,518
Contribution Deficiency (excess)	$ 0	$ 0	$ 0	$ 0
Covered-Employee Payroll	$ 35,655,016	$ 33,574,550	$ 32,180,488	$ 31,964,076
Contributions as a Percentage of Covered-Employee Payroll	17.11%	16.91%	16.93%	16.93%

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
Notes to Schedule
Public Employee Pension Plan of the TCRS

Valuation Date

Actuarially determined contribution rates for Fiscal Year 2017 were calculated based on the June 30, 2015 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates

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

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

	2014	2015	2016
Proportion of the Net Pension Liability (Asset)	0.83%	0.86%	0.88%
Proportionate Share of the Net Pension Liability (Asset)	$ (135,007)	$ 350,455	$ 5,468,376
Covered Payroll	$ 32,610,169	$ 32,026,901	$ 31,586,342
Propionate Share of the Net Pension Laibility (Asset) as a Percentage of Covered Payroll	(0.41)%	1.09%	17.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%	97.14%

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

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

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

	2014	2015	2016	2017
Contractually Required Contribution	$ 2,895,779	$ 2,895,224	$ 2,855,408	$ 2,842,309
Contributions in Relation to the Contractually Required Contribution	2,895,779	2,895,224	2,855,408	2,842,309
Contribution Deficiency (excess)	$ 0	$ 0	$ 0	$ 0
Covered Payroll	$ 32,610,169	$ 32,026,901	$ 31,586,342	$ 31,441,471
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%	9.04%

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.

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

	2015	2016
Proportion of the Net Pension Liability (Asset)	0.42%	0.56%
Proportionate Share of the Net Pension Liability (Asset)	$ (16,828)	$ (58,657)
Covered Payroll	$ 869,128	$ 2,479,203
Propionate Share of the Net Pension Laibility (Asset) as a Percentage of Covered Payroll	(1.94)%	(2.37)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%	121.88%

*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.

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

	2015	2016	2017
Contractually Required Contribution	$ 21,728	$ 62,059	$ 186,428
Contributions in Relation to the Contractually Required Contribution	34,765	99,168	186,428
Contribution Deficiency (excess)	$ (13,037)	$ (37,109)	$ 0
Covered Payroll	$ 869,128	$ 2,479,203	$ 4,660,700
Contributions as a Percentage of Covered Payroll	4.00%	4.00%	4.00%

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 - Schedule of Funding Progress
Postemployment Health Insurance Plan

Actuarial Valuation Date *	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2016	City Retiree	$ 0	$ 23,001,429	$ 23,001,429	0.00%	$ 32,056,115	72%
July 1, 2015	City Retiree	0	21,829,468	21,829,468	0.00%	30,794,328	71%
July 1, 2014	City Retiree	0	20,682,464	20,682,464	0.00%	29,609,931	70%
July 1, 2013	City Retiree	0	23,012,654	23,012,654	0.00%	30,020,389	77%
July 1, 2012	City Retiree	0	24,569,633	24,569,633	0.00%	28,865,759	85%
July 1, 2011	City Retiree	0	31,010,598	31,010,598	0.00%	27,872,345	111%
July 1, 2010	City Retiree	0	29,469,147	29,469,147	0.00%	26,800,332	110%
July 1, 2009	City Retiree	0	32,019,362	32,019,362	0.00%	23,721,000	134%
July 1, 2007	City Retiree	0	30,541,000	30,541,000	0.00%	21,931,000	139%

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

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

Actuarial Valuation Date *	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2016	KCS Retiree	$ 0	$ 22,000,831	$ 22,000,831	0.00%	$ 45,781,376	48%
July 1, 2016	Medicare Supplement (2) (3)	0	25,653,000	25,653,000	0.00%	N/A	N/A
July 1, 2015	KCS Retiree	$ 0	$ 24,335,937	$ 24,335,937	0.00%	$ 43,335,770	56%
July 1, 2015	Medicare Supplement (2) (3)	0	25,653,000	25,653,000	0.00%	N/A	N/A
July 1, 2014	KCS Retiree	$ 0	$ 23,268,269	$ 23,268,269	0.00%	$ 41,669,010	56%
July 1, 2014	Medicare Supplement	0	25,653,000	25,653,000	0.00%	N/A	N/A
July 1, 2013	State Teacher Group	$ 0	$ 13,210,000	$ 13,210,000	0.00%	$ 25,898,037	51%
July 1, 2013	Medicare Supplement	0	25,653,000	25,653,000	0.00%	N/A	N/A
July 1, 2011	State Teacher Group	$ 0	$ 16,816,000	$ 16,816,000	0.00%	$ 23,523,443	71%
July 1, 2011	Medicare Supplement	0	19,371,000	19,371,000	0.00%	N/A	N/A
July 1, 2010	State Teacher Group	$ 0	$ 17,243,000	$ 17,243,000	0.00%	$ 23,571,575	73%
July 1, 2010	Medicare Supplement	0	18,481,000	18,481,000	0.00%	N/A	N/A
July 1, 2009	State Teacher Group	$ 0	$ 17,196,000	$ 17,196,000	0.00%	$ 23,629,947	73%
July 1, 2009	Medicare Supplement	0	18,481,000	18,481,000	0.00%	N/A	N/A
July 1, 2007	State Teacher Group	$ 0	$ 17,503,000	$ 17,503,000	0.00%	$ 22,277,957	70%
July 1, 2007	Medicare Supplement	0	18,268,000	18,268,000	0.00%	N/A	N/A

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

(1) Covered Payroll for FY 2017 is based on FY 2016 covered payroll increased using salary scale assumption of 4%.

(2) Based on adjustment factor of 25.66 for FY 2015 and 26.56 for FY 2017. The discount rate and other assumptions to develop the Medicare Supplement Plan group liabilities were selected by the State of Tennessee actuary.

(3) Effective January 1, 2017, Kingsport City Schools current and future retirees will be covered under the Local Education Employee Group OPEB Plan through the State of Tennessee. Due to this change, the City has opted to disclose the same AAL and ARC as the FY 2016 and FY 2017 reporting periods.

C. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

KINGSPORT
TENNESSEE

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	$ 129,800	$ 154,911	$ 162,902	$ 7,991
Federal Interest Subsidy	183,900	184,234	184,235	1
Total Revenues	313,700	339,145	347,137	7,992
EXPENDITURES:				
Principal	8,021,200	7,953,386	7,953,385	1
Interest	4,180,000	4,004,573	4,004,572	1
Miscellaneous	11,250	28,598	14,941	13,657
Total Expenditures	12,212,450	11,986,557	11,972,898	13,659
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,898,750)	(11,647,412)	(11,625,761)	21,651
OTHER FINANCING SOURCES (USES):				
Transfers In	11,898,750	11,626,400	11,713,325	86,925
Total Other Financing Sources (Uses)	11,898,750	11,626,400	11,713,325	86,925
Net Change in Fund Balances	0	(21,012)	87,564	108,576
Fund Balances, July 1, 2016	0	21,012	44,118	23,106
Fund Balances, June 30, 2017	$ 0	$ 0	$ 131,682	$ 131,682

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	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	$ 4,359	$ 100	$ 0	$ 1,689,795	$ 1,694,254	$ 0	$ 1,694,254
Equity in Pooled Cash & Investments	0	1,158,089	365,471	177,480	146,168	594,860	2,442,068	5,727	2,447,795
Long Term Certificates of Deposit	0	0	0	0	0	98,000	98,000	152,692	250,692
Investments	0	0	0	0	288,286	66,397	354,683	40,768	395,451
Accounts Receivable	0	0	0	0	40,866	848	41,714	0	41,714
Accrued Interest Receivable	0	0	0	0	0	0	0	69	69
Due from Other Governments	43,780	5,669	19,249	679,771	650,702	684,491	2,083,662	0	2,083,662
Due from Other Funds	0	0	0	0	0	0	0	0	0
Prepaids	0	0	0	0	0	580	580	0	580
Inventories	0	0	0	0	0	156,148	156,148	0	156,148
Restricted Investments	0	0	97,351	0	0	0	97,351	0	97,351
Total Assets	$ 43,780	$ 1,163,758	$ 486,430	$ 857,351	$ 1,126,022	$ 3,291,119	$ 6,968,460	$ 199,256	$ 7,167,716
LIABILITIES AND FUND BALANCES:									
Liabilities:									
Accounts Payable	$ 21,967	$ 36,812	$ 23,161	$ 165,584	$ 11,656	$ 105,145	$ 364,325	$ 0	$ 364,325
Contracts Payable	0	7,461	0	0	0	0	7,461	0	7,461
Other Liabilities	0	0	0	0	0	113,724	113,724	0	113,724
Due to Other Funds	5,342	0	0	120,839	263,139	451,025	840,345	0	840,345
Due to Other Governments	0	0	0	0	48	0	48	0	48
Unearned Revenue	0	0	0	0	0	60,645	60,645	0	60,645
Total Liabilities	27,309	44,273	23,161	286,423	274,843	730,539	1,386,548	0	1,386,548
Fund Balances:									
Nonspendable:									
Inventory	0	0	0	0	0	156,148	156,148	0	156,148
Allandale Trust Principal	0	0	0	0	0	0	0	152,692	152,692
Restricted:									
Unspent Federal Forfeitures	0	0	97,351	0	0	0	97,351	0	97,351
Unspent Hotel Tax	0	0	0	0	91,453	0	91,453	0	91,453
Assigned	16,471	1,119,485	365,918	570,928	759,726	2,404,432	5,236,960	46,564	5,283,524
Total Fund Balances	16,471	1,119,485	463,269	570,928	851,179	2,560,580	5,581,912	199,256	5,781,168
Total Liabilities and Fund Balances	$ 43,780	$ 1,163,758	$ 486,430	$ 857,351	$ 1,126,022	$ 3,291,119	$ 6,968,460	$ 199,256	$ 7,167,716

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, 2017

	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	$ 3,748,265	$ 0	$ 3,748,265	$ 0	$ 3,748,265
Hotel/Motel Tax Allocation	0	0	0	0	421,339	0	421,339	0	421,339
Federal Government	431,356	8,805	50,343	958,171	0	6,735,850	8,184,525	0	8,184,525
State Government	0	19,877	0	2,003,044	0	1,167,131	3,190,052	0	3,190,052
Charges for Services	0	9,364	0	121,005	256,318	845,346	1,232,033	0	1,232,033
Fines and Forfeitures	0	17,299	225,946	0	0	0	243,245	0	243,245
Investment Earnings	0	0	108	0	1,809	607	2,524	2,700	5,224
Contributions and Donations	0	81,227	0	0	114,599	216,078	411,904	0	411,904
Other	0	0	0	0	8	0	8	0	8
Total Revenues	431,356	136,572	276,397	3,082,220	4,542,338	8,965,012	17,433,895	2,700	17,436,595
EXPENDITURES:									
General & Administrative	0	1,204,169	0	0	0	0	1,204,169	0	1,204,169
School Food Service	0	0	0	0	0	3,393,142	3,393,142	0	3,393,142
School Federal Projects	0	0	0	0	0	3,853,943	3,853,943	0	3,853,943
Economic & Physical Development	431,356	0	0	0	0	0	431,356	0	431,356
Public Safety	0	0	113,373	0	0	0	113,373	0	113,373
Transportation	0	0	0	4,381,788	0	0	4,381,788	0	4,381,788
Culture and Recreation	0	0	0	0	431,563	0	431,563	0	431,563
Education	0	0	0	0	0	1,211,618	1,211,618	0	1,211,618
Capital Outlay	0	90,393	43,648	16,281	0	396,850	547,172	0	547,172
Total Expenditures	431,356	1,294,562	157,021	4,398,069	431,563	8,855,553	15,568,124	0	15,568,124
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(1,157,990)	119,376	(1,315,849)	4,110,775	109,459	1,865,771	2,700	1,868,471
OTHER FINANCING SOURCES (USES):									
Transfers In	0	1,531,636	0	1,216,464	0	90,108	2,838,208	0	2,838,208
Transfers Out	0	(1)	0	0	(3,997,063)	(28,418)	(4,025,482)	0	(4,025,482)
Total Other Financing Sources (Uses)	0	1,531,635	0	1,216,464	(3,997,063)	61,690	(1,187,274)	0	(1,187,274)
Net Change in Fund Balances	0	373,645	119,376	(99,385)	113,712	171,149	678,497	2,700	681,197
Fund Balances, July 1, 2016	16,471	745,840	343,893	670,313	737,467	2,389,431	4,903,415	196,556	5,099,971
Fund Balances, June 30, 2017	$ 16,471	$ 1,119,485	$ 463,269	$ 570,928	$ 851,179	$ 2,560,580	$ 5,581,912	$ 199,256	$ 5,781,168

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - PUBLIC SAFETY
June 30, 2017

	Criminal Forfeiture Fund	Drug Fund	Justice Assistance Grant Fund	Total Public Safety Funds
ASSETS:				
Cash	$ 0	$ 4,359	$ 0	$ 4,359
Equity in Pooled Cash and Investments	83,455	282,016	0	365,471
Due from Other Governments	0	1,909	17,340	19,249
Restricted Investments	97,351	0	0	97,351
Total Assets	$ 180,806	$ 288,284	$ 17,340	$ 486,430
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	$ 0	$ 5,821	$ 17,340	$ 23,161
Due to Other Funds	0	0	0	0
Unearned Revenue	0	0	0	0
Total Liabilities	0	5,821	17,340	23,161
Fund Balances:				
Restricted:				
Unspent Federal Forfeitures	97,351	0	0	97,351
Assigned	83,455	282,463	0	365,918
Total Fund Balances	180,806	282,463	0	463,269
Total Liabilities and Fund Balances	$ 180,806	$ 288,284	$ 17,340	$ 486,430

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, 2017

	Criminal Forfeiture Fund	Drug Fund	Justice Assistance Grant Fund	Total Public Safety Funds
REVENUES:				
Federal Government	$ 0	$ 0	$ 50,343	$ 50,343
State Government	0	0	0	0
Fines and Forfeitures	76,998	148,948	0	225,946
Miscellaneous	0	0	0	0
Investment Earnings	108	0	0	108
Total Revenues	77,106	148,948	50,343	276,397
EXPENDITURES:				
General and Administrative	0	0	0	0
Public Safety	0	98,478	14,895	113,373
Capital Outlay	0	8,200	35,448	43,648
Total Expenditures	0	106,678	50,343	157,021
Excess (Deficiency) of Revenues Over (Under) Expenditures	77,106	42,270	0	119,376
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	77,106	42,270	0	119,376
Fund Balances, July 1, 2016	103,700	240,193	0	343,893
Fund Balances, June 30, 2017	$ 180,806	$ 282,463	$ 0	$ 463,269

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - TRANSPORTATION
June 30, 2017

	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	177,480	0	0	177,480
Due from Other Governments	352,927	80,140	246,704	679,771
Total Assets	$ 530,507	$ 80,140	$ 246,704	$ 857,351
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	$ 4,907	$ 9,328	$ 151,349	$ 165,584
Due to Other Governments	0	0	0	0
Due to Other Funds	0	28,166	92,673	120,839
Total Liabilities	4,907	37,494	244,022	286,423
Fund Balances:				
Assigned	525,600	42,646	2,682	570,928
Total Fund Balances	525,600	42,646	2,682	570,928
Total Liabilities and Fund Balances	$ 530,507	$ 80,140	$ 246,704	$ 857,351

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, 2017

	Federal Transit Administration Fund	Metropolitan Planning Office Fund	State Street Aid Fund	Total Transportation Funds
REVENUES:				
Federal Government	$ 644,881	$ 313,290	$ 0	$ 958,171
State Government	561,066	22,796	1,419,182	2,003,044
Charges for Services	121,005	0	0	121,005
Investment Earnings	0	0	0	0
Total Revenues	1,326,952	336,086	1,419,182	3,082,220
EXPENDITURES:				
Transportation	1,641,932	389,565	2,350,291	4,381,788
Capital Outlay	0	6,616	9,665	16,281
Total Expenditures	1,641,932	396,181	2,359,956	4,398,069
Excess (Deficiency) of Revenues Over (Under) Expenditures	(314,980)	(60,095)	(940,774)	(1,315,849)
OTHER FINANCING SOURCES (USES):				
Transfers In	214,095	61,595	940,774	1,216,464
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	214,095	61,595	940,774	1,216,464
Net Change in Fund Balances	(100,885)	1,500	0	(99,385)
Fund Balances, July 1, 2016	626,485	41,146	2,682	670,313
Fund Balances, June 30, 2017	$ 525,600	$ 42,646	$ 2,682	$ 570,928

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CULTURE AND RECREATION
June 30, 2017

