

*In the opinion of Adams and Reese LLP, Bond Counsel, under existing law and assuming compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion, under existing law, that the Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation in the State of Tennessee, except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law. See "LEGAL MATTERS—Tax Matters" herein.*

**\$14,675,000**  
**CITY OF KINGSPORT, TENNESSEE**  
**Consisting Of:**

**\$7,040,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2018A**

**\$5,275,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2018B**

**\$2,360,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2018C**

Dated: September 28, 2018

Due: March 1 (as shown on following pages)

The \$7,040,000 General Obligation Improvement Bonds, Series 2018A (the "Series 2018A Bonds"), the \$5,275,000 General Obligation Improvement Bonds, Series 2018B (the "Series 2018B Bonds") and the \$2,360,000 General Obligation Improvement Bonds, Series 2018C (the "Series 2018C Bonds") of the City of Kingsport, Tennessee (the "Municipality") shall be issued as fully registered in denominations of \$5,000 and authorized integral multiples thereof. The Bonds Series 2018A Bonds, the Series 2018B Bonds and the Series 2018C Bonds (collectively, the "Bonds") will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semiannually from the date thereof commencing on March 1, 2019 and thereafter on each March 1 and September 1 to the owners thereof as shown on the books and records at the designated corporate trust office of U.S. Bank National Association, Olive Branch, Mississippi, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable by check or draft at the designated office of the Registration Agent.

The Bonds are payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the prompt payment of the Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality is irrevocably pledged. To the extent the proceeds of the Series 2018B Bonds are used to fund projects for the Municipality's water and sewer system, such Series 2018B Bonds shall additionally be payable from, but not secured by, revenues to be derived from the operation of the Municipality's water and sewer system. To the extent the proceeds of the Series 2018C Bonds are used to fund projects for the Municipality's aquatic center, such Series 2018C Bonds shall additionally be payable from, but not secured by, revenues to be derived from the one-quarter percent (0.25%) local option sales tax levied by the Municipality within the corporate limits of Municipality within Sullivan County, Tennessee, and revenues to be derived from the operation of the Municipality's aquatic center.

The Bonds are subject to redemption as described herein.

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MATURITY SCHEDULE  
SEE INSIDE COVER PAGES

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This cover page and the inside cover page contain certain information for quick reference only. They are not a summary of these issues. Investors must read the entire "Official Statement" to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Adams and Reese LLP, Nashville, Tennessee, Bond Counsel. Certain matters will be passed upon for the Municipality by J. Michael Billingsley, Esq., City Attorney. The Bonds are expected to be available for delivery through the facilities of The Depository Trust Company, New York, New York on or about September 28, 2018.

**BAIRD**

This "Official Statement" speaks only as of its date, and the information contained herein is subject to change. This "Official Statement" may contain forecasts, projections, and estimates that are based on current expectations, but are not intended as representations of fact or guarantees of results. If and when included in this "Official Statement", the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this "Official Statement". The Municipality disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Municipality's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This "Official Statement" and the Appendices hereto contain brief descriptions of, among other matters, the Municipality, the Bonds, the Resolution (as defined herein), the Disclosure Certificate, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Bonds have not been registered under the Securities Act of 1933 and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This "Official Statement" does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Municipality or the Municipal Advisor to give any information or to make any representations other than those contained in this "Official Statement", and, if given or made, such other information or representations should not be relied upon as having been authorized by the Municipality or Municipal Advisor. Except where otherwise indicated, all information contained in this "Official Statement" has been provided by the Municipality. The information set forth herein has been obtained by the Municipality from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor. The information contained herein is subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Municipality, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

<u>Due</u> <u>March 1</u>	<u>Series</u> <u>2018A</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIPs</u> <sup>1</sup>	<u>Series</u> <u>2018B</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIPs</u> <sup>1</sup>
2020	\$285,000	5.000%	1.900%	496443 TL6	\$185,000	5.000%	1.900%	496443 UF7
2021	295,000	5.000%	2.000%	496443 TM4	195,000	5.000%	2.000%	496443 UG5
2022	315,000	5.000%	2.100%	496443 TN2	205,000	5.000%	2.100%	496443 UH3
2023	325,000	5.000%	2.200%	496443 TP7	215,000	5.000%	2.200%	496443 UJ9
2024	345,000	5.000%	2.300%	496443 TQ5	230,000	5.000%	2.300%	496443 UK6
2025	360,000	5.000%	2.370%	496443 TR3	240,000	5.000%	2.370%	496443 UL4
2026	375,000	5.000%	2.470%	496443 TS1	250,000	5.000%	2.470%	496443 UM2
2027	395,000	3.000%	2.550%	496443 TT9	265,000	3.000%	2.550%	496443 UN0 C
2028	405,000	3.000%	2.650%	496443 TU6	270,000	3.000%	2.650%	496443 UP5 C
2031	365,000	3.000%	3.100%	496443 TX0	295,000	3.000%	3.100%	496443 US9
2032	375,000	3.125%	3.200%	496443 TY8	305,000	3.125%	3.200%	496443 UT7
2033	385,000	3.250%	3.300%	496443 TZ5	315,000	3.250%	3.300%	496443 UU4
2034	400,000	3.250%	3.350%	496443 UA8	325,000	3.250%	3.350%	496443 UV2
2035	410,000	3.250%	3.400%	496443 UB6	335,000	3.250%	3.400%	496443 UW0
2036	425,000	3.375%	3.450%	496443 UC4	345,000	3.375%	3.450%	496443 UX8
2037	440,000	3.500%	3.500%	496443 UD2	360,000	3.500%	3.500%	496443 UY6
2038	450,000	3.500%	3.550%	496443 UE0	370,000	3.500%	3.550%	496443 UZ3
	<u>Series</u> 2018A	<u>Type</u> Term	<u>Due</u> 03/01/2030	<u>Amount</u> \$690,000	<u>CUSIPs</u> <sup>1</sup> 496443 TW2	<u>Rate</u> 3.000%	<u>Yield</u> 3.000%	
	2018B	Term	03/01/2030	\$570,000	496443 UR1	3.000%	3.000%	

C = Priced to the March 1, 2026 Par Call

<sup>1</sup> Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Municipality makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

<u>Due</u> <u>March 1</u>	<u>Series</u> <u>2018C</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIPs</u> <sup>1</sup>
2020	\$95,000	3.000%	1.900%	496443 VA7
2021	95,000	3.000%	2.000%	496443 VB5
2022	100,000	3.000%	2.100%	496443 VC3
2023	105,000	3.000%	2.200%	496443 VD1
2024	105,000	3.000%	2.300%	496443 VE9
2025	110,000	3.000%	2.370%	496443 VF6
2026	110,000	3.000%	2.470%	496443 VG4
2027	115,000	3.000%	2.550%	496443 VH2 C
2028	120,000	3.000%	2.650%	496443 VJ8 C
2031	130,000	3.000%	3.100%	496443 VM1
2032	135,000	3.125%	3.200%	496443 VN9
2033	140,000	3.250%	3.300%	496443 VP4
2034	140,000	3.250%	3.350%	496443 VQ2
2035	145,000	3.250%	3.400%	496443 VR0
2036	150,000	3.375%	3.450%	496443 VS8
2037	155,000	3.500%	3.500%	496443 VT6
2038	160,000	3.500%	3.550%	496443 VU3

<u>Series</u>	<u>Type</u>	<u>Due</u>	<u>Amount</u>	<u>CUSIPs</u> <sup>1</sup>	<u>Rate</u>	<u>Yield</u>
2018C	Term	03/01/2030	\$250,000	496443 VL3	3.000%	3.000%