	Regional Sales Tax Revenue Fund	Visitors Enhancement Fund	Steadman Cemetery Fund	Public Library Commission Fund	Bays Mountain Park Fund	Senior Citizens Advisory Board Fund	Total Culture & Recreation Funds
ASSETS:							
Cash	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Equity in Pooled Cash & Investments	0	50,587	340	110	42,231	52,900	146,168
Investments	144	0	9,824	4,162	162,441	111,715	288,286
Accounts Receivable	0	40,866	0	0	0	0	40,866
Due from Other Governments	650,702	0	0	0	0	0	650,702
Due from Other Funds	0	0	0	0	0	0	0
Total Assets	$ 650,846	$ 91,453	$ 10,164	$ 4,272	$ 204,672	$ 164,615	$ 1,126,022
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	$ 0	$ 0	$ 152	$ 0	$ 0	$ 11,504	$ 11,656
Due to Other Governments	0	0	0	0	0	48	48
Due to Other Funds	263,139	0	0	0	0	0	263,139
Total Liabilities	263,139	0	152	0	0	11,552	274,843
Fund Balances:							
Restricted for:							
Unspent Hotel Tax	0	91,453	0	0	0	0	91,453
Assigned	387,707	0	10,012	4,272	204,672	153,063	759,726
Total Fund Balances	387,707	91,453	10,012	4,272	204,672	153,063	851,179
Total Liabilities and Fund Balances	$ 650,846	$ 91,453	$ 10,164	$ 4,272	$ 204,672	$ 164,615	$ 1,126,022

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, 2017

	Regional Sales Tax Revenue Fund	Visitors Enhancement Fund	Steadman Cemetery Fund	Public Library Commission Fund	Bays Mountain Park Fund	Senior Citizens Advisory Board Fund	Total Culture & Recreation Funds
REVENUES:							
Local Option Sales Tax	$ 3,748,265	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,748,265
Hotel/Motel Tax Allocation	0	421,339	0	0	0	0	421,339
Charges for Services	0	0	0	0	0	256,318	256,318
Investment Earnings	486	0	61	6	784	472	1,809
Contributions and Donations	0	0	0	0	34,582	80,017	114,599
Other	0	0	0	0	0	8	8
Total Revenues	3,748,751	421,339	61	6	35,366	336,815	4,542,338
EXPENDITURES:							
Culture and Recreation	0	109,793	1,812	0	1,178	318,780	431,563
Capital Outlay	0	0	0	0	0	0	0
Total Expenditures	0	109,793	1,812	0	1,178	318,780	431,563
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,748,751	311,546	(1,751)	6	34,188	18,035	4,110,775
OTHER FINANCING SOURCES (USES):							
Transfers In	0	0	0	0	0	0	0
Transfers Out	(3,661,598)	(324,590)	0	0	(10,875)	0	(3,997,063)
Total Other Financing Sources (Uses)	(3,661,598)	(324,590)	0	0	(10,875)	0	(3,997,063)
Net Change in Fund Balances	87,153	(13,044)	(1,751)	6	23,313	18,035	113,712
Fund Balances, July 1, 2016	300,554	104,497	11,763	4,266	181,359	135,028	737,467
Fund Balances, June 30, 2017	$ 387,707	$ 91,453	$ 10,012	$ 4,272	$ 204,672	$ 153,063	$ 851,179

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EDUCATION
June 30, 2017

	School Nutrition Services Fund	Special School Projects Fund	Public Law 93-380 Fund	Palmer Center Fund	Total Education Funds
ASSETS:					
Cash	$ 1,689,795	$ 0	$ 0	$ 0	$ 1,689,795
Equity in Pooled Cash and Investments	594,860	0	0	0	594,860
Long Term Certificates of Deposit	98,000	0	0	0	98,000
Investments	0	0	0	66,397	66,397
Accounts Receivable	848	0	0	0	848
Due from Other Governments	63,207	243,099	378,185	0	684,491
Prepaids	0	580	0	0	580
Inventories	156,148	0	0	0	156,148
Total Assets	$ 2,602,858	$ 243,679	$ 378,185	$ 66,397	$ 3,291,119
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	$ 41,260	$ 29,486	$ 34,399	$ 0	$ 105,145
Other Liabilities	14,254	78,677	20,793	0	113,724
Due to Other Funds	0	128,032	322,993	0	451,025
Due to Other Governments	0	0	0	0	0
Unearned Revenue	53,161	7,484	0	0	60,645
Total Liabilities	108,675	243,679	378,185	0	730,539
Fund Balances:					
Nonspendable:					
Inventory	156,148	0	0	0	156,148
Assigned	2,338,035	0	0	66,397	2,404,432
Total Fund Balances	2,494,183	0	0	66,397	2,560,580
Total Liabilities and Fund Balances	$ 2,602,858	$ 243,679	$ 378,185	$ 66,397	$ 3,291,119

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, 2017

	School Nutrition Services Fund	Special School Projects Fund	Public Law 93-380 Fund	Palmer Center Fund	Total Education Funds
REVENUES:					
Federal Government	$ 2,688,369	$ 0	$ 4,047,481	$ 0	$ 6,735,850
State Government	27,441	1,139,690	0	0	1,167,131
Charges for Services	810,852	34,494	0	0	845,346
Investment Earnings	266	0	0	341	607
Contributions and Donations	216,078	0	0	0	216,078
Total Revenues	3,743,006	1,174,184	4,047,481	341	8,965,012
EXPENDITURES:					
School Food Service	3,393,142	0	0	0	3,393,142
School Federal Projects	0	0	3,853,943	0	3,853,943
Education	0	1,211,618	0	0	1,211,618
Capital Outlay	179,056	52,674	165,120	0	396,850
Total Expenditures	3,572,198	1,264,292	4,019,063	0	8,855,553
Excess (Deficiency) of Revenues Over (Under) Expenditures	170,808	(90,108)	28,418	341	109,459
OTHER FINANCING SOURCES (USES):					
Transfers In	0	90,108	0	0	90,108
Transfers Out	0	0	(28,418)	0	(28,418)
Total Other Financing Sources (Uses)	0	90,108	(28,418)	0	61,690
Net Change in Fund Balances	170,808	0	0	341	171,149
Fund Balances, July 1, 2016	2,323,375	0	0	66,056	2,389,431
Fund Balances, June 30, 2017	$ 2,494,183	$ 0	$ 0	$ 66,397	$ 2,560,580

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal Government	$ 0	$ 0	$ 0	$ 0
Fines and Forfeitures	6,000	6,000	76,998	70,998
Investment Earnings	0	0	108	108
Contributions and Donations	0	0	0	0
Total Revenues	6,000	6,000	77,106	71,106
EXPENDITURES:				
Public Safety	6,000	6,000	0	6,000
Capital Outlay	0	0	0	0
Total Expenditures	6,000	6,000	0	6,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	77,106	77,106
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	77,106	77,106
Fund Balances, July 1, 2016	0	0	103,700	103,700
Fund Balances, June 30, 2017	$ 0	$ 0	$ 180,806	$ 180,806

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
State Government	$ 0	$ 0	$ 0	$ 0
Fines and Forfeitures	113,900	113,900	148,948	35,048
Miscellaneous	0	0	0	0
Total Revenues	113,900	113,900	148,948	35,048
EXPENDITURES:				
General and Administrative	5,000	2,256	0	2,256
Public Safety	102,100	114,860	98,478	16,382
Capital Outlay	50,000	43,780	8,200	35,580
Total Expenditures	157,100	160,896	106,678	54,218
Excess (Deficiency) of Revenues Over (Under) Expenditures	(43,200)	(46,996)	42,270	89,266
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	(43,200)	(46,996)	42,270	89,266
Fund Balances, July 1, 2016	43,200	46,996	240,193	193,197
Fund Balances, June 30, 2017	$ 0	$ 0	$ 282,463	$ 282,463

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
State Government	$ 1,385,600	$ 1,428,981	$ 1,419,182	$ (9,799)
Investment Earnings	0	0	0	0
Miscellaneous	0	0	0	0
Total Revenues	1,385,600	1,428,981	1,419,182	(9,799)
EXPENDITURES:				
Highways and Streets	2,669,600	2,397,653	2,350,291	47,362
Capital Outlay	0	9,665	9,665	0
Total Expenditures	2,669,600	2,407,318	2,359,956	47,362
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,284,000)	(978,337)	(940,774)	37,563
OTHER FINANCING SOURCES (USES):				
Transfers In	1,284,000	944,000	940,774	(3,226)
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	1,284,000	944,000	940,774	(3,226)
Net Change in Fund Balances	0	(34,337)	0	34,337
Fund Balances, July 1, 2016	0	34,337	2,682	(31,655)
Fund Balances, June 30, 2017	$ 0	$ 0	$ 2,682	$ 2,682

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
REGIONAL SALES TAX REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Local Option Sales Tax	$ 3,964,200	$ 3,964,200	$ 3,748,265	$ (215,935)
Investment Earnings	0	0	486	486
Total Revenues	3,964,200	3,964,200	3,748,751	(215,449)
EXPENDITURES:				
Culture and Recreation	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,964,200	3,964,200	3,748,751	(215,449)
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	(3,964,200)	(3,989,200)	(3,661,598)	327,602
Total Other Financing Sources (Uses)	(3,964,200)	(3,989,200)	(3,661,598)	327,602
Net Change in Fund Balances	0	(25,000)	87,153	112,153
Fund Balances, July 1, 2016	0	25,000	300,554	275,554
Fund Balances, June 30, 2017	$ 0	$ 0	$ 387,707	$ 387,707

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	$ 405,000	$ 405,000	$ 421,339	$ 16,339
Other	0	0	0	0
Total Revenues	405,000	405,000	421,339	16,339
EXPENDITURES:				
Culture and Recreation	160,000	138,522	109,793	28,729
Capital Outlay	145,000	60,546	0	60,546
Total Expenditures	305,000	199,068	109,793	89,275
Excess (Deficiency) of Revenues Over (Under) Expenditures	100,000	205,932	311,546	105,614
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	(230,200)	(339,928)	(324,590)	15,338
Total Other Financing Sources (Uses)	(230,200)	(339,928)	(324,590)	15,338
Net Change in Fund Balances	(130,200)	(133,996)	(13,044)	120,952
Fund Balances, July 1, 2016	130,200	133,996	104,497	(29,499)
Fund Balances, June 30, 2017	$ 0	$ 0	$ 91,453	$ 91,453

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	$ 50	$ 50	$ 61	$ 11
Total Revenues	50	50	61	11
EXPENDITURES:				
Culture and Recreation	2,550	2,550	1,812	738
Total Expenditures	2,550	2,550	1,812	738
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,500)	(2,500)	(1,751)	749
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(2,500)	(2,500)	(1,751)	749
Fund Balances, July 1, 2016	2,500	2,500	11,763	9,263
Fund Balances, June 30, 2017	$ 0	$ 0	$ 10,012	$ 10,012

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	$ 10	$ 10	$ 6	$ (4)
Contributions and Donations	0	0	0	0
Total Revenues	10	10	6	(4)
EXPENDITURES:				
Culture and Recreation	10	10	0	10
Total Expenditures	10	10	0	10
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	6	6
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	6	6
Fund Balances, July 1, 2016	0	0	4,266	4,266
Fund Balances, June 30, 2017	$ 0	$ 0	$ 4,272	$ 4,272

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	$ 100	$ 100	$ 784	$ 684
Contributions and Donations	15,000	15,000	34,582	19,582
Total Revenues	15,100	15,100	35,366	20,266
EXPENDITURES:				
Culture and Recreation	56,500	45,625	1,178	44,447
Total Expenditures	56,500	45,625	1,178	44,447
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,400)	(30,525)	34,188	64,713
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	(10,875)	(10,875)	0
Total Other Financing Sources (Uses)	0	(10,875)	(10,875)	0
Net Change in Fund Balances	(41,400)	(41,400)	23,313	64,713
Fund Balances, July 1, 2016	41,400	41,400	181,359	139,959
Fund Balances, June 30, 2017	$ 0	$ 0	$ 204,672	$ 204,672

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for Services	$ 83,000	$ 288,000	$ 256,318	$ (31,682)
Investment Earnings	100	100	472	372
Contributions and Donations	55,400	55,400	80,017	24,617
Other	0	0	8	8
Total Revenues	138,500	343,500	336,815	(6,685)
EXPENDITURES:				
Capital Outlay	0	0	0	0
Culture and Recreation	148,500	359,880	318,780	41,100
Total Expenditures	148,500	359,880	318,780	41,100
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,000)	(16,380)	18,035	34,415
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	(10,000)	(16,380)	18,035	34,415
Fund Balances, July 1, 2016	10,000	16,380	135,028	118,648
Fund Balances, June 30, 2017	$ 0	$ 0	$ 153,063	$ 153,063

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal Government	$ 2,248,000	$ 2,248,000	$ 2,688,369	$ 440,369
State Government	32,000	32,000	27,441	(4,559)
Charges for Services	1,025,000	1,025,000	810,852	(214,148)
Investment Earnings	0	0	266	266
Contributions and Donations	230,000	230,000	216,078	(13,922)
Total Revenues	3,535,000	3,535,000	3,743,006	208,006
EXPENDITURES:				
School Food Service	3,475,000	3,475,000	3,393,142	81,858
Capital Outlay	195,000	195,000	179,056	15,944
Total Expenditures	3,670,000	3,670,000	3,572,198	97,802
Excess (Deficiency) of Revenues Over (Under) Expenditures	(135,000)	(135,000)	170,808	305,808
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	(135,000)	(135,000)	170,808	305,808
Fund Balances, July 1, 2016	135,000	135,000	2,323,375	2,188,375
Fund Balances, June 30, 2017	$ 0	$ 0	$ 2,494,183	$ 2,494,183

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	$ 100	$ 100	$ 341	$ 241
Total Revenues	100	100	341	241
EXPENDITURES:				
Capital Outlay	100	100	0	100
Total Expenditures	100	100	0	100
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	341	341
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	341	341
Fund Balances, July 1, 2016	0	0	66,056	66,056
Fund Balances, June 30, 2017	$ 0	$ 0	$ 66,397	$ 66,397

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, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	$ 2,500	$ 2,500	$ 2,700	$ 200
Total Revenues	2,500	2,500	2,700	200
EXPENDITURES:				
Culture and Recreation	2,500	2,500	0	2,500
Total Expenditures	2,500	2,500	0	2,500
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	2,700	2,700
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	2,700	2,700
Fund Balances, July 1, 2016	0	0	196,556	196,556
Fund Balances, June 30, 2017	$ 0	$ 0	$ 199,256	$ 199,256

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2017

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
ASSETS:				
Current Assets:				
Cash	$ 200	$ 0	$ 0	$ 200
Equity in Pooled Cash and Investments	62,008	1,202,180	16,480	1,280,668
Accounts Receivable, Net	352,309	235,084	21,612	609,005
Accrued Interest Receivable	930	0	0	930
Inventories	0	0	109,149	109,149
Prepaids	0	0	0	0
Total Current Assets	415,447	1,437,264	147,241	1,999,952
Noncurrent Assets:				
Restricted Assets:				
Cash	0	24,634	83,000	107,634
Cash from Unspent Bonds	1,143,347	33	448	1,143,828
Investments	19,190	0	1,834	21,024
Total Restricted Assets	1,162,537	24,667	85,282	1,272,486
Capital Assets:				
Land	1,716,309	985,063	981,600	3,682,972
Buildings and Systems	364,806	790,732	1,439,145	2,594,683
Improvements Other Than Buildings	1,177,264	534,297	6,033,890	7,745,451
Software	6,750	73,970	0	80,720
Machinery and Equipment	2,141,516	312,934	501,531	2,955,981
Construction in Progress	1,597,594	1,365,023	0	2,962,617
Less: Accumulated Depreciation	(2,482,266)	(347,732)	(4,982,219)	(7,812,217)
Total Capital Assets	4,521,973	3,714,287	3,973,947	12,210,207
Other Assets:				
Prepaid Landfill Closure Costs	245,334	0	0	245,334
Total Other Assets	245,334	0	0	245,334
Total Noncurrent Assets	5,929,844	3,738,954	4,059,229	13,728,027
Total Assets	6,345,291	5,176,218	4,206,470	15,727,979
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflows Related to Refunding	9,295	39,376	0	48,671
Deferred Outflows Related to Pensions	346,994	113,804	0	460,798
Total Deferred Outflows of Resources	356,289	153,180	0	509,469

(continued)

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2017

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
LIABILITIES:				
Current Liabilities:				
Accounts Payable	75,508	427,278	63,065	565,851
Due to Other Funds	851,011	673,127	0	1,524,138
Compensated Absences Payable	102,684	44,277	0	146,961
Retainages Payable	0	53,465	294	53,759
Accrued Interest Payable	42,823	17,468	3,445	63,736
General Obligation Bonds - Current	265,109	82,713	23,924	371,746
Other Payables	0	0	0	0
Total Current Liabilities	1,337,135	1,298,328	90,728	2,726,191
Noncurrent Liabilities:				
General Obligation Bonds Payable (Net of Deferred Refunding Costs, Discounts and Premiums)	3,605,369	1,277,047	430,144	5,312,560
OPEB Liability	631,799	126,345	0	758,144
Post Closure Liablility	0	0	0	0
Pension Liability	1,017,730	342,621	0	1,360,351
Total Noncurrent Liabilities	5,254,898	1,746,013	430,144	7,431,055
Total Liabilities	6,592,033	3,044,341	520,872	10,157,246
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflows Related to Pensions	111,054	38,158	0	149,212
Total Deferred Inflows of Resources	111,054	38,158	0	149,212
NET POSITION:				
Net Investment in Capital Assets	1,794,842	2,354,560	3,520,327	7,669,729
Restricted for Debt Service	19,190	0	0	19,190
Restricted for Capital Improvements	0	0	88,079	88,079
Unrestricted	(1,815,539)	(107,661)	77,192	(1,846,008)
Total Net Position	$ (1,507)	$ 2,246,899	$ 3,685,598	$ 5,930,990

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, 2017

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES:				
Charges and Fees	$ 2,829,363	$ 1,901,756	$ 880,241	$ 5,611,360
Penalties and Fines	0	(300)	0	(300)
Miscellaneous	0	0	1,610	1,610
Total Operating Revenue	2,829,363	1,901,456	881,851	5,612,670
OPERATING EXPENSES:				
Operating Costs	4,311,635	1,346,578	1,024,091	6,682,304
Depreciation	235,177	114,059	234,613	583,849
Total Operating Expenses	4,546,812	1,460,637	1,258,704	7,266,153
Operating Income (Loss)	(1,717,449)	440,819	(376,853)	(1,653,483)
NONOPERATING REVENUES:				
Investment Earnings	11,427	1,719	1	13,147
Federal Interest Subsidy	4,047	8,088	0	12,135
Interest Expense	(91,519)	(16,228)	(15,699)	(123,446)
Bond Issue Cost	0	0	0	0
Total Nonoperating Revenues	(76,045)	(6,421)	(15,698)	(98,164)
Income (Loss) Before Capital Contributions and Transfers	(1,793,494)	434,398	(392,551)	(1,751,647)
Transfers In	2,289,900	0	438,611	2,728,511
Transfers Out	0	(97,571)	0	(97,571)
Change in Net Position	496,406	336,827	46,060	879,293
Net Position, July 1, 2016	(497,913)	1,910,072	3,639,538	5,051,697
Net Position, June 30, 2017	$ (1,507)	$ 2,246,899	$ 3,685,598	$ 5,930,990

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2017

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers and Users	$ 2,541,184	$ 1,795,710	$ 906,058	$ 5,242,952
Receipts from Interfund Services Provided	44,802	82,661	0	127,463
Payments to Suppliers	(2,447,099)	(251,037)	(1,006,209)	(3,704,345)
Payments to Employees	(1,958,862)	(813,189)	0	(2,772,051)
Net Cash Provided (Used) by Operating Activities	(1,819,975)	814,145	(100,151)	(1,105,981)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from Other Funds	2,289,900	0	438,611	2,728,511
Transfers to Other Funds	0	(97,571)	0	(97,571)
Advances From Other Funds	(164,006)	552,163	(113,059)	275,098
Net Cash Provided (Used) by Noncapital Financing Activities	2,125,894	454,592	325,552	2,906,038
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Capital Debt	0	0	0	0
Capital Transfers from Other Funds	0	0	0	0
County Revenue for Capital Projects	0	0	0	0
Acquisition and Construction of Capital Assets	(352,961)	(891,664)	(30,395)	(1,275,020)
Principal Paid on Capital Debt	(241,865)	(80,420)	(160,550)	(482,835)
Interest Paid on Capital Debt	(88,503)	(6,286)	(16,220)	(111,009)
Proceeds from Sales of Capital Assets	0	0	0	0
Net Cash Used by Capital and Related Financing Activities	(683,329)	(978,370)	(207,165)	(1,868,864)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from Sales and Maturities of Investments	0	0	0	0
Purchase of Investments	(11,079)	0	(1,757)	(12,836)
Interest Received	11,080	1,719	1	12,800
Net Cash Provided (Used) by Investing Activities	1	1,719	(1,756)	(36)
Net Increase (Decrease) In Cash and Cash Equivalents	(377,409)	292,086	16,480	(68,843)
Cash and Cash Equivalents, July 1, 2016	1,582,964	934,761	83,448	2,601,173
Cash and Cash Equivalents, June 30, 2017	$ 1,205,555	$ 1,226,847	$ 99,928	$ 2,532,330

(continued)

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2017

	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)	$ (1,717,449)	$ 440,819	$ (376,853)	$ (1,653,483)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	235,177	114,059	234,613	583,849
(Increase) Decrease in Assets:				
Accounts Receivable	(243,377)	(23,085)	24,207	(242,255)
Inventory	0	0	(2,402)	(2,402)
Prepaids and Deposits	42,568	0	0	42,568
Increase (Decrease) in Liabilities:				
Accounts Payable	(111,513)	238,298	20,284	147,069
Pension Liabilities and Deferrals	(25,522)	(8,876)	0	(34,398)
Compensated Absences Payable	1,996	4,240	0	6,236
OPEB Liability	53,945	24,056	0	78,001
Other Payables	0	0	0	0
Retainages Payable	(55,800)	24,634	0	(31,166)
Net Cash Provided (Used) by Operating Activities	$ (1,819,975)	$ 814,145	$ (100,151)	$ (1,105,981)
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:				
Cash on Hand	$ 200	$ 0	$ 0	$ 200
Equity in Pooled Cash and Investments	62,008	1,202,180	16,480	1,280,668
Restricted Cash from Unspent Bonds	1,143,347	33	448	1,143,828
Restricted Cash	0	24,634	83,000	107,634
Cash and Cash Equivalents, June 30, 2017	$ 1,205,555	$ 1,226,847	$ 99,928	$ 2,532,330
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Federal Interest Subsidy Paid Directly to Bank	$ 4,047	$ 8,088	$ 0	$ 12,135

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2017

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	School Employee Insurance Fund	School Retirees Insurance Fund	Total Internal Service Funds
ASSETS:							
Current Assets:							
Equity in Pooled Cash and Investments	$ 0	$ 5,587,198	$ 1,157,893	$ 684,981	$ 100,959	$ 11,362	$ 7,542,393
Accounts Receivable	10,810	0	0	3,646	186,920	34,588	235,964
Accrued Interest Receivable	145	32	0	0	0	0	177
Due from Other Funds	0	0	0	0	0	0	0
Inventories	389,336	0	20,045	0	0	0	409,381
Prepaids	524,488	220,147	29,946	2,753	0	0	777,334
Total Current Assets	924,779	5,807,377	1,207,884	691,380	287,879	45,950	8,965,249
Capital Assets:							
Land	14,695	0	0	0	0	0	14,695
Buildings and Improvements	0	0	14,897	0	0	0	14,897
Machinery and Equipment	30,557,177	0	0	0	0	0	30,557,177
Less: Accumulated Depreciation	(20,562,256)	0	(6,083)	0	0	0	(20,568,339)
Net Capital Assets	10,009,616	0	8,814	0	0	0	10,018,430
Other Assets:							
Advances to Other Funds	0	0	0	0	0	0	0
Deposits	0	30,000	36,820	10,174	0	0	76,994
Total Other Assets	0	30,000	36,820	10,174	0	0	76,994
Restricted Assets:							
Long Term Certificates of Deposit	500,000	500,000	0	0	0	0	1,000,000
Investments	3,075,092	0	0	0	0	0	3,075,092
Total Restricted Assets	3,575,092	500,000	0	0	0	0	4,075,092
Total Assets	14,509,487	6,337,377	1,253,518	701,554	287,879	45,950	23,135,765

(continued)

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2017

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	School Employee Insurance Fund	School Retirees Insurance Fund	Total Internal Service Funds
LIABILITIES:							
Current Liabilities:							
Accounts Payable	120,478	29,180	47,814	0	7,229	498	205,199
Due to Other Governments	0	0	0	0	0	0	0
Due to Other Funds	595,963	0	0	0	0	0	595,963
Claims Payable	0	842,324	0	0	0	0	842,324
Benefits Payable	0	2,346,965	337,484	46,021	61,556	9,198	2,801,224
Compensated Absences Payable	83,387	18,029	7,286	0	0	0	108,702
Total Current Liabilities	799,828	3,236,498	392,584	46,021	68,785	9,696	4,553,412
Total Liabilities	799,828	3,236,498	392,584	46,021	68,785	9,696	4,553,412
NET POSITION:							
Net Investment in Capital Assets	10,009,616	0	8,814	0	0	0	10,018,430
Unrestricted	3,700,043	3,100,879	852,120	655,533	219,094	36,254	8,563,923
Total Net Position	$ 13,709,659	$ 3,100,879	$ 860,934	$ 655,533	$ 219,094	$ 36,254	$ 18,582,353

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, 2017

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	School Employee Insurance Fund	School Retirees Insurance Fund	Total Internal Service Funds
OPERATING REVENUE:							
Charges for Sales and Services	$ 6,999,325	$ 2,133,772	$ 8,353,429	$ 930,103	$ 4,432,611	$ 671,912	$ 23,521,152
Miscellaneous	38,415	4,914	72,180	12,799	443,188	76,894	648,390
Total Operating Revenue	7,037,740	2,138,686	8,425,609	942,902	4,875,799	748,806	24,169,542
OPERATING EXPENSES:							
Personnel Services and Benefits	1,240,620	294,360	78,452	0	0	0	1,613,432
Materials and Supplies	3,239,966	7,350	180,470	0	74,844	0	3,502,630
Contractual Services	65,247	68,169	454,663	656	157,388	585	746,708
Insurance	22,688	504,883	545,027	40,883	276,267	31,158	1,420,906
Insurance Claims	0	1,051,515	5,863,334	856,550	4,824,600	725,421	13,321,420
Depreciation	2,124,568	0	1,490	0	0	0	2,126,058
Miscellaneous	110,623	25,200	835,313	28,267	398,405	36,949	1,434,757
Total Operating Expenses	6,803,712	1,951,477	7,958,749	926,356	5,731,504	794,113	24,165,911
Operating Income (Loss)	234,028	187,209	466,860	16,546	(855,705)	(45,307)	3,631
NONOPERATING REVENUES:							
Gain on Disposal of Fixed Assets	85,882	0	0	0	0	0	85,882
Investment Earnings	17,878	18,435	736	1,423	0	0	38,472
Total Nonoperating Revenues	103,760	18,435	736	1,423	0	0	124,354
Income (Loss) Before Transfers	337,788	205,644	467,596	17,969	(855,705)	(45,307)	127,985
Transfers In	0	0	0	0	0	0	0
Change in Net Position	337,788	205,644	467,596	17,969	(855,705)	(45,307)	127,985
Net Position, July 1, 2016	13,371,871	2,895,235	393,338	637,564	1,074,799	81,561	18,454,368
Net Position, June 30, 2017	$ 13,709,659	$ 3,100,879	$ 860,934	$ 655,533	$ 219,094	$ 36,254	$ 18,582,353

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	School Employee Insurance Fund	School Retirees Insurance Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Interfund Services Provided	$ 7,026,930	$ 2,138,686	$ 8,426,077	$ 946,936	$ 4,779,043	$ 740,541	$ 24,058,213
Payments to Suppliers	(4,135,866)	(1,689,192)	(7,870,484)	(903,109)	(6,567,931)	(897,070)	(22,063,652)
Payments to Employees	(1,238,606)	(297,090)	(78,535)	0	0	0	(1,614,231)
Net Cash Provided (Used) by Operating Activities	1,652,458	152,404	477,058	43,827	(1,788,888)	(156,529)	380,330
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers (to) from Other Funds	0	0	0	0	0	0	0
Advances (to) from Other Funds	72,177	0	0	0	0	0	72,177
Net Cash Provided (Used) by Noncapital Financing Activities	72,177	0	0	0	0	0	72,177
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Capital Transfers from Other Funds	0	0	0	0	0	0	0
Purchase of Capital Assets	(1,113,426)	0	0	0	0	0	(1,113,426)
Proceeds from Sales of Capital Assets	85,882	0	0	0	0	0	85,882
Net Cash Used by Capital and Related Financing Activities	(1,027,544)	0	0	0	0	0	(1,027,544)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of Investments	(714,955)	0	0	0	0	0	(714,955)
Interest Received	17,864	18,435	736	1,423	0	0	38,458
Net Cash Provided (Used) by Investing Activities	(697,091)	18,435	736	1,423	0	0	(676,497)
Net Increase (Decrease) In Cash and Cash Equivalents	0	170,839	477,794	45,250	(1,788,888)	(156,529)	(1,251,534)
Cash and Cash Equivalents, July 1, 2016	0	5,416,359	680,099	639,731	1,889,847	167,891	8,793,927
Cash and Cash Equivalents, June 30, 2017	$ 0	$ 5,587,198	$ 1,157,893	$ 684,981	$ 100,959	$ 11,362	$ 7,542,393

(continued)

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Employee Health Insurance Fund	Retirees Health Insurance Fund	School Employee Insurance Fund	School Retirees Insurance Fund	Total Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating Income (Loss)	$ 234,028	$ 187,209	$ 466,860	$ 16,546	$ (855,705)	$ (45,307)	$ 3,631
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	2,124,568	0	1,490	0	0	0	2,126,058
(Increase) Decrease in Assets:							
Accounts Receivable	(10,810)	0	468	4,034	(96,756)	(8,265)	(111,329)
Due From Other Governments	0	0	0	0	0	0	0
Inventory	(6,588)	0	2,377	0	0	0	(4,211)
Prepaids and Deposits	(524,488)	(26,979)	70,703	21,783	0	0	(458,981)
Increase (Decrease) in Liabilities:							
Accounts Payable	(166,267)	(35,482)	(1,235)	0	(18,097)	498	(220,583)
Claims Payable	0	(60,963)	0	0	0	0	(60,963)
Benefits Payable	0	91,349	(63,522)	1,464	(818,330)	(103,455)	(892,494)
Compensated Absences Payable	2,015	(2,730)	(83)	0	0	0	(798)
Net Cash Provided (Used) by Operating Activities	$ 1,652,458	$ 152,404	$ 477,058	$ 43,827	$ (1,788,888)	$ (156,529)	$ 380,330
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:							
Equity in Pooled Cash and Investments	$ 0	$ 5,587,198	$ 1,157,893	$ 684,981	$ 100,959	$ 11,362	$ 7,542,393
Restricted Assets Cash in Bank	0	0	0	0	0	0	0
Cash and Cash Equivalents, June 30, 2017	$ 0	$ 5,587,198	$ 1,157,893	$ 684,981	$ 100,959	$ 11,362	$ 7,542,393

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

	Industrial Development Board	Emergency Communications District
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers and Users	$ 1,290,171	$ 831,108
Payments to Suppliers	(2,331,607)	(419,376)
Net Cash Provided (Used) by Operating Activities	(1,041,436)	411,732
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Noncapital Grants	0	64,798
Net Cash Provided by Noncapital Financing Activities	0	64,798
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Note Proceeds	1,164,847	0
Proceeds from Sale of Capital Assets	2,349,980	0
Purchases of Capital Assets	(78,727)	(63,306)
Capital Grants	0	0
Payments to Grantees	0	0
Principal Paid on Capital Debt	(2,498,995)	0
Interest Paid on Capital Debt	(448,382)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	488,723	(63,306)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Maturities of Investments	0	0
Interest Received	10,700	124
Net Cash Provided by Investing Activities	10,700	124
Net Increase (Decrease) in Cash and Cash Equivalents	(542,013)	413,348
Cash and Cash Equivalents, July 1, 2016	1,882,753	1,160,500
Cash and Cash Equivalents, June 30, 2017	$ 1,340,740	$ 1,573,848
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	$ 276,766	$ 218,534
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	259,122	187,256
(Increase) Decrease in Assets:		
Accounts Receivable	5,656	0
Due from Other Governments	0	0
Due from Primary Government	143,760	0
Land Held for Sale or Development	(1,150,836)	0
Prepaid Items	18,583	11,700
Increase (Decrease) in Liabilities:		
Accounts Payable	(282,959)	(5,758)
Unearned Income	(311,528)	0
Net Cash Provided (Used) by Operating Activities	$ (1,041,436)	$ 411,732
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:		
Cash	$ 1,340,740	$ 1,573,848
Restricted Assets Cash in Bank	0	0
Cash and Cash Equivalents, June 30, 2017	$ 1,340,740	$ 1,573,848
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Decrease in Investment in Joint Venture	$ 2,438	$ 0

See Independent Auditors' Report.