C = Priced to the March 1, 2026 Par Call

<sup>1</sup> Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Municipality makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY OF KINGSPORT, TENNESSEE**

**BOARD OF MAYOR AND ALDERMEN**

John Clark	<i>Mayor</i>
Mike McIntire	<i>Vice Mayor and Alderman</i>
Jennifer Axsom Adler	<i>Alderman</i>
Joe Begley	<i>Alderman</i>
Betsy Cooper	<i>Alderman</i>
Colette George	<i>Alderman</i>
Tommy Olterman	<i>Alderman</i>

**OFFICIALS**

T. Jeffrey Fleming	<i>City Manager</i>
Christopher W. McCartt	<i>Assistant City Manager - Administration</i>
Ryan O. McReynolds	<i>Assistant City Manager - Operations</i>
James H. Demming, CPA	<i>City Recorder/CFO</i>
J. Michael Billingsley, Esq.	<i>City Attorney</i>
Dr. Jeff Moorhouse	<i>Superintendent of Schools</i>

**REGISTRATION AND PAYING AGENT**

U.S. Bank National Association  
Olive Branch, Mississippi

**BOND COUNSEL**

Adams and Reese LLP  
Nashville, Tennessee

**DISSEMINATION AGENT**

Regions Bank  
Nashville, Tennessee

**MUNICIPAL ADVISOR**

Raymond James & Associates, Inc.  
Nashville, Tennessee

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## SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this “Official Statement”. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this “Official Statement”.

The Issuer .....City of Kingsport, Tennessee (the "Municipality"). See the section entitled “Supplemental Information Statement” (APPENDIX B) for more information.

Securities Offered.....\$7,040,000 General Obligation Improvement Bonds, Series 2018A (the “Series 2018A Bonds”), \$5,275,000 General Obligation Improvement Bonds, Series 2018B (the “Series 2018B Bonds”) and the \$2,360,000 General Obligation Improvement Bonds, Series 2018C (the “Series 2018C Bonds”) of the City of Kingsport, Tennessee (the “Municipality”) which are dated September 28, 2018. The Series 2018A Bonds, the Series 2018B Bonds and the Series 2018C Bonds (collectively, the “Bonds”) will mature on March 1, 2020 through March 1, 2028, inclusive, on March 1, 2030 and on March 1, 2031 through March 1, 2038, inclusive See the section entitled “SECURITIES OFFERED – Authority and Purpose”.

Purpose.....The Series 2018A Bonds are issued for the purpose of: (1) financing a portion of the costs of certain public works projects, consisting of the acquisition of public art; the acquisition, construction, improvement and renovation of public school facilities; road, street, parking, and sidewalk construction, improvement and expansion, including transmission upgrades; the acquisition, construction, renovation, improvement and equipping of public buildings within the Municipality, including renovations to the library and court facilities; acquisition of public works equipment, including improvements to technology infrastructure and back office improvements; acquisition, construction, and improvement of public parks and recreational facilities, including Bays Mountain Park; the acquisition of all property real and personal, appurtenant thereto or connected with such work, and (2) paying costs incident to the issuance and sale of the Series 2018A Bonds.

The Series 2018B Bonds are issued for the purpose of: (1) financing a portion of the costs of certain public works projects, consisting of the acquisition of public art; 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 (2) paying costs incident to the issuance and sale of the Series 2018B Bonds.

The Series 2018C Bonds are issued for the purpose of: (1) financing a portion of the costs of certain public works projects, consisting of the acquisition, construction, renovation, improvement and equipping of a municipal recreational center and related facilities, including a public swimming pool; and the acquisition of all property real and personal, appurtenant thereto or connected with such work; and to pay legal, fiscal, administrative, and engineering costs, to reimburse the Municipality for the costs of the above project, and (2) paying costs incident to the issuance and sale of the Series 2018C Bonds.

See the section entitled “SECURITIES OFFERED – Authority and Purpose” for additional information.

Security .....The Bonds are payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the prompt payment of the Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality is irrevocably pledged. To the extent the

proceeds of the Series 2018B Bonds are used to fund projects for the Municipality’s water and sewer system, such Series 2018B Bonds shall additionally be payable from, but not secured by, revenues to be derived from the operation of the Municipality’s water and sewer system. The Series 2018C Bonds shall additionally be payable from, but not secured by, revenues to be derived from the one-quarter percent (0.25%) local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County, Tennessee, and revenues to be derived from the operation of the Municipality’s aquatic center.

See the section entitled “SECURITIES OFFERED – Security” for additional information.

- Optional Redemption .....Bonds maturing March 1, 2020 through March 1, 2026, are not subject to redemption prior to maturity. The Bonds maturing on and after March 1, 2027, are subject to redemption prior to maturity on March 1, 2026, and at any time thereafter, at the option of the Municipality, as a whole or in part, in integral multiples of \$5,000 (less than all Bonds of a single maturity to be selected by lot by the Registration Agent), at the price of par, plus accrued interest to the date fixed for redemption. See the section entitled “SECURITIES OFFERED – Redemption – *Optional*” for additional information.
  
- Mandatory Redemption .....The Bonds maturing on March 1, 2030 are subject to mandatory sinking fund redemption. See the section entitled “SECURITIES OFFERED – Redemption – *Mandatory*” for additional information.
  
- Ratings.....Moody’s – “Aa2” and S&P – “AA”. See the section entitled “MISCELLANEOUS – Ratings” for more information.
  
- Book-Entry Only .....The Bonds will be issued under the Book-Entry-Only System. For additional information, see the section entitled “BASIC DOCUMENTATION – Book-Entry-Only System.”
  
- Underwriter .....Robert W. Baird & Co., Inc., Red Bank, New Jersey (the “Underwriter”). See the section entitled “MISCELLANEOUS – Competitive Public Sale” for additional information.
  
- Municipal Advisor.....Raymond James & Associates, Inc., Nashville, Tennessee (“Raymond James” or the “Municipal Advisor”). See the section entitled “MISCELLANEOUS - Financial Professionals”.
  
- Registration and Paying Agent.....U.S. Bank National Association, Olive Branch, Mississippi (the “Registration Agent”). See the section entitled “MISCELLANEOUS - Financial Professionals”.
  
- Dissemination Agent .....Regions Bank, Nashville, Tennessee (the “Dissemination Agent”). See the section entitled “MISCELLANEOUS - Financial Professionals”.
  
- General .....The Bonds are being issued in full compliance with Title 9, Chapter 21, Parts 1 and 2, Tennessee Code Annotated, as supplemented and revised and the Resolution (defined herein) approved by the Board of Mayor and Aldermen of the Municipality on August 21, 2018. The Series 2018A Bonds, the Series 2018B Bonds and the Series 2018C Bonds will be issued with separate CUSIP numbers through the facilities of The Depository Trust Company, New York, New York. See the section entitled “SECURITIES OFFERED – Authority and Purpose” for more information.
  
- Tax Matters .....In the opinion of Bond Counsel, under existing law and assuming compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion, under existing law, that the Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation in the State of Tennessee, except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law. See

“LEGAL MATTERS—Tax Matters” herein. See also “APPENDIX A: Forms of Legal Opinions” included herein.

Disclosure.....In accordance with Rule 15c2-12 of the Securities and Exchange Commission as amended, the Municipality will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State information depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports. See the section entitled “MISCELLANEOUS - Continuing Disclosure” and “APPENDIX C: Form of the Continuing Disclosure Certificate”.