D. SUPPLEMENTAL INFORMATION

KINGSPORT
TENNESSEE

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
June 30, 2017 and 2016

	2017	2016
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	$ 32,256,446	$ 32,211,839
Buildings	186,616,059	186,458,575
Improvements Other Than Buildings	34,024,798	25,595,304
Equipment	26,663,874	24,528,016
Software	978,806	908,338
Infrastructure	294,046,497	292,617,695
Construction in Progress	35,254,924	18,271,076
Total Governmental Funds Fixed Assets	$ 609,841,404	$ 580,590,843
INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:		
General Obligation Bonds	$ 431,072,408	$ 420,614,660
Contributions from Municipalities	517,978	517,978
Federal Grants	11,003,597	10,529,608
State Grants	1,127,568	1,061,110
County Grants	19,817	19,817
Federal Revenue Sharing	288,158	288,158
General Fund Revenue	16,065,162	15,759,604
Gifts	29,694,907	29,431,052
Annexed Roads	14,297,831	14,297,831
Forfeitures	114,985	114,985
Special Revenue Funds	65,323,457	64,616,621
Operating Revenue	2,297,626	2,305,357
Notes Payable	2,762,986	2,762,986
Construction in Progress	35,254,924	18,271,076
Total Governmental Funds Capital Assets	$ 609,841,404	$ 580,590,843

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 Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2017

Function and Activity	Land	Buildings	Improvements other than Buildings	Equipment	Software	Infrastructure	Construction in Progress	Total
General Government:								
General Government	$ 12,067,382	$ 23,830,244	$ 2,970,664	$ 1,176,490	$ 26,173	$ 0	$ 3,666,536	$ 43,737,489
Finance	0	0	5,797	19,251	180,748	0	0	205,796
Information Services	0	0	0	444,521	40,274	0	0	484,795
Geographic Information	0	0	0	86,598	8,500	0	0	95,098
Total General Government	12,067,382	23,830,244	2,976,461	1,726,860	255,695	0	3,666,536	44,523,178
Economic and Physical Development:								
Development Services	0	650,519	33,326	0	0	0	0	683,845
Transportation	0	1,700,680	143,141	2,203,511	319,559	0	827,036	5,193,927
Engineering	0	0	0	31,846	0	0	736,791	768,637
Total Economic and Physical Development	0	2,351,199	176,467	2,235,357	319,559	0	1,563,827	6,646,409
Public Safety:								
Police	90,588	4,677,342	66,272	3,935,439	87,248	0	109,112	8,966,001
Fire	1,091,337	5,613,620	1,152,921	2,823,729	11,665	0	542,578	11,235,850
Communication	0	66,535	0	204,629	0	0	0	271,164
Central Dispatch	0	0	0	2,046,631	0	0	0	2,046,631
Total Public Safety	1,181,925	10,357,497	1,219,193	9,010,428	98,913	0	651,690	22,519,646
Public Works:								
General and Administrative	0	340,217	44,744	148,655	0	344,469	0	878,085
Sanitation	0	0	0	5,000	0	0	0	5,000
Streets	0	0	1,123,214	901,352	0	41,271,241	3,460,858	46,756,665
Maintenance	0	136,572	12,410	876,683	0	0	235,992	1,261,657
Bridges System	0	0	0	0	0	8,348,531	4,989	8,353,520
Highways System	0	0	0	0	0	243,605,639	0	243,605,639
Total Public Works	0	476,789	1,180,368	1,931,690	0	293,569,880	3,701,839	300,860,566

(continued)

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2017

Function and Activity	Land	Buildings	Improvements other than Buildings	Equipment	Software	Infrastructure	Construction in Progress	Total
Culture and Recreation:								
Senior Citizens	0	3,871,547	29,040	29,291	13,550	0	0	3,943,428
Recreation	12,721,148	24,190,536	16,284,444	881,695	55,000	0	3,320,134	57,452,957
Cultural Arts	140,000	1,676,691	355,057	358,550	0	0	15,000	2,545,298
Bays Mountain	980,962	953,077	332,042	1,136,272	0	0	415,455	3,817,808
Allandale	306,018	416,692	663,561	192,686	0	0	0	1,578,957
Library	133,000	3,920,617	0	149,545	0	476,617	0	4,679,779
Total Culture and Recreation	14,281,128	35,029,160	17,664,144	2,748,039	68,550	476,617	3,750,589	74,018,227
Education	4,726,011	114,571,170	10,808,165	9,011,500	236,089	0	21,920,443	161,273,378
Total Governmental Funds Capital Assets	$ 32,256,446	$ 186,616,059	$ 34,024,798	$ 26,663,874	$ 978,806	$ 294,046,497	$ 35,254,924	$ 609,841,404

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, 2017

Function and Activity	Governmental Funds Capital Assets June 30, 2016	Additions	Deletions	Adjustments	Governmental Funds Capital Assets June 30, 2017
General Government:					
General Government	$ 42,383,882	$ 1,740,817	$ (409,502)	$ 22,292	$ 43,737,489
Finance	205,796	0	0	0	205,796
Information Services	484,795	0	0	0	484,795
Geographic Information	95,098	0	0	0	95,098
Total General Government	43,169,571	1,740,817	(409,502)	22,292	44,523,178
Economic and Physical Development:					
Development Services	683,845	0	0	0	683,845
Transportation	4,262,258	940,864	(9,195)	0	5,193,927
Engineering	474,171	313,450	(18,984)	0	768,637
Total Economic and Physical Development	5,420,274	1,254,314	(28,179)	0	6,646,409
Public Safety:					
Police	8,988,576	169,100	(191,675)	0	8,966,001
Fire	11,255,162	1,574,742	(1,594,054)	0	11,235,850
Communication	133,507	137,657	0	0	271,164
Central Dispatch	2,046,631	0	0	0	2,046,631
Total Public Safety	22,423,876	1,881,499	(1,785,729)	0	22,519,646
Public Works:					
General and Administrative	878,085	0	0	0	878,085
Sanitation	5,000	0	0	0	5,000
Streets	45,015,643	3,042,306	(1,301,284)	0	46,756,665
Maintenance	995,844	265,813	0	0	1,261,657
Bridges System	8,348,531	4,989	0	0	8,353,520
Highways System	243,605,639	0	0	0	243,605,639
Total Public Works	298,848,742	3,313,108	(1,301,284)	0	300,860,566
Culture and Recreation:					
Senior Citizens	3,925,365	18,063	0	0	3,943,428
Recreation	55,255,904	9,545,394	(7,352,964)	4,623	57,452,957
Cultural Arts	2,408,198	137,100	0	0	2,545,298
Bays Mountain	3,434,502	390,306	(7,000)	0	3,817,808
Allandale	1,578,957	0	0	0	1,578,957
Library	4,686,689	0	(6,910)	0	4,679,779
Total Culture and Recreation	71,289,615	10,090,863	(7,366,874)	4,623	74,018,227
Education	139,438,765	22,603,791	(769,178)	0	161,273,378
Total Governmental Funds Capital Assets	$ 580,590,843	$ 40,884,392	$ (11,660,746)	$ 26,915	$ 609,841,404

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

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
ENTERPRISE FUNDS
SCHEDULE OF OPERATING COSTS
For the Fiscal Year Ended June 30, 2017

	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	$ 506,229	$ 451,906	$ 10,402	$ 0	$ 78,001	$ 1,046,538
Contractual Services	186,745	163,067	30,950	106,494	277,723	764,979
Supplies	192,733	6,168	9,055	40,228	14,564	262,748
Insurance	46,022	56,000	37,761	33,061	25,340	198,184
Subsidies and Contributions	0	0	0	277,955	0	277,955
Base Management Fee	0	0	0	146,640	25,638	172,278
Other	198,758	61,533	2,280	215,670	67,001	545,242
Total General and Administrative	1,130,487	738,674	90,448	820,048	488,267	3,267,924
Operations:						
Water Plant Operations	3,244,513	0	0	0	0	3,244,513
Sewer Plant Operations	0	2,844,152	0	0	0	2,844,152
Water Distribution System Maintenance	2,882,460	0	0	0	0	2,882,460
Sewer Collection System Maintenance	0	1,687,960	0	0	0	1,687,960
Reading, Service and Maintenance of Meters	589,133	0	0	0	0	589,133
Landfill Operations and Services	0	0	0	0	798,689	798,689
Solid Waste Collection Services	0	0	0	0	810,022	810,022
Organic Refuse Services	0	0	0	0	1,861,442	1,861,442
Recycling Services	0	0	0	0	743,910	743,910
Storm Water Maintenance	0	0	0	0	1,248,069	1,248,069
Aquatic Center Operations	0	0	1,568,680	0	0	1,568,680
Aquatic Center Concessions	0	0	140,199	0	0	140,199
Aquatic Center Programs	0	0	69,843	0	0	69,843
Golf Grounds Maintenance	0	0	0	0	305,621	305,621
Golf Pro Shop	0	0	0	0	384,170	384,170
Golf Shop Food and Beverage	0	0	0	0	42,114	42,114
Total Operations	6,716,106	4,532,112	1,778,722	0	6,194,037	19,220,977
Total Operating Costs	$ 7,846,593	$ 5,270,786	$ 1,869,170	$ 820,048	$ 6,682,304	$ 22,488,901

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
NONMAJOR ENTERPRISE FUNDS
SCHEDULE OF OPERATING COSTS
For the Fiscal Year Ended June 30, 2017

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
General and Administrative:				
Personnel Services	$ 53,945	$ 24,056	$ 0	$ 78,001
Contractual Services	4,680	72,310	200,733	277,723
Supplies	0	2,069	12,495	14,564
Insurance	22,200	0	3,140	25,340
Subsidies and Contributions	0	0	0	0
Base Management Fee	0	0	25,638	25,638
Other	16,747	74	50,180	67,001
Total General and Administrative	97,572	98,509	292,186	488,267
Operations:				
Landfill Operations and Services	798,689	0	0	798,689
Solid Waste Collection Services	810,022	0	0	810,022
Organic Refuse Services	1,861,442	0	0	1,861,442
Recycling Services	743,910	0	0	743,910
Storm Water Maintenance	0	1,248,069	0	1,248,069
Golf Grounds Maintenance	0	0	305,621	305,621
Golf Pro Shop	0	0	384,170	384,170
Golf Shop Food and Beverage	0	0	42,114	42,114
Total Operations	4,214,063	1,248,069	731,905	6,194,037
Total Operating Costs	$ 4,311,635	$ 1,346,578	$ 1,024,091	$ 6,682,304

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Federal Granting Agency/ Recipent State Agency/ Grant Program/ Grant Number	Federal CFDA Number	Contract Number	Subrecipient DUNS	Passed - Through to Subrecipient	FY2017 Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
Pass Through Tennessee Department of Education:					
National School Lunch Program	10.555				$ 1,927,339
School Breakfast Program	10.553				673,388
Summer Feeding Program	10.559				87,643
Pass Through Tennessee Department of Agriculture:					
Commodity Supplemental Feeding	10.569				216,077
Total U.S. Department of Argriculture					2,904,447
U.S. DEPARTMENT OF EDUCATION					
Pass Through Tennessee Department of Education:					
Title I, Project 16-21	84.010				197,083
Title I, Project 17-01	84.010				1,764,473
Title I, School Improvement 2016-21	84.010				13,887
Title I, School Improvement 2017	84.010				67,338
IDEA Part B, 16-21	84.027				115,928
IDEA Part B, 17-01	84.027				1,355,570
IDEA Part B, High Cost	84.027				40,075
IDEA Discretionary 2017-1	84.027				6,887
Carl Perkins, 2017	84.048				134,402
Pre School 16-21	84.173				6,598
Pre School 17-01	84.173				30,582
Title II, 2017, 2016-21	84.367				54,373
Title II, 2017, 2017-01	84.367				293,281
Homeless Assistance Grant	84.196				44,406
Read to be Ready Grant	93.575	G1601TNCCDF			60,143
Pass Through City of Greenville, Tennessee:					
Title III, 2017-01	84.365				7,079
Total U.S. Department of Education					4,192,105
U.S. DEPARTMENT OF JUSTICE					
Direct Programs:					
Bulletproof Vest Partnership Program 10054361	16.607	10054361			8,805
Justice Assistance Grant / 2014-DJ-BX-0250	16.579	2014-DJ-BX-0250			21
Justice Assistance Grant / 2015-DJ-BX-0586	16.579	2015-DJ-BX-0586			18,087
Justice Assistance Grant / 2015-MU-BX-0442	16.579	2015-MU-BX-0442			14,895
Justice Assistance Grant / 2016-DJ-BX-0853	16.579	2016-DJ-BX-0853			17,340
Total U.S. Department of Justice					59,148
U.S. DEPARTMENT OF TRANSPORTATION					
Direct Programs:					
FTA Capital/Operating/Planning TN-90-X402	20.507	Z-17-UR0P06-00			644,881
Transit Center TN-2016-015	20.507	TN-2016-015-00			661,081
Pass Through Tennessee Dept of Environment and Conservation:					
Wetlands Boardwalk Recreation Trail Grant	20.219	17RT002			366
Pass Through Tennessee Department of Transportation:					
Multiple Traffic Violations Z16GHS180	20.607	Z16GHS180			4,605
Traffic Safety PT-17-29 / 402	20.600	PT-17-29 / 402			15,272
STP-EN-9108(43)	20.205	112315			154,563
Main Street Improvement STP-M-9108(48)	20.205	123325			36,214
FHWA Project No. SPR-PL-1-(318) 2017	20.205	Z-14MPO007			202,415
Signalization SR-126 Island Rd STP-M-126(20)	20.205	140163			9,605
Lynn Garden Signal STP-M-36(33)	20.205	121579			25,178
Wilcox Sidewalk Phase 5 STP-126(18)	20.205	82LPLM F3 051			11,136
FTA Capital / Operating / Planning Section 5303 10	20.505	GG-17-53600-00			52,819
Pass-Through Virginia Department of Transportation:					
FHWA Project VA PL Funds 2017	20.205				3,963
FTA Capital / Operating / Planning VA 2017	20.505	46015-2			3,424
Total U.S. Department of Transportation					1,825,522

(continued)

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Federal Granting Agency/ Recipent State Agency/ Grant Program/ Grant Number	Federal CFDA Number	Contract Number	Subrecipient DUNS	Passed - Through to Subrecipient	FY2017 Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct Programs:					
Community Development Block Grants	14.218	B-16-MC-47-0004			349,979
Community Development Block Grants	14.218	B-16-MC-47-0004	19-924-3010	$ 6,000	
Community Development Block Grants	14.218	B-16-MC-47-0004	06-318-8200	$ 15,000	
Community Development Block Grants	14.218	B-16-MC-47-0004	08-881-9396	$ 17,121	
Pass-Through Tennessee Department of Health & Human Services:					
Emergency Solutions Grant Program	14.231	E-16-DC-47-0001			81,377
Total U.S. Department of Housing and Urban Development					431,356
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Pass-Through First Tennessee Development District:					
Title III-B Transportation& III-D Health Promotion	93.044	KINGS-2016-HOOT-16			12,000
Total U.S. Department of Health and Human Services					12,000
U.S. DEPARTMENT OF COMMERCE					
Public Works Program Raw Water Conveyance Upgrade	11.300	04-01-0615			791,441
Pass-Through Tenn Dept of Economic & Community Development:					
ARC Project 46658	23.001	TN-17908-2015			300,000
Total U.S. Department of Commerce					1,091,441
ENVIRONMENTAL PROTECTION AGENCY					
Pass-Through Tennessee Department of Environment and Conservation:					
Capitalization Grants for Drinking Water State Revolving Loan Funds	66.468	DWF 2014-140			3,190,457
Total Envirnmental Protection Agency					3,190,457
Total Expenditures of Federal Awards					$ 13,706,476

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 DISTRIBTION

Non-monetary assistance is reported in the schedule at the fair market value of commoditites received and used.

NOTE D: INDIRECT COST RATES

The City has not made an elecetion 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 $12,871,681 at June 30, 2017. Of this balance $8,924,572 was federal money while $3,947,109 was state money. The total loan available is $15,000,000 and carries an interest rate of 1.78%.

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2017

Granting Agency/ Pass-Through Agency Grant Program/ Grant Number	State Contract Number	Pass-Through Entity identifying Number	2017 State Expenditures
PRIMARY GOVERNMENT			
Tennessee Arts Commission			
Arts Program Categorical Grants	31625-28348		$ 6,150
Total Tennessee Arts Commission			6,150
Tennessee Department of Health & Human Services			
Project Diabetes	GG-17510-20		150,000
Pass-Through First Tennessee Development District:			
State Senior Center Operations Grant		KINGS-2016-HOOT-16	19,999
Total Tennessee Department of Health & Human Services			169,999
Tennessee Department of Transportation			
TN-80-0005-00 Operating 82-5303-S3-016	GG-14-41412-00		6,603
STP-M-126(18) Wilcox Sidewalk	82LPLM-F3-051		2,784
STP-M-126(20) SR126 / Island Road Signal	82LPLM-F3-058		12,486
TN-90-X-383 Operating 82UROP-S3-017	82UROP-S3-017		(459)
TN-90-X-009 Operating 82UROP-S3-017	82UROP-S3-017		561,525
Stone Drive Sidewalk	82LPLM-S0-062		55,242
Transit Center	GG-17-52819-00		82,635
Realign SR93 Exit 50 to Kingsport	90010-2213-14		15,864
Total Tennessee Department of Transportation			736,680
Tennessee Arts Commission			
Adams, Jefferson, and Johnson Elementary	31625-29216		4,600
			4,600
Tennessee State Library and Archives			
Library Improvements	30504-00117-01		54,815
			54,815
Tennessee Department of Children's Services			
Truancy Intervention Program	GG-12-30644		53,720
Total Tennessee Department of Children's Services			53,720
Tennessee Department of Education			
School to Work Program	34570		99,095
LEAPS Program	119-12-02-041		214,763
Safe Schools	GP-46590		29,480
Pre-Kindergarten- Lottery	MX0-AAX		498,322
Family Resource	MTE-AAX		30,089
Coordinated School Health	GZB-AAX		100,000
Total Tennessee Department of Education			971,749
Tennessee Department of Environment and Conservation			
Bays Mtn Land Acquisition through Heritage Trust Board	STREAM		31,125
Clean Tennessee Energy Grant	100407		22,490
Capitalization Grants for Drinking Water State Revolving Loan Funds	DWF 2014-140		2,969,148
Total Tennessee Department of Environment Conservation			3,022,763
Total Expenditures of State Awards for the Primary Government			5,020,476
Total Expenditures of State Awards			$ 5,020,476

See Independent Auditor's Report.