Other Information.....The information in the “Official Statement” is deemed "final" within the meaning of Rule 15c2-12(b)(5) of the SEC (the “Rule”). For more information concerning the Municipality or the “Official Statement”, contact Mr. James H. Demming, CPA, City Recorder and Chief Financial Officer, City of Kingsport, City Hall, 225 West Center Street, Kingsport, Tennessee 37660. Telephone: 423-229-9400 or the Municipal Advisor, Raymond James & Associates, Inc., One Burton Hills Blvd. - Suite 225, Nashville, Tennessee 37215-6299, Telephone: 615-665-6920 or 800-764-1002.

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**\$14,675,000**

**CITY OF KINGSPORT, TENNESSEE**

**Consisting of:**

**\$7,040,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2018A**

**\$5,275,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2018B**

**\$2,360,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2018C**

**SECURITIES OFFERED**

**AUTHORITY AND PURPOSE**

This “Official Statement” (including the Summary Statement and appendices) is furnished in connection with the offering by the City of Kingsport, Tennessee (the "Municipality") of its \$7,040,000 General Obligation Improvement Bonds, Series 2018A (the “Series 2018A Bonds”), its \$5,275,000 General Obligation Improvement Bonds, Series 2018B (the “Series 2018B Bonds”) and its \$2,360,000 General Obligation Improvement Bonds, Series 2018C (the “Series 2018C Bonds”).

The Series 2018A Bonds, the Series 2018B Bonds and the Series 2018C Bonds (collectively, the “Bonds”) are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, Parts 1, and 2, Tennessee Code Annotated, as supplemented and amended, and other applicable provisions of law and pursuant to resolutions (collectively, the “Resolution”) duly adopted by the Board of Mayor and Aldermen of the Municipality (the “Governing Body”) on August 21, 2018.

The Series 2018A Bonds are issued for the purpose of: (1) financing a portion of the costs of certain public works projects, consisting of the acquisition of public art; the acquisition, construction, improvement and renovation of public school facilities; road, street, parking, and sidewalk construction, improvement and expansion, including transmission upgrades; the acquisition, construction, renovation, improvement and equipping of public buildings within the Municipality, including renovations to the library and court facilities; acquisition of public works equipment, including improvements to technology infrastructure and back office improvements; acquisition, construction, and improvement of public parks and recreational facilities, including Bays Mountain Park; the acquisition of all property real and personal, appurtenant thereto or connected with such work, and (2) paying costs incident to the issuance and sale of the Series 2018A Bonds.

The Series 2018B Bonds are issued for the purpose of: (1) financing a portion of the costs of certain public works projects, consisting of the acquisition of public art; 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 (2) paying costs incident to the issuance and sale of the Series 2018B Bonds.

The Series 2018C Bonds are issued for the purpose of: (1) financing a portion of the costs of certain public works projects, consisting of the acquisition, construction, renovation, improvement and equipping of a municipal recreational center and related facilities, including a public swimming pool; and the acquisition of all property real and personal, appurtenant thereto or connected with such work; and to pay legal, fiscal, administrative, and engineering costs, to reimburse the Municipality for the costs of the above project, and (2) paying costs incident to the issuance and sale of the Series 2018C Bonds.

## **DESCRIPTION OF THE BONDS**

The Bonds initially will be dated the date of their issuance estimated to be September 28, 2018. Interest on the Bonds will be payable semiannually on March 1 and September 1, commencing March 1, 2019. The Bonds will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds.

In the event that any amount payable on any Bond as interest shall at any time exceed the rate of interest lawfully chargeable thereon under applicable law, then any such excess shall, to the extent of such excess, be applied against the principal of such Bonds as a prepayment thereof without penalty, and such excess shall not be considered to be interest. All rates of interest specified herein shall be computed on the basis of a 360 day year composed of 12 months of 30 days each.

The principal of and all installments of interest on any Bond shall bear interest from and after their respective due dates at a rate of interest equal to the rate of interest payable on the principal of such Bond.

Interest on the Bonds shall be payable by check or other form of draft of the Registration Agent deposited by the Registration Agent in the United States mail, first class postage prepaid, in sealed envelopes, addressed to the Owners of the Bonds, as of the applicable Interest Payment Date, at their respective addresses as shown on the registration books of the Municipality maintained by the Registration Agent as of the close of business on the fifteenth (15th) calendar day of the month next preceding the applicable Interest Payment Date (the “Regular Record Date”). The principal or redemption price, if any, of all Bonds shall be payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Registration Agent. All payments of the principal of and interest on the Bonds shall be made in any coin or currency of the United States of America which, on the date of payment thereof, shall be legal tender for the payment of public and private debts.

See the section entitled “BASIC DOCUMENTATION - Book-Entry-Only System”, “Special Record Date” and the “Registration Agent” for additional information.

## **SECURITY**

The Bonds are payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the prompt payment of the Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality is irrevocably pledged. To the extent the proceeds of the Series 2018B Bonds are used to fund projects for the Municipality’s water and sewer system, such Series 2018B Bonds shall additionally be payable from, but not secured by, revenues to be derived from the operation of the Municipality’s water and sewer

system. The Series 2018C Bonds shall additionally be payable from, but not secured by, revenues to be derived from the one-quarter percent (0.25%) local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County, Tennessee, and revenues to be derived from the operation of the Municipality’s aquatic center.

For the purpose of providing for the payment of the principal of, premium, if any, and interest on, the Bonds, to the extent necessary, there shall be levied in each year in which such Bonds shall be outstanding a direct tax on all taxable property in the Municipality, fully sufficient, to pay all such principal and interest falling due prior to the time of collection of the next succeeding tax levy. Said tax shall be assessed, collected, and paid at the time, and in the same manner, as the other taxes of said Municipality, shall be in addition to all other taxes, and shall be without limitation as to time, rate, or amount. The Board of the Municipality is required by law and shall and does hereby pledge to levy such tax. Principal, premium, if any, and interest, or any of the foregoing, falling due at any time when there shall be insufficient funds on hand from such tax levy for the payment thereof shall be paid from the General Fund or other available funds of the Municipality, but reimbursement therefor may be made from the taxes herein provided when the same shall have been collected. Such taxes levied and collected therefor shall be deposited in General Fund of the Municipality, and used for the payment of principal and interest on the Bonds as the same shall become due.

**REDEMPTION**

*Optional Redemption.* Bonds maturing March 1, 2020 through March 1, 2026, are not subject to redemption prior to maturity. The Bonds maturing on and after March 1, 2027, are subject to redemption prior to maturity on March 1, 2026, and at any time thereafter, at the option of the Municipality, as a whole or in part, in integral multiples of \$5,000 (less than all Bonds of a single maturity to be selected by lot by the Registration Agent), at the price of par, plus accrued interest to the date fixed for redemption.

*Mandatory Redemption.* Subject to the credit hereinafter provided, the Municipality shall redeem Bonds maturing on March 1, 2030 on the redemption dates set herein below opposite the maturity dates, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for Bonds or such person as shall then be serving as the securities depository for the Bonds, shall determine the interest of each participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of the Bonds to be redeemed on said dates are as follows:

Redemption Date*	Series 2018A Bonds Redeemed	Series 2018B Bonds Redeemed	Series 2018C Bonds Redeemed
March 1, 2029	\$340,000	\$280,000	\$125,000
March 1, 2030*	\$350,000	\$290,000	\$125,000

*Notice of Redemption.* In the event of optional redemption, whether optional or mandatory, notice of intended redemption shall be given by the Registration Agent on behalf of the Municipality to the

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\* Final maturity

Owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the registration books kept by the Registration Agent. Notice of intended redemption shall be given not less than thirty (30) calendar days, nor more than sixty (60) calendar days prior to the date fixed for redemption. Each such notice of redemption shall state: (1) the redemption date; (2) the redemption price; (3) if less than all outstanding Bonds are to be redeemed, the registered number and the CUSIP number printed on the Bonds (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed; (4) that on the redemption date, the redemption price will become due and payable upon such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date provided sufficient funds are available on such redemption date to fully pay the redemption price of and the interest on the Bonds called for redemption; and, (5) the place where such are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Registration Agent. Neither failure to mail any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds for which notice was correctly given.

If notice of redemption shall have been given in the manner and under the conditions provided herein and if on the date so designated for redemption the Registration Agent shall hold sufficient monies to pay the redemption price of, and interest to the redemption date on, the Bonds to be redeemed as provided in the Resolution, then: (1) the Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds on such date; (2) interest on the Bonds so called for redemption shall cease to accrue; and, (3) such Bonds shall no longer be outstanding or secured by, or be entitled to, the benefits of the Resolution, except to receive payment of the redemption price thereof and interest thereon from monies then held by the Registration Agent.

Prior to any redemption date, the Municipality shall deposit with the Registration Agent an amount of money sufficient to pay the redemption price of all of the Bonds which are to be redeemed on that date.

If on the redemption date, monies for the redemption of all the Bonds or portions thereof to be redeemed, together with interest thereon to the redemption date, shall not be held by the Registration Agent so as to be available therefor on such date, the Bonds or portions thereof so called for redemption shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and shall continue to be secured by and be entitled to the benefits of the Resolution.

In case any Bond is of a denomination larger than \$5,000, a portion of such Bond - \$5,000 or any integral multiple thereof - may be redeemed, but the Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. In selecting Bonds for redemption, the Municipality shall treat the Bonds as representing that number of Bonds which is obtained by dividing the principal amount of the Bond by \$5,000. If part but not all of a Bond shall be selected for redemption, the Owner thereof or his, her, or its legal representative shall present and surrender such Bond to the Registration Agent for payment of the principal amount thereof so called for redemption and the premium, if any, on such principal amount thereof so called for redemption, and the Municipality shall execute and the Registration Agent shall authenticate and deliver to such Owner or legal representative, without charge therefor, for the unredeemed portion of the Bond surrendered, a Bond of the same maturity, bearing the same interest rate, and of authorized denomination or denominations.

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## BASIC DOCUMENTATION

### REGISTRATION AGENT

U.S. Bank National Association (the “Registration Agent”) or the Municipality will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Municipality in respect of such Bonds to the extent of the payments so made. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

### BOOK-ENTRY-ONLY SYSTEM

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the “Book-Entry-Only System”). One or more fully-registered bond certificates will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

*DTC and its Participants.* DTC is a limited-purpose trust company organized under the New York Bank Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for securities that its participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry-only changes in DTC Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of its Direct Participants and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (the “NSCC”, “GSCC”, “MBSCC”, and “EMCC”, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc. (the “NYSE”), the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct DTC Participant, either directly or indirectly (the “Indirect Participants” and, together with the Direct Participants, the “Participants”). DTC has S&P’s ratings: “AA+.” The rules applicable to DTC and its



Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

*Purchase of Ownership Interests.* Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "beneficial owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through whom such beneficial owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the Bonds, except as specifically provided in the Bonds in the event that use of the book-entry-only system is discontinued.

*Payments of Principal and Interest.* Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Municipality or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

*Notices.* Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. Beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to beneficial owners, or in the alternative, beneficial owners may wish to provide their names and addresses to the Registration Agent and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Municipality as soon as

practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE MUNICIPALITY, THE UNDERWRITER, THE BOND COUNSEL, THE MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

*Transfers of Bonds.* To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee does not affect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the beneficial owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

*Discontinuance of Book-Entry-Only System.* In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the Municipality determines to discontinue the Book-Entry System, the Book-Entry System shall be discontinued. Upon the occurrence of the event described above, the Municipality will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

*No Assurance Regarding DTC Practices.* The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Municipality believes to be reliable, but the Municipality, the Bond Counsel, the Registration Agent, the Municipal Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds. None of the Municipality, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the beneficial owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolutions. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

## **SPECIAL RECORD DATE**

Any interest on any of the Bonds which is payable but is not punctually paid or duly provided for on any Interest Payment Date on which interest is due (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the Owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by check or other form of draft of the Registration Agent to the persons in whose

names the Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Municipality shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Municipality shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangement satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten (10) calendar days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall be not more than fifteen (15) nor less than ten (10) calendar days prior to the date of the proposed payment to the Owners. The Registration Agent shall promptly notify the Municipality of such Special Record Date and, in the name and at the expense of the Municipality, not less than ten (10) calendar days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Owner at the address thereof as it appears in the registration books of the Municipality maintained by the Registration Agent as of the date of such notice. Nothing contained in the Resolution or in the Bonds shall impair any statutory or other rights in law or in equity of any Owner arising as a result of the failure of the Municipality to punctually pay or duly provide for the payment of principal of and interest on, the Bonds when due.

## **TRANSFER AND EXCHANGE**

The Bonds are transferable only by presentation at the office of the Registration Agent, by the registered owner or their legal representative duly authorized in writing, of the registered Bond(s) to be transferred with the form of assignment completed in full and signed with the name of the registered owner as it appears upon the face of the Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Bond(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Bonds to the assignee(s) in \$5,000 denominations, or integral multiples thereof, as requested by the registered owner requesting transfer. No charge shall be made to any registered owner for the privilege of transferring any Bond, provided that any transfer tax relating to such transaction shall be paid by the owner requesting transfer. The Registration Agent shall not be required to transfer or exchange any Bond during the fifteen calendar days next preceding an Interest Payment Date or the first mailing of any notice of redemption or with respect to any Bond, after such Bond has been called for redemption. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bonds shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of Bonds of the same maturity in any authorized denomination or denominations.

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**SOURCES AND USES OF FUNDS**

The following table sets forth the estimated sources and uses of funds relating to the proceeds from the Bonds:

<b><u>SOURCES OF FUNDS:</u></b>	<b>SERIES 2018A <u>BONDS</u></b>	<b>SERIES 2018B <u>BONDS</u></b>	<b>SERIES 2018C <u>BONDS</u></b>
Par Amount	\$7,040,000.00	\$5,275,000.00	\$2,360,000.00
Plus: Net Premium	<u>261,366.05</u>	<u>169,024.40</u>	<u>18,006.75</u>
<b>TOTAL SOURCES:</b>	<b><u>\$7,301,366.05</u></b>	<b><u>\$5,444,024.40</u></b>	<b><u>\$2,378,006.75</u></b>
<b><u>USES OF FUNDS:</u></b>			
General Obligation Improvement Bonds, Series 2018A, Project Fund	\$7,137,900.42		
General Obligation Improvement Bonds, Series 2018B, Project Fund		\$5,310,899.83	
General Obligation Improvement Bonds, Series 2018C, Project Fund			\$2,330,446.62
Underwriter’s Discount	96,325.64	74,668.15	33,595.54
Costs of Issuance	<u>67,139.99</u>	<u>58,456.42</u>	<u>13,964.59</u>
<b>TOTAL USES:</b>	<b><u>\$7,301,366.05</u></b>	<b><u>\$5,444,024.40</u></b>	<b><u>\$2,378,006.75</u></b>

To assist investors with complying with applicable Federal Home Loan Bank collateral regulations, the Municipality presently contemplates that approximately 90% of the net proceeds of the Series 2018A Bonds, approximately 90% of the net proceeds of the Series 2018B Bonds and approximately 90% of the net proceeds of the Series 2018C Bonds will be used to finance or refinance the acquisition, development, and/or improvement of real estate.