STATISTICAL SECTION

This part of the City of Kingsport, Tennessee's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

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. 215

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. 223

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. 229

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. 234

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. 236

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net Investment in Capital Assets	$ 251,706,778	$ 255,888,658	$ 262,313,208	$ 246,176,930	$ 241,652,040	$ 236,819,524	$ 229,484,970	$ 220,670,564	$ 215,146,670	$ 232,739,291
Restricted	30,399,946	22,286,383	184,626	184,662	178,140	195,625	247,951	215,639	172,941	25,660,368
Unrestricted	2,085,078	(702,400)	6,871,567	9,312,041	284,928	(6,270,614)	(9,459,253)	(42,782,973)	(39,294,647)	(35,204,137)
Total Governmental Activities Net Position	$ 284,191,802	$ 277,472,641	$ 269,369,401	$ 255,673,633	$ 242,115,108	$ 230,744,535	$ 220,273,668	$ 178,103,230	$ 176,024,964	$ 223,195,522
Business-Type Activities										
Net Investment in Capital Assets	$ 142,403,592	$ 149,317,029	$ 157,978,008	$ 163,891,065	$ 169,428,141	$ 179,431,176	$ 183,789,590	$ 183,083,561	$ 188,268,413	$ 193,031,301
Restricted	1,119,119	939,246	882,421	1,432,126	619,678	364,708	469,895	406,253	604,795	858,037
Unrestricted	13,816,505	16,644,944	16,420,757	17,296,662	17,772,154	13,894,445	11,926,884	6,201,559	3,791,304	3,460,513
Total Business-Type Activities Net Position	$ 157,339,216	$ 166,901,219	$ 175,281,186	$ 182,619,853	$ 187,819,973	$ 193,690,329	$ 196,186,369	$ 189,691,373	$ 192,664,512	$ 197,349,851
Primary Government										
Net Investment in Capital Assets	$ 394,110,370	$ 405,205,687	$ 420,291,216	$ 410,067,995	$ 411,080,181	$ 416,250,700	$ 413,274,560	$ 403,754,125	$ 403,415,083	$ 425,770,592
Restricted	31,519,065	23,225,629	1,067,047	1,616,788	797,818	560,333	717,846	621,892	777,736	26,518,405
Unrestricted	15,901,583	15,942,544	23,292,324	26,608,703	18,057,082	7,623,831	2,467,631	(36,581,414)	(35,503,343)	(31,743,624)
Total Primary Government Net Position	$ 441,531,018	$ 444,373,860	$ 444,650,587	$ 438,293,486	$ 429,935,081	$ 424,434,864	$ 416,460,037	$ 367,794,603	$ 368,689,476	$ 420,545,373

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
General Government	$ 10,448,110	$ 8,346,300	$ 11,201,367	$ 14,877,308	$ 12,574,751	$ 12,206,753	$ 9,342,864	$ 10,576,342	$ 10,413,192	$ 11,672,892
Public Safety	19,844,589	19,955,908	19,485,392	20,186,463	20,995,344	21,116,177	21,804,504	21,215,734	21,663,334	23,373,247
Public Works	13,370,957	12,871,747	14,690,010	15,325,189	13,397,601	13,504,933	13,920,899	14,606,362	15,579,088	18,087,183
Highway Transportation Planning	3,121,176	3,532,499	5,767,852	3,846,573	3,804,969	4,219,117	4,876,627	5,319,159	4,428,006	4,381,789
Economic and Physical Development	4,097,855	4,397,024	4,234,673	4,792,022	4,852,780	4,590,460	4,647,819	4,358,455	4,326,769	2,023,477
Culture and Recreation	6,802,922	6,535,076	6,144,900	6,590,859	6,691,418	7,295,391	7,308,927	7,347,859	7,784,401	8,322,721
Education	66,063,108	69,060,256	71,107,497	75,900,414	75,544,772	75,456,221	77,124,830	74,368,054	78,180,717	81,495,584
Interest on Long-Term Debt	3,244,491	3,276,319	4,069,104	4,718,229	4,551,533	3,253,559	4,121,095	4,189,508	4,008,351	3,847,436
Other	0	0	0	0	0	0	0	0	0	0
Total Governmental Activities Expenses	126,993,208	127,975,129	136,700,795	146,237,057	142,413,168	141,642,611	143,147,565	141,981,473	146,383,858	153,204,329
Business-Type Activities:										
Water	8,971,314	9,208,308	9,068,323	9,630,478	10,329,009	10,373,689	10,848,749	10,689,783	11,029,910	11,389,112
Sewer	7,941,556	8,527,859	8,082,865	8,227,535	8,267,253	8,687,619	8,912,004	11,281,230	11,853,057	11,727,265
Solid Waste Management	3,798,666	3,643,156	3,614,988	4,009,722	4,367,121	4,246,071	4,379,003	4,249,886	4,424,383	4,638,331
Storm Water Management	0	0	0	0	671,575	848,997	1,230,005	1,347,121	1,457,499	1,476,865
Aquatic Center	0	0	0	0	0	753,495	3,220,643	3,058,481	2,984,965	3,062,597
MeadowView Conference Center	1,246,702	1,461,629	1,986,408	1,597,797	1,362,677	1,559,914	2,954,368	2,944,790	2,685,147	2,637,666
Cattails at MeadowView Golf Course	1,447,591	1,361,077	1,586,343	1,384,281	1,325,339	1,313,104	1,335,963	1,288,216	1,311,917	1,274,403
Total Business-Type Activities Expenses	23,405,829	24,202,029	24,338,927	24,849,813	26,322,974	27,782,889	32,880,735	34,859,507	35,746,878	36,206,239
Total Primary Government Expenses	$ 150,399,037	$ 152,177,158	$ 161,039,722	$ 171,086,870	$ 168,736,142	$ 169,425,500	$ 176,028,300	$ 176,840,980	$ 182,130,736	$ 189,410,568
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	$ 138,937	$ 194,323	$ 687,263	$ 1,596,808	$ 681,275	$ 683,997	$ 491,916	$ 1,036,182	$ 1,097,954	$ 1,011,092
Public Safety	2,478,198	2,384,667	1,789,496	1,820,625	1,179,259	1,106,058	1,227,933	1,106,788	1,259,977	1,422,778
Public Works	0	0	0	0	0	0	0	0	0	1,218,571
Highway Transportation Planning	97,070	120,520	103,207	110,713	122,236	127,303	130,945	147,631	117,862	121,005
Economic and Physical Development	513,595	562,536	1,192,238	1,079,506	996,925	1,028,954	764,682	599,980	900,416	25
Culture and Recreation	748,935	754,137	818,919	987,328	988,565	991,503	963,498	1,029,146	1,324,523	1,465,081
Education	2,472,281	2,452,987	2,475,034	2,485,634	2,540,181	2,348,049	2,344,300	2,287,373	2,417,198	2,202,762
Operating Grants and Contributions	31,848,530	32,757,394	34,317,663	37,442,335	38,727,209	37,090,159	38,620,397	38,081,890	38,590,390	42,102,696
Capital Grants and Contributions	6,982,702	4,179,278	7,348,567	9,217,970	4,786,618	2,298,091	2,043,937	3,351,516	2,411,235	47,444,523
Total Governmental Activities Program Revenues	45,280,248	43,405,842	48,732,387	54,740,919	50,022,268	45,674,114	46,587,608	47,640,506	48,119,555	96,988,533
Business-Type Activities:										
Charges for Services:										
Water	13,073,516	12,981,541	12,513,017	12,383,505	12,667,214	12,235,550	12,791,336	13,262,329	13,575,659	13,643,424
Sewer	12,740,996	13,081,940	12,618,400	12,276,442	12,371,334	12,611,643	13,142,602	13,305,667	13,750,057	14,363,873
Solid Waste Management	783,960	679,518	772,999	829,411	944,641	802,090	832,053	1,006,285	872,231	2,829,363
Storm Water Management	0	0	0	0	910,822	1,809,829	1,840,865	1,813,527	1,860,884	1,901,456
Aquatic Center	0	0	0	0	0	331,444	1,428,226	1,388,065	1,348,766	1,337,074
MeadowView Conference Center	283,188	259,746	251,800	303,648	321,915	188,114	180,481	223,898	384,717	435,600
Cattails at MeadowView Golf Course	1,095,861	1,042,420	981,837	938,658	1,011,026	945,421	948,586	819,742	898,760	881,851
Operating Grants and Contributions	0	0	0	229,976	186,888	238,749	185,308	181,030	174,903	167,877
Capital Grants and Contributions	2,660,735	2,123,441	1,296,823	655,174	65,871	507,015	1,033,605	868,632	1,495,226	1,709,857
Total Business-Type Activities Program Revenues	30,638,256	30,168,606	28,434,876	27,616,814	28,479,711	29,669,855	32,383,062	32,869,175	34,361,203	37,270,375
Total Primary Government Program Revenues	$ 75,918,504	$ 73,574,448	$ 77,167,263	$ 82,357,733	$ 78,501,979	$ 75,343,969	$ 78,970,670	$ 80,509,681	$ 82,480,758	$ 134,258,908

(continued)

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016
Net (Expense)/Revenue										
Governmental Activities	$ (81,712,960)	$ (84,569,287)	$ (87,968,408)	$ (91,496,138)	$ (92,390,900)	$ (95,968,497)	$ (96,559,957)	$ (94,340,967)	$ (98,264,303)	$ (56,215,796)
Business-Type Activities	7,232,427	5,966,577	4,095,949	2,767,001	2,156,737	1,886,966	(497,673)	(1,990,332)	(1,385,675)	1,064,136
Total Primary Government Net (Expense) Revenue	$ (74,480,533)	$ (78,602,710)	$ (83,872,459)	$ (88,729,137)	$ (90,234,163)	$ (94,081,531)	$ (97,057,630)	$ (96,331,299)	$ (99,649,978)	$ (55,151,660)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	$ 43,181,138	$ 45,003,403	$ 45,938,645	$ 47,144,856	$ 48,236,082	$ 50,347,648	$ 52,677,994	$ 55,935,014	$ 57,058,121	$ 59,355,264
Sales Taxes	27,531,437	27,003,900	26,304,997	27,514,740	29,469,816	29,687,264	30,753,163	32,690,121	34,386,506	34,602,066
Other Taxes	6,117,575	5,447,237	5,017,241	5,234,872	5,633,647	5,805,431	6,144,010	6,596,149	6,774,085	11,137,599
Grants and Contributions Not Restricted	641,999	970,035	1,040,878	986,665	1,361,422	1,370,621	1,151,744	1,126,538	995,380	1,121,189
Unrestricted Investment Earnings	3,392,236	1,624,800	786,056	421,579	401,451	332,967	178,084	158,346	211,962	332,007
Gain (Loss) on Disposal of Capital Assets	269,917	18,322	(869,975)	0	0	0	0	0	0	0
Miscellaneous	1,036,779	790,029	742,259	755,400	960,663	875,719	903,143	1,047,776	939,546	182,882
Transfers	(4,035,319)	(3,007,600)	(3,874,687)	(4,425,338)	(3,615,027)	(3,821,726)	(4,331,130)	(4,539,037)	(4,179,563)	(3,344,653)
Total Governmental Activities	78,135,762	77,850,126	75,085,414	77,632,774	82,448,054	84,597,924	87,477,008	93,014,907	96,186,037	103,386,354
Business-Type Activities:										
Unrestricted Investment Earnings	1,024,862	600,431	409,331	146,328	153,080	161,664	74,889	77,171	179,251	276,550
Gain (Loss) on Disposal of Capital Assets	50	(12,605)	0	0	5,812	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0
Transfers	4,035,319	3,007,600	3,874,687	4,425,338	3,615,027	3,821,726	4,331,130	4,539,037	4,179,563	3,344,653
Total Business-Type Activities	5,060,231	3,595,426	4,284,018	4,571,666	3,773,919	3,983,390	4,406,019	4,616,208	4,358,814	3,621,203
Total Primary Government	$ 83,195,993	$ 81,445,552	$ 79,369,432	$ 82,204,440	$ 86,221,973	$ 88,581,314	$ 91,883,027	$ 97,631,115	$ 100,544,851	$ 107,007,557
Change in Net Position										
Governmental Activities	$ (3,577,198)	$ (6,719,161)	$ (12,882,994)	$ (13,863,364)	$ (9,942,846)	$ (11,370,573)	$ (9,082,949)	$ (1,326,060)	$ (2,078,266)	$ 47,170,558
Business-Type Activities	12,292,658	9,562,003	8,379,967	7,338,667	5,930,656	5,870,356	3,908,346	2,625,876	2,973,139	4,685,339
Total Primary Government	$ 8,715,460	$ 2,842,842	$ (4,503,027)	$ (6,524,697)	$ (4,012,190)	$ (5,500,217)	$ (5,174,603)	$ 1,299,816	$ 894,873	$ 51,855,897

Source: City of Kingsport Finance Department

Note: All changes in Net Position are exclusive of any prior period adjustments.

Note: In FY2017 certain divisions and departments were moved from one reporting function to another. Prior year's columns agree with the original statement presentation.

Table 3

CITY OF KINGSPORT, TENNESSEE
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Income Tax	Business Tax	Alcoholic Beverage	Hotel / Motel Tax	Total
2008	$ 43,181,138	$ 27,531,437	$ 1,324,987	$ 1,951,834	$ 1,459,593	$ 1,381,161	$ 76,830,150
2009	45,003,403	27,003,900	957,062	1,673,312	1,575,636	1,241,227	77,454,540
2010	45,938,645	26,304,997	577,363	1,589,591	1,549,521	1,300,766	77,260,883
2011	47,144,856	27,514,740	555,283	1,681,523	1,617,478	1,380,588	79,894,468
2012	48,236,082	29,469,816	609,312	1,746,264	1,778,471	1,499,600	83,339,545
2013	50,347,648	29,687,264	709,109	1,845,565	1,742,979	1,507,778	85,840,343
2014	52,677,994	30,753,163	893,978	1,806,045	1,800,932	1,643,055	89,575,167
2015	55,935,014	32,690,121	1,115,663	2,068,944	1,847,187	1,564,355	95,221,284
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

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									
	2008	2009	2010	2011*	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	$ 3,391,331	$ 2,384,571	$ 1,574,013	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Unreserved	14,848,415	12,927,260	13,155,138	0	0	0	0	0	0	0
Nonspendable	0	0	0	44,571	23,543	23,773	34,360	20,941	22,927	24,390
Restricted	0	0	0	0	0	0	0	0	0	0
Committed	0	0	0	0	0	0	0	0	0	0
Assigned	0	0	0	1,440,450	739,876	73,750	85,660	139,451	94,905	179,468
Unassigned	0	0	0	12,099,373	11,809,520	11,537,853	11,648,737	12,736,020	13,130,953	13,911,298
Total General Fund	$ 18,239,746	$ 15,311,831	$ 14,729,151	$ 13,584,394	$ 12,572,939	$ 11,635,376	$ 11,768,757	$ 12,896,412	$ 13,248,785	$ 14,115,156
All Other Governmental Funds										
Reserved	$ 14,961,015	$ 16,130,214	$ 9,018,913	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Unreserved, reported in:										
Debt Service	1,140,765	626,839	411,923	0	0	0	0	0	0	0
Special Revenue Funds	6,895,192	7,432,715	6,594,744	0	0	0	0	0	0	0
Capital Project Funds	30,073,388	22,101,833	38,247,760	0	0	0	0	0	0	0
Permanent Fund	20,293	28,232	36,804	0	0	0	0	0	0	0
Nonspendable	0	0	0	335,358	391,421	431,092	321,674	328,598	349,582	312,662
Restricted	0	0	0	29,898,833	32,898,517	12,101,368	14,014,752	15,519,288	8,264,217	37,108,397
Committed	0	0	0	195,000	15,000	15,000	18,510	15,000	15,000	0
Assigned	0	0	0	10,303,693	8,663,697	7,907,282	9,192,987	10,510,648	11,859,220	16,105,744
Total all Other Governmental Funds	$ 53,090,653	$ 46,319,833	$ 54,310,144	$ 40,732,884	$ 41,968,635	$ 20,454,742	$ 23,547,923	$ 26,373,534	$ 20,488,019	$ 53,526,803

Source: City of Kingsport Finance Department

Note:
* FY 2011 Implementation of GASB Statement No. 54 Fund Balance Classification