**DISCHARGE AND SATISFACTION OF BONDS**

If the Municipality shall pay and discharge the entire indebtedness evidenced by any of the Bonds in any one or more of the following ways:

- (a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of, premium, if any, and interest on, the Bonds, as and when the same become due and payable;
- (b) By depositing or causing to be deposited with any trust company or bank whose deposits are insured by the Federal Deposit Insurance Corporation and which has trust powers (“a Trustee”; which Trustee may be the Registration Agent), in trust, at or before the date of maturity or redemption, sufficient monies or Government Obligations, the principal of and interest on which, when due and payable, will provide sufficient monies to pay or redeem the Bonds Outstanding hereunder and to pay premium, if any, and interest thereon when due until the maturity or redemption date; provided, if such Bonds are to be redeemed prior to the maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice; or,
- (c) By delivering such Bonds to the Registration Agent, for cancellation by such Registration Agent.

If the Municipality shall also pay or cause to be paid all other sums payable hereunder by the Municipality with respect to such Bonds, or make adequate provision therefor, and by resolution of the Board instruct any such Trustee to pay amounts when and as required to the Registration Agent for the payment of principal of, premium, if any, and interest on, such Bonds when due, then and in that case indebtedness evidenced by such Bonds shall be discharged and satisfied, and all covenants, agreements, and obligations of the Municipality to the owners of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate, and become void.

If the Municipality shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the Owners thereof shall thereafter be entitled only to payment out of the monies or Government Obligations deposited as aforesaid.

Except as otherwise provided herein neither Government Obligations nor monies deposited with the Registration Agent nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on, said Bonds; provided that any cash received from such principal or interest payments on such Government Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Municipality as received by the Registration Agent, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal of, premium, if any, and interest, to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Municipality, as received by the Registration Agent.

Nothing contained herein shall be construed to alter or change the redemption provisions set forth herein. No redemption privilege shall be exercised with respect to the Bonds except at the option and election of the Municipality. The optional right of redemption shall not be exercised by the Registration Agent unless expressly so directed by an Authorized Representative of the Municipality.

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## **BONDHOLDERS' RISKS**

### **GENERAL**

Set forth below are certain risks purchasers of the Bonds should consider when making an investment decision. All potential risks are not included and the discussion is not intended to be exhaustive.

### **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions, which are often subject to discretion and delay. The enforceability of remedies or rights with respect to the Bonds may be limited by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. Under existing constitutional and statutory law and judicial decisions, certain remedies specified by the Resolution may not be readily available or may be limited. The legal opinion to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

### **ADDITIONAL BONDS**

The Municipality may issue additional bonds in accordance with the provisions of the Act. The issuance of additional bonds would increase the debt service requirements and could adversely affect the sources of funds available to service the Bonds.

### **LOSS OF TAX EXEMPTION**

There is no provision for the redemption of the Bonds or for the payment of additional interest on the Bonds in the event that interest on the Bonds becomes includable in gross income for federal income tax purposes. In the event that interest on the Bonds becomes includable in gross income for federal income tax purposes, the value and marketability of the Bonds would likely be adversely affected. The Municipality has covenanted not to do anything that would adversely affect the tax-exempt status of the Bonds.

See "LEGAL MATTERS – Tax Matters".

### **OTHER RISK FACTORS**

In the future, the following additional factors, among others, may adversely affect the operations of the Municipality to an extent that cannot be determined at this time:

(1) The ability of the Municipality to insure or otherwise protect itself against property damage and general liability claims due to cost or other unknown factors.

(2) Proposals to eliminate the tax-exempt status of debt instruments issued by the Municipality or to limit the use of such tax-exempt bonds, which have been made in the past, and which may be made

again in the future. The adoption of such proposals would increase the cost to the Municipality of financing future capital needs.

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## LEGAL MATTERS

### LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the Municipality to sell or issue the Bonds or levy and collect ad valorem taxes. See the subsection in this section entitled Closing Certificates for additional information.

The Municipality, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. After reviewing the current status of all pending and threatened litigation except as specifically described below, the Municipality 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 Municipality or its officials in such capacity are adequately covered by insurance or by sovereign immunity or will not have an adverse effect upon the Municipality's financial condition except the following lawsuit.

On May 5, 2014, Sullivan County, Tennessee and the Sullivan County Board of Education Sullivan County, Tennessee ("Plaintiffs") filed a lawsuit against the Municipality in the Chancery Court for Sullivan County, Tennessee Civil Action No. K0039409(c). 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 Municipality 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 Municipality 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 Municipality 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. The Municipality 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 municipalities on mutual agreeable terms. The Municipality filed a Motion for Summary Judgment, and the trial court ruled in the favor of the Municipality, thereby dismissing the lawsuit. The Plaintiffs have appealed the decision to the Tennessee Court of Appeals and the Court of Appeals ruled in favor of the municipality. Plaintiffs filed an Application for Permission to Appeal to the Tennessee Supreme Court, which was granted by Order on May 15, 2018. The decision is currently pending in the Tennessee Supreme Court. If the decision of the Supreme Court Affirms the Trial Court's decision in favor of the Municipality, the Municipality will not owe any money to the Plaintiffs. If a judgment is rendered against the Municipality, the payment of such judgment is not covered by insurance. It would be directly paid by the Municipality. It is not possible to predict the outcome of this litigation at this time.

In June, 2017, the district attorneys for the first, second, and third judicial districts of Tennessee filed a lawsuit pertaining to the opioid epidemic and alleged, among other things, that the actions of the defendants led to opioid addiction for thousands of Tennesseans. That lawsuit is entitled *Staubus, et al. v.*



*Purdue Pharma, L.P., et al.*, Circuit Court for Sullivan County at Kingsport, Tennessee, case number C-41916, Division C.

As an outgrowth of that lawsuit, on July 16, 2018, some of the defendants filed a third party complaint against the Municipality and other municipalities and counties in the first, second, and third judicial districts of Tennessee. That lawsuit is entitled *Endo Health Solutions Inc., et al. v. Alpha Bay, et al.*, Circuit Court for Sullivan County at Kingsport, Tennessee, case number C-41916, Division C. On July 23, 2018, the Municipality was served with the third-party complaint. The cause of action alleged against the Municipality is a declaratory judgment pursuant to the Tennessee Declaratory Judgment Act. There is no prayer for any monetary relief against the Municipality. The relief requested against the Municipality is, “For a Declaration that any judgment rendered in *Staubus, et al. v Purdue Pharma, L.P., et al.*, must fully and forever bind the Public Entity Third-Party Defendants regardless of who purports to represent them, the form of the claim filed, or the forum in which the claim has been filed”.

On August 7, 2018, a hearing was held on a motion to dismiss the third party complaint filed against the Municipality. The court orally granted the motion to dismiss the third party complaint, but it was unclear whether it was with or without prejudice. The written order granting the dismissal has not yet been entered. When it is entered the scope of the dismissal will be fully understood. The order is subject to appeal. It is not possible at this time to predict the outcome of this litigation at this time. The Municipality intends to vigorously defend itself in this lawsuit.

The Municipality has coverage through the Tennessee Municipal League Risk Management Pool for compensatory damages in civil rights claims up to \$5,000,000. Ultimately, the Municipality pays for this coverage, as it is self-insured. The charter of the Municipality 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 damage or intentional torts. Generally, the Municipality has governmental immunity from intentional torts. For certain types of actions, immunity is waived, including certain negligent acts of its employees. For those action for which immunity is waived the amount of damages that are recoverable are limited as set out by the Tennessee Governmental Tort Liability Act. The limits are \$300,000 for bodily injury or death for any one person in any one accident, occurrence or act, and up to \$700,000 for bodily injury or death of all persons in any one accident, occurrence or act, and \$100,000 for injury or destruction of property of others in in any one accident, occurrence or act.

## **REMEDIES OF BONDHOLDERS**

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the Municipality, including, but not limited to, the right to require the Municipality to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the Municipality to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

## **TAX MATTERS**

In the opinion of Adams and Reese LLP, as Bond Counsel, under existing law, interest on the Bonds is excluded from gross income for federal income purposes and is not an item of tax preference for purposes of the federal alternative minimum tax.

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of facts and statements of reasonable expectations made by the Municipality in connection with the Bonds, and Bond Counsel has assumed compliance by the Municipality with certain ongoing covenants to comply with applicable requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. The Municipality has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of execution and delivery of the Bonds may affect the federal tax status of the interest on the Bonds.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Prospective purchasers of the Bonds should consult their tax advisers as to collateral federal income tax consequences.

From time to time, there are legislative proposals in the Congress or in the various states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the market value of the Bonds. Prospective purchasers of the Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation.

It cannot be predicted with certainty whether or in what form any proposed legislation might be enacted or whether if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds.

It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof, would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

Original issue discount (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons acting in the capacity as underwriters, placement agents or wholesalers). In general, the issue price of each maturity of the Bonds is expected to be the initial public offering price set forth on the inside cover page of this “Official Statement”.

In general, under Section 1288 of the Code, OID on any of the Bonds having OID accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compound rate determined by reference to the yield on such Bonds. The OID that has accrued and is properly allocable to the owners of Bonds having OID will be excluded from gross income for federal income tax purposes, and will increase the owner’s tax basis in such Bond. Purchasers of any Bond having OID should consult their tax advisors regarding the determination and treatment of OID for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

In general, if an owner of a Bond acquires such Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium must be amortized over the remaining term of the Bond, based on the owner’s yield over the remaining term of the Bond, determined based on constant yield principles (in certain cases involving a premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond). An owner of a premium Bond must amortize the premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the premium allocable to that period. In the case of a tax-exempt premium bond, if the premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a premium Bond may realize a taxable gain upon disposition of the premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any premium Bond should consult their own tax advisors regarding the treatment of premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of premium on, sale, exchange or other disposition of premium Bonds.

In the opinion of Bond Counsel, under existing law, the Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation in the State of Tennessee, except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law.

Bond Counsel expresses no opinion regarding taxation of the Bonds or interest on the Bonds in any state other than Tennessee. Prospective purchasers of the Bonds should consult their tax advisers as to whether the Bonds or interest on the Bonds is or is not exempt from taxation in any other state.

The forms of the opinions of Bond Counsel are attached as “APPENDIX A - Forms of Legal Opinions”. Copies of the legal opinions will be available at the time of the initial delivery of the Bonds.

## **CLOSING CERTIFICATES**

Upon delivery of the Bonds, the Municipality will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the “Official Statement”, in final form (as defined herein), signed by the Mayor and other officials acting in their official capacities to the effect that to the best of their knowledge and belief, and after reasonable investigation, (a) neither the “Official Statement”, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the “Official Statement”, in final form, no event has occurred which should have been set forth in such a memo or supplement, and (c) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) a non-arbitrage certificate which supports the conclusions that based upon facts, estimates and circumstances in effect, upon delivery of the Bonds, the proceeds of the Bonds will not be used in a manner which would cause the Bonds to be arbitrage bonds; (iii) certificates as to the delivery and payment, signed by the officials acting in their official capacities evidencing delivery of and payment for the Bonds; (iv) a signature identification and incumbency certificate, signed by the Mayor, City Recorder and/or other officials of the Municipality acting in their official capacities certifying as to the due execution of the Bonds; and (v) a Continuing Disclosure Certificate regarding certain covenants of the Municipality concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

For additional information, see the section entitled “MISCELLANEOUS – Competitive Public Sale”, “MISCELLANEOUS - Additional Information”, “MISCELLANEOUS - Continuing Disclosure” and “APPENDIX A: Forms of Legal Opinions”.

## **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Adams and Reese LLP, Nashville, Tennessee, Bond Counsel. Bond Counsel did not prepare the “Preliminary Official Statement” or the “Official Statement”, in final form, or verify their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the “Preliminary Official Statement” or “Official Statement”, in final form, except for the information under the section entitled “LEGAL MATTERS – Tax Matters”. The opinions of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds. Reference is hereby made to the “Official Statement” and the forms of the opinions contained in APPENDIX A.

Certain other matters will be passed upon for the Municipality by J. Michael Billingsley, Esq., City Attorney.

## MISCELLANEOUS

### RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") have assigned the Bonds the ratings of "Aa2" and "AA", respectively.

The Municipality furnished Moody's and S&P certain information and materials concerning the Bonds and the Municipality. Generally, Moody's and S&P base their ratings on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that any rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's or S&P, if, in their judgment, circumstances so warrant. The Municipality undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of a rating or ratings or other actions by a rating agency may have an adverse effect on the market price of the Bonds.

Any explanation of the significance of the ratings may be obtained only from Moody's or S&P.

### COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on September 17, 2018. Details concerning the public sale were provided to potential bidders and others through the "Official Notice of Sale" and the "Preliminary Official Statement" that were dated September 6, 2018.

Through IPREO's BiDCOMP®/Parity® system, 3 of the original 3 firms which indicated an interest in bidding for the Bonds submitted proposals ranging from the best bid of 3.271284%% on a true interest cost basis ("TIC") to 3.389555%.

The successful bidder for the Bonds was an account led by Robert W. Baird & Co., Inc., Red Bank, New Jersey (the "Underwriter") who contracted with the Municipality, subject to the conditions set forth in the "Official Notice of Sale" (including permitted adjustments) to purchase (i) the Series 2018A Bonds at a price of \$7,205,040.41 (consisting of the par amount of the Series 2018A Bonds of \$7,040,000.00, plus a net premium of \$261,366.05, less an underwriter's discount of \$96,325.64) or a bid price of 102.344% of par; and (ii) the Series 2018B Bonds at a price of \$5,369,356.25 (consisting of the par amount of the Series 2018B Bonds of \$5,275,000.00, plus a net premium of \$169,024.40, less an underwriter's discount of \$74,668.15) or a bid price of 101.789% of par; and (iii) the Series 2018C Bonds at a price of \$2,344,411.21 (consisting of the par amount of the Series 2018C Bonds of \$2,360,000.00, plus a net premium of \$18,006.75, less an underwriter's discount of \$33,595.54) or a bid price of 99.339% of par.