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Taxes	$ 57,472,994	$ 58,697,849	$ 59,644,769	$ 61,736,098	$ 64,053,048	$ 65,947,861	$ 69,564,106	$ 73,722,283	$ 75,549,547	$ 81,991,726
Licenses and Permits	778,788	544,797	354,400	339,843	390,916	357,816	530,179	518,480	456,360	569,817
Intergovernmental	52,217,860	54,633,138	57,016,177	57,618,712	60,411,908	58,908,421	61,026,056	61,752,080	62,852,964	111,324,918
Charges for Services	3,940,109	4,056,619	4,903,995	5,059,845	4,788,526	4,741,965	4,446,028	4,453,764	5,093,344	5,401,380
Fines and Forfeitures	2,233,346	2,083,918	1,404,126	1,475,914	888,013	808,164	924,190	872,162	1,025,281	1,174,085
Contributions and Donations	385,508	343,405	417,259	544,308	478,234	445,475	456,400	713,459	471,323	1,248,466
Investment Earnings	2,754,996	1,209,675	534,657	285,622	301,300	273,394	152,238	140,248	187,494	293,534
Miscellaneous	714,899	438,420	620,950	1,087,540	712,967	296,538	683,627	426,932	459,683	750,654
Total Revenues	120,498,500	122,007,821	124,896,333	128,147,882	132,024,912	131,779,634	137,782,824	142,599,408	146,095,996	202,754,580
Expenditures:										
General Government	8,228,820	8,287,499	9,493,673	8,937,456	9,897,339	9,432,504	8,748,363	8,888,732	9,295,398	9,815,240
Public Safety	16,983,599	17,862,379	18,183,202	18,602,375	19,206,238	19,422,279	20,067,727	20,349,756	20,379,496	21,421,493
Public Works	5,639,582	6,162,895	6,297,624	6,292,395	6,104,746	6,441,239	6,823,759	6,854,129	7,343,759	10,134,719
Transportation	3,121,176	3,532,499	5,767,852	4,404,721	3,804,971	4,219,117	4,876,627	5,319,159	4,428,006	4,381,788
Development	3,681,462	3,884,126	3,823,882	4,258,551	4,209,456	4,010,897	4,080,865	4,009,648	3,962,118	2,029,686
Recreation	4,594,675	4,884,551	4,883,835	5,203,012	5,137,420	5,294,145	5,300,591	5,413,181	5,592,782	5,997,447
Maintenance	0	0	0	0	0	320	0	0	0	0
Education	57,969,972	60,328,330	62,216,835	63,944,855	65,758,406	67,003,733	68,827,804	69,933,085	73,886,673	76,315,602
Miscellaneous	1,019,288	860,350	1,164,299	1,179,584	1,108,609	1,045,894	726,702	1,010,101	769,025	798,983
Capital Outlay	21,263,050	30,907,899	23,141,716	20,219,807	25,002,612	13,015,102	14,160,334	15,864,508	11,667,728	31,017,522
Debt Service:										
Principal	12,191,783	7,750,015	4,286,390	5,271,066	5,426,273	6,436,120	6,657,299	7,696,331	7,697,555	7,953,385
Interest	2,449,755	2,761,593	3,612,987	4,930,280	4,549,707	4,133,024	4,032,477	4,352,406	4,356,358	4,004,572
Bond Issuance Costs	389,556	405,059	459,043	20,479	435,261	126,829	165,924	498,456	242,887	88,997
Arbitrage Rebate	0	0	0	0	0	0	0	8,184	0	0
Other Charges	7,590	19,516	9,744	33,061	7,387	12,122	29,895	0	17,311	14,941
Total Expenditures	137,540,308	147,646,711	143,341,082	143,297,642	150,648,425	140,593,325	144,498,367	150,197,676	149,639,096	173,974,375
Excess (deficiency) of revenues over (under) expenditures	(17,041,808)	(25,638,890)	(18,444,749)	(15,149,760)	(18,623,513)	(8,813,691)	(6,715,543)	(7,598,268)	(3,543,100)	28,780,205

(Continued)

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other Financing Sources (Uses):										
Transfers In	36,400,996	33,134,077	28,905,392	29,214,433	28,958,597	29,346,521	29,439,834	31,868,200	33,017,651	82,273,310
Transfers Out	(40,680,728)	(36,665,512)	(32,780,079)	(33,051,330)	(32,573,624)	(33,018,247)	(33,770,964)	(36,752,237)	(37,553,446)	(85,617,963)
Transfer Bonds to Enterprise Funds	0	0	0	0	0	(10,596,258)	0	0	(1,362,955)	0
Issuance of Debt	23,120,000	19,260,000	29,207,043	4,097,044	26,376,201	12,677,052	13,406,845	32,291,848	19,313,751	7,821,325
Premiums on Debt Issued	112,398	211,590	520,024	0	740,813	1,068,429	866,390	4,044,772	1,685,668	648,278
Sale of Building	800,000	0	0	0	0	0	0	0	0	0
Payments to Refunded Bond Escrow Agent	0	0	0	0	(4,654,178)	(13,115,262)	0	(19,901,049)	(17,090,711)	0
Total Other Financing Sources (Uses)	19,752,666	15,940,155	25,852,380	260,147	18,847,809	(13,637,765)	9,942,105	11,551,534	(1,990,042)	5,124,950
Net Change in Fund Balances	$ 2,710,858	$ (9,698,735)	$ 7,407,631	$ (14,889,613)	$ 224,296	$ (22,451,456)	$ 3,226,562	$ 3,953,266	$ (5,533,142)	$ 33,905,155
Debt Service as a Percentage of Noncapital Expenditures	12.6%	9.0%	6.6%	8.3%	7.9%	8.3%	8.2%	9.0%	8.7%	8.4%

Source: City of Kingsport Finance Department

Note: All net changes in fund balances are exclusive of any prior period adjustments.

Note: In FY2017 certain divisions and departments were moved from one reporting function to another. Prior year's columns agree with the original statement presentation.

Table 6

CITY OF KINGSPORT, TENNESSEE
GENERAL GOVERNMENT TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Income Tax	Business Tax	Alcoholic Beverage	Hotel / Motel Tax	Total
2008	$ 43,322,288	$ 27,531,437	$ 1,324,987	$ 1,951,834	$ 1,459,593	$ 1,381,161	$ 76,971,300
2009	44,749,419	27,003,900	957,062	1,673,312	1,575,636	1,241,227	77,200,556
2010	45,745,881	26,304,997	577,363	1,589,591	1,549,521	1,300,766	77,068,119
2011	47,130,788	27,514,740	555,283	1,681,523	1,617,478	1,380,588	79,880,400
2012	48,337,930	29,469,816	609,312	1,746,264	1,778,471	1,499,600	83,441,393
2013	49,939,941	29,687,264	709,109	1,845,565	1,742,979	1,507,778	85,432,636
2014	53,084,374	30,753,163	893,978	1,806,045	1,800,932	1,643,055	89,981,547
2015	56,221,896	32,690,121	1,115,663	2,068,944	1,847,187	1,564,355	95,508,166
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

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 KINGSPORT, TENNESSEE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

		Real Property							
Fiscal Year Ended June 30	Tax Year	Residential and Farm Property	Industrial and Commercial Property	Personal Property	Public Utility	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2008	2007	$ 443,963,472	$ 459,872,279	$ 341,168,271	$ 40,991,606	$ 1,285,995,628	$ 2.30	$ 4,137,292,348	31.08%
2009	2008	456,423,060	480,026,995	345,357,678	40,519,972	1,322,327,705	2.30	4,250,624,664	31.11%
2010	2009	542,112,415	601,517,500	408,047,665	47,796,156	1,599,473,736	1.94	5,119,304,395	31.24%
2011	2010	576,028,905	624,738,933	387,994,899	54,381,309	1,643,144,046	1.94	5,258,154,390	31.25%
2012	2011	594,243,299	636,435,237	359,672,056	51,874,049	1,642,224,641	1.97	5,261,284,595	31.21%
2013	2012	638,772,453	636,926,951	352,203,970	48,475,692	1,676,379,066	1.97	5,409,558,045	30.99%
2014	2013	662,428,582	660,706,711	407,373,787	53,886,860	1,784,395,940	1.94	5,757,369,838	30.99%
2015	2014	667,577,858	669,577,428	398,689,272	53,753,183	1,789,597,741	2.07	5,770,952,302	31.01%
2016	2015	672,886,191	673,211,644	369,527,956	52,975,572	1,768,601,363	2.07	5,702,652,949	31.01%
2017	2016	675,307,100	680,122,506	406,161,760	53,030,272	1,814,621,638	2.07	5,851,825,875	31.01%

Source: City of Kingsport Finance Department

Note: Tax rates are per $100 of assessed value

Table 8

CITY OF KINGSPORT, TENNESSEE
PROPERTY TAX RATES (PER $100 ASSESSED VALUE)
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Year	City Direct Rates	Overlapping Rates	
			Sullivan County	Hawkins County
2008	2007	$ 2.3000	$ 2.5300	$ 2.6100
2009	2008	2.3000	2.5300	2.6100
2010	2009	1.9400	2.1307	2.7050
2011	2010	1.9400	2.1307	2.7050
2012	2011	1.9700	2.1307	2.3450
2013	2012	1.9700	2.3307	2.3450
2014	2013	1.9400	2.3054	2.3450
2015	2014	2.0700	2.3054	2.4650
2016	2015	2.0700	2.5754	2.4650
2017	2016	2.0700	2.5754	2.5323

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

	2017			2008		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Eastman	$ 444,045,035	1	24.5%	$ 349,026,433	1	27.1%
Domtar, Inc (Weyerhauser Co/ Willamette Industries)	40,005,721	2	2.2%	17,696,589	3	1.4%
Kingsport Power Company (AEP)	22,233,763	3	1.2%	14,382,508	4	1.1%
Holston Family Practice	21,547,663	4	1.2%			
Wellmont Health System/ Holston Valley Health Care	16,990,527	5	0.9%	19,615,786	2	1.5%
Inland Western Kpt East Stone LLC - Clara F Jackson	15,279,800	6	0.8%			
Kingsport Pavilion LLC	14,959,610	7	0.8%			
Mountain States Health / HCA	14,518,743	8	0.8%	9,747,838	6	0.8%
Eastman Credit Union	13,359,542	9	0.7%	8,653,328	9	0.7%
Kingsport Town Center (Fort Henry Mall- Baltry, LLC)	11,954,099	10	0.7%	13,278,122	5	1.0%
Wal Mart Properties/Real Estate				9,388,720	7	0.7%
Sprint/United Telephone Southeast				9,049,673	8	0.7%
AGC America, Inc				6,652,163	10	0.5%
Totals	$ 614,894,503		33.8%	$ 457,491,160		35.5%

Total Taxable Assessed Value:

FYE 2017 (Tax Year 2016)	$ 1,814,621,638
FYE 2008 (Tax Year 2007)	1,285,995,626

Source: City of Kingsport Finance Department

Table 10

CITY OF KINGSPORT, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30th	Tax Year	Tax Levy for Fiscal Year	Subsequent Adjustments to Levy	Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Uncollected Delinquent Taxes
					Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy	
2008	2007	$ 29,582,951	$ 20,022	$ 29,602,973	$ 28,616,818	96.67%	$ 938,330	$ 29,555,148	99.84%	$ 47,825
2009	2008	30,553,586	(46,153)	30,507,433	29,616,908	97.08%	835,887	30,452,795	99.82%	54,638
2010	2009	31,362,309	(190,676)	31,171,633	30,151,757	96.73%	972,764	31,124,521	99.85%	47,112
2011	2010	32,011,845	213,040	32,224,885	31,071,305	96.42%	1,094,874	32,166,179	99.82%	58,706
2012	2011	32,276,181	348,549	32,624,730	31,684,065	97.12%	857,954	32,542,019	99.75%	82,711
2013	2012	32,988,793	998,175	33,986,968	32,509,744	95.65%	1,360,635	33,870,379	99.66%	116,589
2014	2013	34,588,442	495,438	35,083,880	34,296,005	97.75%	678,626	34,974,631	99.69%	109,249
2015	2014	37,776,783	281,277	38,058,060	37,242,818	97.86%	644,653	37,887,471	99.55%	170,589
2016	2015	37,829,084	(70,052)	37,759,032	36,831,749	97.54%	673,265	37,505,014	99.33%	254,018
2017	2016	38,289,949	657,524	38,947,473	38,148,030	97.95%	0	38,148,030	97.95%	799,443

Source: City of Kingsport Finance Department

Table 11

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE
For the Fiscal Year Ended June 30, 2017

Tax Year	Property Tax Receivable Balance June 30, 2016	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Net Receivable Balance June 30, 2017
2007	$ 50,600	$ 0	$ 0	$ 0	$ (2,775)	$ 47,825
2008	57,491	0	0	0	(2,853)	54,638
2009	55,620	0	0	0	(8,508)	47,112
2010	68,785	0	0	0	(10,079)	58,706
2011	95,776	0	0	0	(13,065)	82,711
2012	137,434	0	0	(1,348)	(19,497)	116,589
2013	175,749	0	0	(33,572)	(32,928)	109,249
2014	300,263	0	0	(28,214)	(101,460)	170,589
2015	954,700	0	0	(27,417)	(673,265)	254,018
2016	0	38,289,949	0	657,524	(38,148,030)	799,443
2017	0	0	37,280,532	0	0	37,280,532
Totals	$ 1,896,418	$ 38,289,949	$ 37,280,532	$ 566,973	$ (39,012,460)	$ 39,021,412

NOTES: All uncollected real property taxes for years prior to 2016 have been turned over to the Clerk & Master for collection.
All uncollected personal property taxes for years prior to 2012 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
2008	$ 17,854,873	$ 14,640,220	$ 3,214,653
2009	17,634,903	14,478,441	3,156,462
2010	17,067,113	14,009,678	3,057,435
2011	17,778,766	14,594,959	3,183,807
2012	18,789,437	15,432,814	3,356,623
2013	18,816,176	15,439,972	3,376,205
2014	19,390,768	15,901,590	3,489,178
2015	20,522,234	16,848,128	3,674,106
2016	21,282,094	17,474,902	3,807,192
2017	20,925,314	17,177,049	3,748,265

Source: City of Kingsport Finance Department

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

Table 13

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

	Governmental Activities		Business-Type Activities					
Fiscal Year Ended June 30	General Obligation Bonds	Notes Payable	General Obligation Bonds	Revenue Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
2008	$ 73,954,097	$ 6,419,174	$ 48,045,133	$ 180,000	$ 5,591,065	$ 134,189,469	10.70%	$ 3,020
2009	86,231,128	5,872,283	67,029,074	160,000	15,578,624	174,871,109	12.85%	3,821
2010	112,219,869	5,323,392	73,689,344	140,000	22,190,263	213,562,868	15.17%	4,510
2011	107,563,297	8,795,620	67,014,158	0	24,288,460	207,661,535	13.30%	4,214
2012	122,673,341	10,615,303	69,832,074	0	23,658,574	226,779,292	13.85%	4,485
2013	96,542,440	10,240,943	105,705,775	0	0	212,489,158	11.85%	4,145
2014	106,683,823	9,179,827	113,441,729	0	0	229,305,379	12.68%	4,472
2015	118,181,223	7,447,661	114,003,565	0	0	239,632,449	12.58%	4,519
2016	114,824,016	6,592,279	115,356,506	0	3,894,310	240,667,111	12.16%	4,540
2017	115,545,922	5,733,810	121,037,522	0	12,871,681	255,188,935	11.33%	4,765

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.