### FINANCIAL PROFESSIONALS

*Municipal Advisor.* Raymond James & Associates, Inc., ("Raymond James") Nashville, Tennessee has served as Municipal Advisor to the Municipality in connection with the Bonds and will receive compensation for duties performed in that role conditioned upon the sale and issuance of the Bonds. From time to time, Adams and Reese LLP has represented Raymond James on legal matters unrelated to the Municipality and may do so again.

*Bond Counsel.* From time to time, Adams and Reese LLP has represented Raymond James, U.S. Bank National Association and Regions Bank on legal matters unrelated to the Municipality and may do so again.

## **DEBT LIMITATIONS**

There is no limit on the amount of debt obligations that may be issued by the Municipality under State law. (See “DEBT STRUCTURE - Indebtedness and Debt Ratios” for more information.)

## **ADDITIONAL DEBT OBLIGATIONS**

The Municipality has not authorized the sale or issuance of any additional debt obligations at this time.

## **OFFICIAL STATEMENT**

Certain information relative to the location, economy and finances of the Municipality is found in the “Preliminary Official Statement” and in the “Official Statement”. While not guaranteed as to completeness or accuracy, the “Preliminary Official Statement” and the “Official Statement” are believed to be correct as of their respective dates based on information supplied by the Municipality and other reliable sources and by the certification by the Municipality as to the “Official Statement”.

Raymond James has not been engaged by the Municipality to provide or validate any information in the “Preliminary Official Statement” or in the “Official Statement” relating to Municipality, including (without limitation) any of Municipality’s financial and operating data, whether historical or projected. Raymond James is not a public accounting or auditing firm and has not been engaged by the Municipality to review or audit any information in the “Preliminary Official Statement” or in the “Official Statement” in accordance with accounting standards.

## **CONTINUING DISCLOSURE**

At the time the Bonds are delivered, the Municipality will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the Municipality by not later than twelve months after the end of each of the Municipality’s fiscal years, (the “Annual Report”), commencing with the fiscal year ending June 30, 2018 and to provide notice of the occurrence of certain enumerated events, if determined by the Municipality to be material under applicable federal securities laws. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and any State Information Depository established in the State of Tennessee (the “SID”). If the Municipality is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by the Municipality with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of material events will be summarized in the Municipality’s “Official Statement” to be prepared and distributed in connection with the sale of the Bonds. These covenants have been made in order to assist the Underwriters in complying with SEC Rule

15c2-12 (b) (the "Rule"). The Municipality has not failed to comply, in any material respect, in the last five years with any previous undertakings with regard to said Rule to provide Annual Reports or notices of events. Regions Bank is the initial Dissemination Agent. See "APPENDIX C: Form of Continuing Disclosure Certificate" for additional information.

## **ADDITIONAL INFORMATION**

References, excerpts and summaries contained herein of certain provisions of the laws of the State and any documents referred to herein do not purport to be complete statements of the provisions for such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights of the holders thereof. The "Preliminary Official Statement" and the "Official Statement" in final forms, and any advertisement of the Bonds are not to be construed as a contract or agreement between the Municipality and the purchasers of any of the Bonds. Any statements or information printed in the "Preliminary Official Statement" and the "Official Statement", in final forms, involving matters of opinion or of estimates, whether or not expressly so identified, is intended merely as such and not representations of fact.

The Municipality has deemed this "Official Statement" as "final" as of its date within the meaning of Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "SEC") (the "Rule") except for certain information permitted to be omitted by the Rule.

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**CERTIFICATION OF THE MUNICIPALITY**

At the time of payment for and delivery of the Bonds, the Municipality will furnish the purchaser a certificate, signed by the Mayor and City Recorder/CFO, to the effect that (a) the descriptions and statements of or pertaining to the Municipality contained in its “Official Statement” and any addendum thereto, for its Bonds, on the date of such “Official Statement”, on the date of sale of the Bonds and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Municipality and its affairs, including its financial affairs, are concerned, such “Official Statement” did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data of or pertaining to entities other than the Municipality, and their activities contained in such “Official Statement” are concerned, such statements and data have been obtained from sources which the Municipality believes to be reliable and that the Municipality has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Municipality since June 30, 2017, the date of the last audited financial statements of the Municipality, the electronic link to which appears in “APPENDIX D: Comprehensive Annual Financial Report”.

/s/ John Clark  
Mayor

ATTEST:

/s/ James H. Demming  
Chief Financial Officer and City Recorder



## **APPENDIX A**

### **FORMS OF LEGAL OPINIONS**

September 28, 2018

Board of Mayor and Aldermen  
City of Kingsport, Tennessee

Attorneys at Law  
Alabama  
Florida  
Georgia  
Louisiana  
Mississippi  
South Carolina  
**Tennessee**  
Texas  
Washington, DC

Office: 615-259-1450  
Fax: 615-259-1470

Re: \$7,040,000 General Obligation Improvement Bonds, Series 2018A

Ladies and Gentlemen:

We have acted as bond counsel in connection with, and have examined a certified copy of the record of the proceedings of the Board of Mayor and Aldermen (the “Board”) of the City of Kingsport, Tennessee (the “Municipality”), and other proofs submitted to us relating to the authorization, issuance and sale by the Municipality of its \$7,040,000 General Obligation Improvement Bonds, Series 2018A, dated the date of original issuance and delivery (the “Bonds”). The Bonds are issued under and pursuant to that certain “Resolution Authorizing the Execution, Terms, Issuance, Sale, and Payment of Not to Exceed \$10,350,000 General Obligation Improvement Bonds, Series 2018A of the City of Kingsport, Tennessee, and Providing the Details Thereof” (the “Resolution”), adopted by the Board on August 21, 2018.

The Bonds are issuable in definitive form as fully registered Bonds, without coupons, are numbered from one upwards, and mature serially on March 1 of the years 2020 through 2028, inclusive, on March 1, 2030, and on March 1 of the years 2031 through 2038, inclusive. The Bonds will bear interest payable semiannually on March 1 and September 1 of each year, commencing March 1, 2019.

The Bonds are subject to redemption prior to maturity upon the terms and conditions set forth therein and in the Resolution.

Based upon such examination and such other documents, showings, and related matters of law as we deem necessary to render this opinion, we are of the opinion that, under existing law:

(1) Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Constitution and laws of the State of Tennessee as now in force, including particularly Title 9, Chapter 21, Tennessee Code Annotated, as amended, and the Resolution according to its terms, and that the Resolution is valid and binding on the Municipality, enforceable in accordance with its terms.

(2) The Bonds are valid and legally binding obligations of the Municipality payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality, without limitation as to time, rate, or amount, and for which the punctual payment of the principal of and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged.

(3) Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Municipality comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Municipality has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein. We have not undertaken to advise in the future whether any events after the date of execution and delivery of the Bonds may affect the tax status of the interest on the Bonds.

(4) The Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation within the State of Tennessee, except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law. We express no opinion regarding taxation of the Bonds or interest on the Bonds in any state other than Tennessee.

The rights of owners of the Bonds and the enforceability of the Bonds may be limited by future proceedings under bankruptcy, reorganization, debt arrangements, insolvency, or other laws of general application or principles of equity relating to or affecting the enforcement of creditors' rights.