Table 14

CITY OF KINGSPORT, TENNESSEE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Reserves	Net General Obligation Bonds	Percentage of Estimated Actual Taxable Value of	Per Capita
2008	$ 121,999,230	$ 971,096	$ 121,028,134	2.93%	$ 2,724
2009	153,260,202	600,280	152,659,922	3.59%	3,336
2010	185,909,213	468,937	185,440,276	3.62%	3,916
2011	174,577,455	1,230,382	173,347,073	3.30%	3,518
2012	192,505,415	148,495	192,356,920	3.66%	3,804
2013	202,248,215	139,984	202,108,231	3.74%	3,942
2014	220,125,552	144,635	219,980,917	3.82%	4,290
2015	232,184,788	224,584	231,960,204	4.02%	4,374
2016	230,180,522	340,307	229,840,215	4.03%	4,335
2017	236,583,444	652,554	235,930,890	4.03%	4,405

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

Table 15

CITY OF KINGSPORT, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
For the Fiscal Year Ended June 30, 2017

Governmental Unit	Debt Outstanding		Estimated Percentage Applicable		Estimated Share of Overlapping
Debt Repaid with Property Taxes:					
Net Direct Debt:					
City of Kingsport	$ 142,585,188	(1)	100.00%		$ 142,585,188
Total Direct Debt	142,585,188		100.00%		142,585,188
Overlapping Debt:					
Sullivan County	297,836,494		45.87%	(2)	136,617,600
Hawkins County	76,505,548		6.67%	(2)	5,102,920
Subtotal, Overlapping Debt	374,342,042				141,720,520
Total Direct and Overlapping Debt	$ 516,927,230				$ 284,305,708

(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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	$ 257,199,126	$ 264,465,541	$ 319,894,747	$ 328,628,809	$ 328,444,928	$ 335,275,813	$ 356,879,188	$ 357,919,548	$ 353,720,273	$ 362,924,328
Total Net Debt Applicable to Limit	74,655,000	101,870,000	128,636,532	123,381,532	138,767,654	130,382,038	138,394,266	145,513,415	140,652,627	142,585,188
Legal Debt Margin	$ 182,544,126	$ 162,595,541	$ 191,258,215	$ 205,247,277	$ 189,677,274	$ 204,893,775	$ 218,484,922	$ 212,406,133	$ 213,067,646	$ 220,339,140
Applicable to the Limit as a Percentage of Debt Limit	29.03%	38.52%	40.21%	37.54%	42.25%	38.89%	38.78%	40.66%	39.76%	39.29%

Legal Debt Margin Calculation for Fiscal Year 2016

Total Taxable Assessed Value	$ 1,814,621,638
Debt Limit (20% of Taxable Assessed Value)	362,924,328
Debt Applicable to Limit:	
General Obligation Bonds	108,241,746
Add: Solid Waste Management General Obligation Bonds	3,630,533
Add: Aquatic Center General Obligation Bonds	15,556,239
Add: MeadowView Conference Center General Obligation Bonds	14,707,729
Add: Cattails Golf Course General Obligation Bonds	448,941
Total Net Debt Applicable to Limit	142,585,188
Legal Debt Margin	$ 220,339,140

Limitation on Borrowing Power

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

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

Source: City of Kingsport Finance Department

Table 17

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

Fiscal Year	Operating Revenue	(1) Less: Operating Expenses	Net Available Revenue	Debt Service (2) Principal	Debt Service Interest	Debt Service Total	Coverage
Water, Sewer and Storm Water Revenue Bonds:							
2008	$ 25,814,512	$ 10,578,186	$ 15,236,326	$ 5,271,846	$ 1,606,431	$ 6,878,277	2.22
2009	26,063,481	11,109,643	14,953,838	4,967,220	1,309,336	6,276,556	2.38
2010	25,131,017	10,772,806	14,358,211	5,643,153	1,007,724	6,650,877	2.16
2011	24,659,947	11,054,147	13,605,800	6,087,198	843,459	6,930,657	1.96
2012	25,038,548	11,818,993	13,219,555	6,751,577	730,976	7,482,553	1.77
2013	26,657,022	12,864,076	13,792,946	7,252,314	636,400	7,888,714	1.75
2014	27,774,803	13,435,862	14,338,941	7,465,527	749,533	8,215,060	1.75
2015	28,379,023	13,338,516	15,040,507	7,904,148	2,087,368	9,991,516	1.51
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

(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	Population (1)	Personal Income (2)	Per Capita Personal Income	Median Age (1)	Education Level - Population 25 Years and Over (1): High School Graduate or Higher (1)	Associate's Degree (1)	Bachelor's Degree (1)	Masters or Professional Degree (1)	School Enrollment (3)	Unemployment Rate (4)
2008	2007	44,435	$ 1,254,044,570	$ 28,222	42.6	81.3%	6.4%	17.1%	7.0%	6,251	6.2%
2009	2008	45,763	$ 1,360,533,990	$ 29,730	41.9	82.4%	7.8%	15.9%	8.2%	6,263	9.4%
2010	2009	47,356	$ 1,407,893,880	$ 29,730	42.2	90.6%	6.8%	16.1%	8.1%	6,296	8.8%
2011	2010	49,275	$ 1,561,869,675	$ 31,697	43.7	83.5%	7.3%	15.6%	9.0%	6,434	8.6%
2012	2011	50,561	$ 1,637,670,790	$ 32,390	43.2	84.6%	7.0%	15.2%	9.9%	6,485	8.4%
2013	2012	51,264	$ 1,792,958,400	$ 34,975	43.6	86.8%	7.2%	15.2%	10.3%	7,045	8.1%
2014	2013	51,274	$ 1,808,126,336	$ 35,264	43.8	87.0%	6.5%	15.4%	10.5%	7,258	7.1%
2015	2014	53,028	$ 1,904,341,536	$ 35,912	44.4	87.7%	7.1%	14.2%	11.2%	7,298	6.3%
2016	2015	53,014	$ 1,978,588,508	$ 37,322	44.3	87.6%	7.3%	14.8%	10.5%	7,403	5.4%
2017	2016	53,558	$ 2,252,970,828	$ 42,066	43.3	89.6%	6.0%	16.3%	10.5%	7,654	4.6%

Source:
(1) American Community Survey (ACS) 2015 5-Year Estimates (via American Factfinder) - City of Kingsport
(2) TDOE Report Card - Kingsport City Schools
(3) U.S. Department of Labor Statistics, Bureau of Economic Analysis, month of June
(4) Table K200104 - Population by Age (2016 ACS 1-Year Supplement)
(5) Table K201902 - Median Household Income (2016 ACS 1-Year Supplement)
(6) Table K200103 - Median Age (2016 ACS 1-Year Supplement)
(7) Table K201501 - Educational Attainment (2016 ACS 1-Year Supplement)
(8) http://tn.gov/assets/entities/labor/attachments/Labor_Force_Estimates,_Jun_17.pdf

Table 19

CITY OF KINGSPORT, TENNESSEE
PRINCIPAL EMPLOYERS
For the Fiscal Years Noted

	2017			2008		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
Eastman	6,500	1	9.5%	8,000	1	11.4%
Wellmont Health Systems	2,947	2	4.3%	2,000	2	2.9%
Brock	1,450	3	2.1%	N/A		
Kingsport City Schools	1,092	4	1.6%	1,037	3	1.5%
BAE Systems	850	5	1.2%	428	9	0.6%
City of Kingsport	739	6	1.1%	745	7	1.1%
Jacobs Engineering	663	7	1.0%	N/A		
Holston Medical Group	523	8	0.8%	890	5	1.3%
Mountain States Health	501	9	0.7%	845	6	1.2%
Eastman Credit Union	497	10	0.7%	N/A		
Wal-Mart	N/A			900	4	1.3%
AFG Industries	N/A			600	8	0.9%
Domtar	N/A			370	10	0.5%
	15,762		23.0%	15,815		22.6%

Total Sullivan County Employment:

FYE 2017	68,650
FYE 2008	70,080

Source:
-NETWORKS/Sullivan Partnership & Employers

Table 20

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

	Fiscal Year									
Function	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
General Government	92	96	96	93	95	112	104	100	125	84
Public Safety	254	257	262	264	267	265	265	269	271	280
Public Works	119	120	122	123	124	130	135	135	119	166
Development	25	24	25	22	23	23	23	19	21	15
Recreation	58	59	58	58	58	58	58	61	59	65
Education	982	993	1,010	1,013	1,040	1,041	1,047	1,057	1,073	1,092
Water	78	78	76	74	73	73	73	73	72	72
Sewer	40	41	40	41	42	42	42	42	42	42
Solid Waste	30	30	30	30	32	33	34	34	35	35
	1,678	1,698	1,719	1,718	1,754	1,777	1,781	1,790	1,817	1,851

Sources:
-City of Kingsport Finance Department
-Kingsport City School System

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

	Fiscal Year									
Function	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Education:										
Student Transportation:										
Miles	377,916	355,694	371,912	371,726	392,811	422,471	414,823	447,373	473,260	501,153
Average Daily Ridership	1,943	1,754	1,717	1,505	1,526	1,373	1,976	1,972	2,011	2,299
Public Safety:										
Police:										
Physical Arrests	3,348	3,587	4,584	5,066	4,029	3,641	3,501	4,406	4,119	5,110
Parking Citations	3,016	2,804	1,814	1,074	1,560	1,037	1,387	1,246	325	511
Traffic Citations	12,957	12,030	7,579	5,127	12,442	11,647	14,870	15,699	17,210	20,962
Calls for Service	48,981	46,249	57,153	59,755	59,147	60,210	63,789	62,935	63,006	68,012
Fire:										
Calls for Service	6,445	6,515	6,468	7,388	8,106	7,851	8,115	8,593	8,035	8,167
Inspections	2,899	3,378	3,378	3,339	1,951	1,942	2,577	3,225	3,285	2,944
Fire Loss	$ 1,565,342	$ 1,909,032	$ 3,390,231	$ 846,950	$ 664,820	$ 933,338	$ 1,664,021	$ 1,771,938	$ 1,526,790	$ 2,239,390
Public Works:										
Potholes Repaired	924	1,102	2,762	4,985	4,147	4,822	3,151	9,491	5,004	8,455
Streets Swept (linear miles)	6,339	6,247	6,456	5,105	7,409	5,520	4,715	4,432	5,247	6,100
Traffic Signal Maintenance Calls	547	598	599	610	557	736	608	549	497	507
Leaves Collected (Tons)	1,595	1,907	1,497	1,628	1,780	1,526	2,414	2,028	1,739	2,058
Parks and Recreation:										
Civic Auditorium Rentals	899	881	1,349	796	539	686	598	757	661	509
Civic Auditorium Attendance	70,197	72,773	147,764	96,248	106,807	110,635	78,856	68,461	47,668	67,084
Splash Pad Attendance	25,231	18,120	22,886	8,548	23,209	10,307	10,100	10,750	14,585	16,720
Participation in Athletic Division events	187,561	198,544	201,225	265,231	278,829	280,119	288,108	286,000	312,564	270,464
Participation in Community Services Division events	76,402	78,918	141,772	138,817	167,631	162,496	171,878	172,475	184,650	190,540
Allandale Rentals	293	274	342	304	226	231	215	212	260	245
Allandale Visitors	23,591	22,598	27,435	25,986	32,296	31,285	32,711	38,401	31,942	33,331
K - Play Games Played	1,428	1,560	1,768	1,825	1,875	1,847	1,908	1,986	2,280	3,315
K - Play Attendance	97,320	124,728	172,930	185,856	188,997	166,299	171,720	176,500	200,640	116,195
Lynn View Rentals	n/a	n/a	36	238	271	254	268	154	122	54
Lynn View Attendance	n/a	n/a	18,116	43,615	48,278	53,928	57,650	52,250	56,550	65,450
Cultural Arts:										
Carousel Rentals	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	81	157
Carousel Attendance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	88,945	78,954
Cultural Arts Program Attendance	9,891	13,088	10,057	12,761	9,276	11,143	11,700	12,378	18,610	17,660
Farmers Market Rentals	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	166	161
Farmers Market Attendance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	94,600	93,100
Renaissance Center Rentals	1,870	2,135	2,110	1,959	1,861	1,660	1,712	1,813	1,652	1,536
Renaissance Center Attendance	198,575	222,294	211,738	188,576	166,175	158,227	163,183	172,647	132,160	126,130
Senior Center:										
Active Members	2,365	2,673	2,591	2,801	3,012	2,978	3,045	3,424	3,615	3,980
Average Daily Attendance	226	241	247	252	325	308	301	333	330	394
Aquatic Center:										
Aquatic Center Attendance	n/a	n/a	n/a	n/a	n/a	31,244	140,433	115,982	103,825	97,928
YMCA Entering Pools Attendance	n/a	n/a	n/a	n/a	n/a	19,714	74,567	69,660	57,644	45,208
Total Attendance	n/a	n/a	n/a	n/a	n/a	50,958	215,000	185,642	161,469	143,136
Bays Mountain Park:										
Total Programs	1,259	2,090	1,771	1,422	3,658	3,080	5,091	5,176	3,332	2,938
Total Attendance	173,063	192,529	176,813	201,129	178,069	191,321	257,692	235,578	228,308	211,984
Library:										
Total Circulation	210,476	241,239	244,735	248,709	248,482	248,802	254,073	233,778	264,251	253,765
Building Attendance	193,344	209,234	213,379	206,533	199,875	187,837	189,598	172,806	166,331	158,828
Water:										
Average Daily Consumption in Gallons	14.6 mgd	15.2 mgd	15.1 mgd	14.7 mgd	14.5 mgd	13.7 mgd	13.9 mgd	14.9 mgd	15.21 mgd	15.34 mgd
Maximum Daily Capacity in Gallons	28.0 mgd	28.0 mgd	28.0 mgd	16.2 mgd	17.8 mgd	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd
Water Taps	442	256	219	168	191	189	186	192	195	178
Sewer:										
Average Daily Treatment in Gallons	8.8 mgd	8.6 mgd	9.3 mgd	8.5 mgd	7.5 mgd	9.8 mgd	9.1 mgd	9.6 mgd	8.78 mgd	8.13 mgd
Maximum Daily Plant Capacity in Gallons	12.4 mgd	12.4 mgd	12.4 mgd	17.7 mgd	16.8 mgd	12.4 mgd	12.4 mgd	12.4 mgd	12.4 mgd	12.4 mgd
Sewer Taps	206	165	84	237	179	213	206	263	205	367
Solid Waste:										
Landfill Material Accepted (Tons)	32,574	26,958	25,077	61,326	34,268	27,198	25,670	35,809	27,240	27,630
Household Refuse Collected (Tons)	16,244	15,924	16,437	16,647	18,452	18,834	18,039	19,065	19,647	20,197
Recyclables Collected (Tons)	2,613	2,728	1,715	1,848	1,772	1,606	2,607	3,041	3,249	3,240
Golf Course:										
Rounds of Golf	27,338	26,233	24,225	23,515	25,915	24,090	24,387	20,455	22,630	22,269

Source: Various City Departments

Table 22

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

Function	Fiscal Year 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Education:										
Student Transportation:										
Buses	37	38	38	40	40	42	39	41	46	45
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	109	109	109	117	117	117	116	124	124	124
Motorcycle Units	1	1	1	0	0	0	0	0	0	0
Fire:										
Stations	6	6	7	7	7	8	8	8	8	8
Fire Trucks/Rescue Units	14	14	15	16	16	15	14	15	16	17
Public Works:										
Streets (Miles)	443	456	459	472	490	496	498	499	499	500
Street Lights	9,031	9,114	9,219	9,372	9,737	9,993	10,075	10,525	10,559	10,606
Traffic Signals	102	101	101	104	103	102	103	102	103	103
Leisure Services:										
Parks and Recreation:										
Park Sites	17	18	18	18	18	18	18	18	18	18
Park Acreage	191	237	237	237	237	237	237	237	237	237
Swimming Pools	2	1	1	1	1	1	0	0	0	0
Splash Pad	n/a	1	1	1	1	1	1	1	1	1
Tennis Courts	8	8	8	8	8	8	8	8	8	8
Community Centers	5	5	5	5	5	5	5	5	5	5
Senior Citizens:										
Senior Center	1	1	1	1	1	1	1	1	1	1
Other Recreational Facilities:										
Aquatic Center - Acreage	n/a	n/a	n/a	n/a	n/a	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	n/a	3	3	3	3	3	3	3	3	3
Lynn View Facility - Acreage	n/a	14	14	14	14	14	14	14	14	14
Renaissance Center - Acreage	5	5	5	5	5	5	5	5	5	5
Legion Pool - Acreage	5	5	5	5	5	5	5	5	5	5
Brickyard Park - Acreage	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	39	39
School System:										
Elementary Schools	7	7	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)	817	826	828	828	832	838	837	847	845	850
Fire Hydrants	1,740	1,754	1,794	1,848	1,898	1,938	2,003	2,028	2,226	2,349
Sanitary Sewers (Miles)	515	518	524	533	540	549	554	563	577	591
Storm Sewers (Miles)	209	209	209	209	209	241	300	300	300	300
Solid Waste:										
Collection Trucks	15	15	15	15	15	15	15	15	15	15
Golf Courses	1	1	1	1	1	1	1	1	1	1
Cattails Golf Course - Acreage	192	192	192	192	192	192	192	192	192	192

Source: Various City Departments

Table 23

CITY OF KINGSPORT, TENNESSEE
UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
June 30, 2017

Water Rates:

		Inside City	
First	2,000 gallons	$ 3.95	per 1000 gal
Next	13,000 gallons	3.17	per 1000 gal
Next	55,000 gallons	2.45	per 1000 gal
Over	70,000 gallons	1.75	per 1000 gal
		Outside City	
First	2,000 gallons	$ 11.67	per 1000 gal
Next	13,000 gallons	7.07	per 1000 gal
Next	35,000 gallons	6.39	per 1000 gal
Next	70,000 gallons	5.93	per 1000 gal
Next	70,000 gallons	4.85	per 1000 gal
Over	190,000 gallons	4.56	per 1000 gal

Sewer Rates:

	Inside City	
Minimum charge	$ 15.34	2,000 gal
Additional gallons	7.67	per 1000 gal
	Outside City	
Minimum charge	$ 23.06	2,000 gal
Additional gallons	11.53	per 1000 gal

Number of Customers:	Inside City	Outside City
Water	22,743	12,250
Sewer	21,197	987

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER - AWWA METHOD
June 30, 2017

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: #N/A
Reporting Year: 2017 | 7/2016 - 6/2017

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

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

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

<---------- Enter grading in column 'E' and 'J' ---------->

Master Meter and Supply Error Adjustments

WATER SUPPLIED

					Pcnt:	Value:		
Volume from own sources:	7	5,602.376	MG/Yr	4	0.50%		MG/Yr
Water imported:	7	4.005	MG/Yr	4	0.50%		MG/Yr
Water exported:	n/a	0.000	MG/Yr				MG/Yr
WATER SUPPLIED:		**5,578.489**	MG/Yr				

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

AUTHORIZED CONSUMPTION

Click here: ? for help using option buttons below

				Pcnt:	Value:	
Billed metered:	9	3,658.138	MG/Yr			
Billed unmetered:	n/a	0.000	MG/Yr			
Unbilled metered:	9	389.107	MG/Yr			
Unbilled unmetered:	8	53.076	MG/Yr		53.076	MG/Yr
AUTHORIZED CONSUMPTION:		**4,100.321**	MG/Yr			

Use buttons to select percentage of water supplied **OR** value

WATER LOSSES (Water Supplied - Authorized Consumption)

1,478.168 MG/Yr

Apparent Losses

				Pcnt:	Value:	
Unauthorized consumption:		13.946	MG/Yr	0.25%		MG/Yr

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

Customer metering inaccuracies:	10	40.881	MG/Yr	1.00%		MG/Yr
Systematic data handling errors:		9.145	MG/Yr	0.25%		MG/Yr

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

Apparent Losses: **63.973** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **1,414.195** MG/Yr

WATER LOSSES: **1,478.168** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **1,920.351** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	10	849.8	miles
Number of active AND inactive service connections:	10	39,205	
Service connection density:		46	conn./mile main
Are customer meters typically located at the curbstop or property line?		Yes	
Average length of customer service line:			

(length of service line, beyond the property boundary, that is the responsibility of the utility)

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

Average operating pressure:	10	112.5	psi

COST DATA

Total annual cost of operating water system:	10	$15,026,214	$/Year
Customer retail unit cost (applied to Apparent Losses):	8	$7.90	$/1000 gallons (US)
Variable production cost (applied to Real Losses):	8	$264.11	$/Million gallons u

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 79 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources
2: Unauthorized consumption
3: Systematic data handling errors

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER - AWWA METHOD
June 30, 2017

AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
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Water Audit Report for: City of Kingsport
Reporting Year: 2017 | 7/2016 - 6/2017

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 79 out of 100 ***

System Attributes:

	Apparent Losses:	63.973	MG/Yr
+	Real Losses:	1,414.195	MG/Yr
=	Water Losses:	1,478.168	MG/Yr
?	Unavoidable Annual Real Losses (UARL):	430.26	MG/Yr
	Annual cost of Apparent Losses:	$505,385	
	Annual cost of Real Losses:	$373,509	Valued at Variable Production Cost

Return to Reporting Worksheet to change this assumpiton

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	34.4%	
	Non-revenue water as percent by cost of operating system:	6.6%	Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	4.47	gallons/connection/day
	Real Losses per service connection per day:	98.83	gallons/connection/day
	Real Losses per length of main per day*:	N/A	
	Real Losses per service connection per day per psi pressure:	0.88	gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	1,414.20	million gallons/year
?	Infrastructure Leakage Index (ILI) [CARL/UARL]:	3.29	

* 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, 2017

Customer Name	Consumption (in gallons)	Revenue	Revenue as % of FY17 Water Sales
Eastman	844,773,300	$ 1,586,085	12.57%
BAE Systems	88,024,900	155,608	1.23%
Domtar Paper Company, LLC	75,527,400	150,656	1.19%
Wellmont Health System	35,807,800	65,843	0.52%
Kingsport Housing Authority	29,099,600	64,369	0.51%
North Greene Utility District	12,225,800	33,010	0.26%
Allandale Falls Apt, LLC	15,595,600	28,029	0.22%
Cross Creek Apartments	9,378,900	26,847	0.21%
MeadowView Conference Resort	12,228,200	25,194	0.20%
Model City II, L.P.	10,147,600	24,082	0.19%
	1,132,809,100	$ 2,159,723	17.12%

Total Water Sales Revenue - FY 2017	$12,618,138

Source: City of Kingsport Finance Department

Table 26

CITY OF KINGSPORT, TENNESSEE
TOP TEN SEWER CUSTOMERS
For the Fiscal Year Ended June 30, 2017

Customer Name	Treatment (in gallons)	Revenue	Revenue as % of FY17 Sewer User Fees
Eastman	219,894,100	$ 1,689,891	12.69%
Kingsport Housing Authority	29,009,400	223,878	1.68%
BAE Systems	15,967,900	122,474	0.92%
Allandale Falls Apt, LLC	15,595,600	119,618	0.90%
Domtar Paper Co, LLC	14,626,700	112,198	0.84%
Tuscany Villas	11,477,000	88,029	0.66%
Wellmont Health System	10,764,700	82,539	0.62%
Rental Uniform	10,603,700	81,330	0.61%
Model City II, L.P.	10,147,600	77,869	0.58%
Holston Manor	10,026,800	76,906	0.58%
	348,113,500	$ 2,674,732	20.09%

Total Sewer User Fee Revenue - FY 2017	$13,312,693

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF BONDS PAYABLE - FUTURE REQUIREMENTS
JUNE 30, 2017

Table 27

	GENERAL OBLIGATION BONDS		GENERAL OBLIGATION AND REVENUE BONDS								
	GENERAL FUND SUPPORTED		REVENUE SUPPORTED BONDS								
Fiscal Year	General Obligation Bonds (3) Principal	General Obligation Bonds (3) Interest	Water Bonds (1) Principal	Water Bonds (1) Interest	Sewer Bonds (1) Principal	Sewer Bonds (1) Interest	Storm Water Bonds (1) Principal	Storm Water Bonds (1) Interest	Aquatic Center Bonds MeadowView Convention Center Bonds and Cattails Golf Course Bonds (2) Principal	Aquatic Center Bonds MeadowView Convention Center Bonds and Cattails Golf Course Bonds (2) Interest	Combined Bonds and Interest
2018	$ 8,070,774	$ 4,122,819	$ 1,884,866	$ 778,477	$ 4,123,815	$ 1,831,207	$ 82,713	$ 52,403	$ 1,812,830	$ 1,099,389	$ 23,859,293
2019	7,449,987	3,844,911	1,830,735	727,677	3,701,527	1,692,298	84,012	49,646	1,878,738	1,030,734	22,290,265
2020	7,044,146	3,608,054	1,755,589	683,885	3,353,807	1,586,774	86,744	46,509	2,199,717	962,709	21,327,934
2021	7,380,777	3,333,290	1,822,893	631,012	3,461,395	1,467,320	89,823	43,034	2,045,112	870,739	21,145,395
2022	7,361,063	3,063,703	1,778,488	583,206	3,192,122	1,361,638	92,911	39,198	2,125,414	791,362	20,389,105
2023	7,806,704	2,776,390	1,707,884	530,763	2,951,070	1,239,147	96,114	35,394	2,203,228	708,828	20,055,522
2024	8,057,742	2,471,813	1,755,723	481,204	3,018,570	1,134,548	99,913	31,417	2,298,053	623,318	19,972,301
2025	8,266,637	2,145,505	1,763,974	429,431	3,060,069	1,025,369	102,211	27,282	2,372,110	533,680	19,726,268
2026	8,564,176	1,819,964	1,720,071	378,297	3,153,348	923,026	105,421	22,993	2,465,179	440,448	19,592,923
2027	8,893,378	1,482,641	1,093,882	326,236	3,235,473	814,686	109,351	18,488	2,552,918	343,439	18,870,492
2028	6,730,345	1,170,262	1,122,997	282,327	3,263,851	698,128	112,905	14,211	2,629,901	262,089	16,287,016
2029	5,582,629	932,447	1,162,016	236,857	3,371,583	583,076	116,171	10,154	2,697,602	198,472	14,891,007
2030	4,780,385	712,661	1,204,245	189,199	3,482,994	459,745	68,958	5,468	1,308,419	111,897	12,323,971
2031	3,592,211	517,290	951,495	141,119	3,082,409	335,549	27,439	2,099	531,446	68,535	9,249,592
2032	3,727,603	389,489	987,501	108,427	2,086,846	235,511	28,540	1,069	554,512	51,096	8,170,594
2033	2,782,183	262,079	749,736	74,507	1,677,160	165,087	0	0	290,922	32,882	6,034,556
2034	2,879,195	169,078	776,323	49,122	1,736,669	108,278	0	0	302,812	23,304	6,044,781
2035	2,003,508	71,457	500,010	22,425	1,117,546	48,530	0	0	218,936	13,320	3,995,732
2036	898,836	27,862	326,480	10,044	694,623	21,379	0	0	225,060	6,755	2,211,039
	$ 111,872,279	$ 32,921,715	$ 24,894,908	$ 6,664,215	$ 53,764,877	$ 15,731,296	$ 1,303,226	$ 399,365	$ 30,712,909	$ 8,172,996	$ 286,437,786

	Principal	Interest	Total
General Obligation Bonds - Supported By General Fund Revenue	$ 111,872,279	$ 32,921,715	$ 144,793,994
General Obligation and Revenue Bonds - Supported By Dedicated Revenue	110,675,920	30,967,872	141,643,792
TOTAL	$ 222,548,199	$ 63,889,587	$ 286,437,786

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) Incudes 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, 2017

NAME	TITLE	ANNUAL SALARY	AMOUNT OF SURETY BOND
Jeff Fleming	City Manager	$ 158,651	$ 5,000
J. Michael Billingsley	City Attorney	128,157	0
James H. Demming	City Recorder/Chief Financial Officer/ City Treasurer	116,104	759,000
Lyle Ailshie	Director of Schools	196,899	0
David Quillen	Chief of Police	97,631	0
John Clark	Mayor	3,000	0
Mike McIntire	Vice-Mayor	2,400	0
Darrell Duncan	Alderman	2,400	0
Colette George	Alderwoman	2,400	0
Tommy Olterman	Alderman	2,400	0
Tom Parham	Alderman	2,400	0
Tom Segelhorst	Alderman	2,400	0

Source: City of Kingsport Finance Department

Table 29

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE
June 30, 2017

Type of Coverage/ Insurance Carrier	Policy Number	Policy Period	Details of Coverage	Claim Limits	Annual Premiums
Comprehensive General Liability					
TML Risk Management Pool	TML-213-17	7/1/15-7/1/18	General Liability	$ 5,000,000	$ 169,084
		Annual Renewal	Auto Liability	5,000,000	
		7/1/16-7/1/17	Auto Physical Damage	replacement	
			Errors and Omissions	5,000,000	
Safety National Casualty Corporation	to be assigned	1/1/17-1/1/18	Worker's Compensation	Statutory	146,695
Government Crime					
Travelers Insurance Co.	106694635	3/2/17-3/2/18	Crime (Schools)	500,000	4,703
Travelers Casualty & Surety Company	106463733	2/1/16-2/1/19	Crime	2,000,000	3,289
Unemployment Compensation					
City of Kingsport	Self insured				
Property and Casualty					
Travelers	KTK-CMB-9A14090-0-15	12/31/16-12/31/17	Buildings and Contents	526,500,000	167,411
EMC Insurance Companies	5A0-73-30---18	2/13/17-2/13/18	Justice Center Commercial/ Gen Property	13,543,000	10,570
Great American Insurance Company	MAC 0-99-12-47-00	8/1/16-8/1/17	Aquatic Center Property Insurance	23,000,000	15,018
Hartford Insurance Company	87053342652016	1/25/17-1/25/18	Flood Insurance Aquatic center	23,000,000	1,913
Hartford Insurance Co.	20MSCYQ7488	5/26/17-5/26/18	Grand Piano - Allandale		534
Great American Assurance Company	MAC409558001	2/1/17-2/1/18	911 Building	3,690,000	6,025
Boiler and Machinery					
The Cincinnati Insurance Co.	BEP2646328	1/1/17-1/1/18	Boilers and Machinery	100,000	5,292
Public Officials Bond					
Liberty Mutual Insurance Company	82C011612	3/1/17-3/1/18	Bond - Treasurer (J. Demming) (State of Tennessee Schools)	1,625,000	4,875
Liberty Mutual Insurance Company	82C012047	3/1/17-3/1/18	Bond - Recorder/Treasurer (J. Demming)	759,000	2,277
Travelers Insurance Company	106151564	6/29/14-indefinite	Bond - City Manager (J. Fleming)	5,000	100
Travelers Insurance Company	105795556	1/1/17-1/1/18	Bond - City Judge (W. K. Rogers)	1,000	100
Western Surety Company	58368775	4/4/17-4/4/18	Blanket Notary Errors and Omissions	25,000	650
Other					
Stadium General Liability/ Hunter Wright Property - D.B. High School Montgomery Insurance Company	CBP9566738	3/8/17-3/8/18	General Liability/ Scoreboard/ Public Address system	2,000,000	1,339
ACE Tank Save	G24730086 004	10/12/16 - 10/12/17	Above ground storage tanks		8,261
Freberg Insurance Company	FEI-EST-10955-03	11/1/16-11/1/17	Fuel Tank Environmental		691
Hanover Insurance	IH5A19679502	1/14/17-1/14/18	Employee Tools Coverage		9,530
HCC Life Insurance Company	HCL15136	01/01/17 - 01/31/18	Aggregate Stop Loss	10,692,020	28,483
Total Premium					**$ 586,840**

Source: City of Kingsport

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingsport, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Kingsport, Tennessee's basic financial statements and have issued our report thereon dated December 29, 2017. Our report includes a reference to other auditors who audited the financial statements of the Emergency Communications District (ECD), a discretely presented component unit, as well as auditors who audited the financial statements of the Phipps Bend Joint Venture (a joint venture with the Industrial Development Board of Kingsport, a discretely presented component unit) as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kingsport, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kingsport, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kingsport, Tennessee's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kingsport, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item **2017-002**.

City of Kingsport, Tennessee's Responses to Findings

The City of Kingsport, Tennessee's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Kingsport, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion 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
December 29, 2017

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Kingsport, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Kingsport, Tennessee's major federal programs for the year ended June 30, 2017. 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, 2017.

Other Matters

The results of our auditing procedures disclosed two instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items **2017-001 & 2017-002.** Our opinion on each major federal program is not modified with respect to these matters.

The City of Kingsport, Tennessee's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the City of Kingsport, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Kingsport, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Kingsport, Tennessee's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
December 29, 2017

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section I - Summary of Auditor's Results

1. The auditor's report expresses an **unmodified opinion** on the financial statements of the City of Kingsport, Tennessee.

2. **No significant deficiencies** relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. **No instances of noncompliance** material to the financial statements of the City of Kingsport, Tennessee were disclosed during the audit.

4. **No significant deficiencies** relating to the audit of the major federal award programs is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

5. The auditors' report on compliance for the major federal award programs for the City of Kingsport, Tennessee expresses an **unmodified opinion** on all major federal programs.

6. The audit disclosed **two audit findings** relating to major programs.

7. The programs tested as major programs include:

Name of Program	CFDA Number
Child Nutrition	**10.553, 10.555, & 10.559**
Capitalization Grants for Drinking Water State Revolving Loan Funds	**66.468**
Public Works Program Raw Water Conveyance Upgrade	**11.300**

8. The **threshold** used for distinguishing Type A and B programs was **$750,000**.

9. The City of Kingsport, Tennessee was **not** determined to be a **low risk auditee**.

Section II – Findings - Financial Statement Audit

None

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

2017-001: Child Nutrition (CFDA 10.553 & 10.556)

Condition: In one of three items tested, the City failed to document an appropriate level of review on the request for reimbursement.

Criteria: Personnel are responsible for ensuring that all requests for reimbursement are properly reviewed prior to filing.

Cause: The City failed to follow their stated policy for internal controls over compliance.

Effect: Incorrect information could be submitted to the state for reimbursement.

Context: Documentation of review was not present on the request for reimbursement for October 2016.

Recommendation: Ensure all requests for reimbursement are properly reviewed prior to filing.

Management Response: All requests for reimbursement will be properly reviewed prior to filing. Following this review, all signed documents will be scanned and filed electronically to serve as back up documentation.

Section III and IV - Findings and Questioned Costs – Major Federal Award Programs and State of Tennessee

2017-002: Child Nutrition (CFDA 10.553, 10.555 & 10.559)

Condition: In one of fifty-three applications tested, the City failed to properly classify between free and reduced meals based on information on the application.

Criteria: City employees are responsible for ensuring proper classification between free and reduced meals.

Cause: The City does not have a review process after the applications have been categorized into the system.

Effect: Impermissible benefits could be awarded which would also affect the reimbursement rate received from the federal agency.

Context: The City failed to follow compliance requirements.

Recommendation: Applications for free and reduced lunch should be reviewed by an individual independent of the input process. Once they have been input into the computer system individual should ensure that each is properly classified and agrees to the applications received.

Management Response: Some applications for free and reduced lunch are reviewed, although not 100 percent. Timing is critical during the application process and in order to ensure that the student starts receiving benefits, as soon as possible, not all applications are reviewed. In addition to some applications being reviewed, personnel check for reasonableness when entering the information into the system. It is possible that one or two applications may be improperly categorized. The School Nutrition office staff will review all completed applications on a monthly basis.

When the state performed their administrative review, they manually calculated 500 applications and did not find any that had been calculated incorrectly. We believe this was an isolated incident.

CITY OF KINGSPORT, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Financial Statement Audit

2016-001: Federal Grant Expenditures (Material Weakness)

Condition: The City failed to properly identify expenses related to a federal grant as well as record a receivable and grant revenue.

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

2014-001: Capital Asset Recording (Material Weakness)

Condition: The City failed to properly report several capital assets. Construction period interest was calculated on certain items and capitalized as a portion of the cost of the asset after the assets were completed and placed in service. Additionally the City failed to record certain assets in the capital asset software and begin depreciation at the time they were placed in service. The Industrial Development Board also failed to properly record construction in progress and the related payable.

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

Major Federal Award Programs Audit & State of Tennessee

2016-002: Child Nutrition (CFDA 10.553, 10.555 & 10.559)

Condition: The City failed to properly classify between free and reduced meals based on information on the application.

Current Year Status: This issue was noted during the current year. See item 2017-002.

The City of Kingsport celebrated its 100 year birthday March 2, 2017.