In rendering the above opinion, we have relied upon the opinion of even date herewith of the Attorney of the Municipality with respect to: (1) the due organization and existence of the Municipality as a valid political subdivision of the State of Tennessee; (2) the right, title, and interest of the present officials of the Municipality to their respective positions; and (3) matters that might be disclosed by an examination of agreements or instruments to which the Municipality is a party or by which it or any of its assets are bound.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion as to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

ADAMS AND REESE LLP

**Attorneys at Law**

Alabama  
Florida  
Georgia  
Louisiana  
Mississippi  
South Carolina  
Tennessee  
Texas  
Washington, DC

September 28, 2018

Board of Mayor and Aldermen  
City of Kingsport, Tennessee

Office: 615-259-1450  
Fax: 615-259-1470

Re: \$5,275,000 General Obligation Improvement Bonds, Series 2018B

Ladies and Gentlemen:

We have acted as bond counsel in connection with, and have examined a certified copy of the record of the proceedings of the Board of Mayor and Aldermen (the “Board”) of the City of Kingsport, Tennessee (the “Municipality”), and other proofs submitted to us relating to the authorization, issuance and sale by the Municipality of its \$5,275,000 General Obligation Improvement Bonds, Series 2018B, dated the date of original issuance and delivery (the “Bonds”). The Bonds are issued under and pursuant to that certain “Resolution Authorizing the Execution, Terms, Issuance, Sale, and Payment of Not to Exceed \$5,400,000 General Obligation Improvement Bonds, Series 2018B of the City of Kingsport, Tennessee, and Providing the Details Thereof” (the “Resolution”), adopted by the Board on August 21, 2018.

The Bonds are issuable in definitive form as fully registered Bonds, without coupons, are numbered from one upwards, and mature serially on March 1 of the years 2020 through 2028, inclusive, on March 1, 2030, and on March 1 of the years 2031 through 2038, inclusive. The Bonds will bear interest payable semiannually on March 1 and September 1 of each year, commencing March 1, 2019.

The Bonds are subject to redemption prior to maturity upon the terms and conditions set forth therein and in the Resolution.

Based upon such examination and such other documents, showings, and related matters of law as we deem necessary to render this opinion, we are of the opinion that, under existing law:

(1) Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Constitution and laws of the State of Tennessee as now in force, including particularly Title 9, Chapter 21, Tennessee Code Annotated, as amended, and the Resolution according to its terms, and that the Resolution is valid and binding on the Municipality, enforceable in accordance with its terms.

(2) The Bonds are valid and legally binding obligations of the Municipality payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality, without limitation as to time, rate, or amount, and for which the punctual payment of the principal of and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged. To the extent the proceeds of the Bonds are used to fund projects for the Municipality’s water and sewer system, such Bonds are

additionally payable from, but not secured by, revenues to be derived from the operation of the Municipality's water and sewer system.

(3) Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Municipality comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Municipality has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein. We have not undertaken to advise in the future whether any events after the date of execution and delivery of the Bonds may affect the tax status of the interest on the Bonds.

(4) The Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation within the State of Tennessee, except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law. We express no opinion regarding taxation of the Bonds or interest on the Bonds in any state other than Tennessee.

The rights of owners of the Bonds and the enforceability of the Bonds may be limited by future proceedings under bankruptcy, reorganization, debt arrangements, insolvency, or other laws of general application or principles of equity relating to or affecting the enforcement of creditors' rights.

In rendering the above opinion, we have relied upon the opinion of even date herewith of the Attorney of the Municipality with respect to: (1) the due organization and existence of the Municipality as a valid political subdivision of the State of Tennessee; (2) the right, title, and interest of the present officials of the Municipality to their respective positions; and (3) matters that might be disclosed by an examination of agreements or instruments to which the Municipality is a party or by which it or any of its assets are bound.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion as to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

ADAMS AND REESE LLP

**Attorneys at Law**

Alabama  
Florida  
Georgia  
Louisiana  
Mississippi  
South Carolina  
Tennessee  
Texas  
Washington, DC

September 28, 2018

Board of Mayor and Aldermen  
City of Kingsport, Tennessee

Office: 615-259-1450  
Fax: 615-259-1470

Re: \$2,360,000 General Obligation Improvement Bonds, Series 2018C

Ladies and Gentlemen:

We have acted as bond counsel in connection with, and have examined a certified copy of the record of the proceedings of the Board of Mayor and Aldermen (the “Board”) of the City of Kingsport, Tennessee (the “Municipality”), and other proofs submitted to us relating to the authorization, issuance and sale by the Municipality of its \$2,360,000 General Obligation Improvement Bonds, Series 2018C, dated the date of original issuance and delivery (the “Bonds”). The Bonds are issued under and pursuant to that certain “Resolution Authorizing the Execution, Terms, Issuance, Sale, and Payment of Not to Exceed \$2,400,000 General Obligation Improvement Bonds, Series 2018C of the City of Kingsport, Tennessee, and Providing the Details Thereof” (the “Resolution”), adopted by the Board on August 21, 2018.

The Bonds are issuable in definitive form as fully registered Bonds, without coupons, are numbered from one upwards, and mature serially on March 1 of the years 2020 through 2028, inclusive, on March 1, 2030, and on March 1 of the years 2031 through 2038, inclusive. The Bonds will bear interest payable semiannually on March 1 and September 1 of each year, commencing March 1, 2019.

The Bonds are subject to redemption prior to maturity upon the terms and conditions set forth therein and in the Resolution.

Based upon such examination and such other documents, showings, and related matters of law as we deem necessary to render this opinion, we are of the opinion that, under existing law:

(1) Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Constitution and laws of the State of Tennessee as now in force, including particularly Title 9, Chapter 21, Tennessee Code Annotated, as amended, and the Resolution according to its terms, and that the Resolution is valid and binding on the Municipality, enforceable in accordance with its terms.

(2) The Bonds are valid and legally binding obligations of the Municipality payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality, without limitation as to time, rate, or amount, and for which the punctual payment of the principal of and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged. The Bonds are additionally

payable from, but not secured by, revenues to be derived from the one-quarter percent (0.25%) local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County, Tennessee, and revenues to be derived from operation of the Municipality's aquatic center.

(3) Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Municipality comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Municipality has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein. We have not undertaken to advise in the future whether any events after the date of execution and delivery of the Bonds may affect the tax status of the interest on the Bonds.

(4) The Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation within the State of Tennessee, except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law. We express no opinion regarding taxation of the Bonds or interest on the Bonds in any state other than Tennessee.

The rights of owners of the Bonds and the enforceability of the Bonds may be limited by future proceedings under bankruptcy, reorganization, debt arrangements, insolvency, or other laws of general application or principles of equity relating to or affecting the enforcement of creditors' rights.

In rendering the above opinion, we have relied upon the opinion of even date herewith of the Attorney of the Municipality with respect to: (1) the due organization and existence of the Municipality as a valid political subdivision of the State of Tennessee; (2) the right, title, and interest of the present officials of the Municipality to their respective positions; and (3) matters that might be disclosed by an examination of agreements or instruments to which the Municipality is a party or by which it or any of its assets are bound.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion as to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

ADAMS AND REESE LLP

**APPENDIX B**

**SUPPLEMENTAL INFORMATION STATEMENT**



## GENERAL INFORMATION

### LOCATION

Kingsport occupies an area of approximately 53 square miles in the northeastern portion of Tennessee. The Municipality is 25 miles northwest of Johnson City and about 23 miles from Bristol, Tennessee/Virginia. Kingsport is the largest City in the Kingsport – Bristol, TN – Bristol, VA Metropolitan Statistical Area, with a population of 306,659 according to 2017 U.S. Census population estimates. Approximately 173,700 people reside within a five mile radius of the city limits.



Kingsport is located in both Hawkins County (Tennessee) and Sullivan County (Tennessee) with approximately 4.0% located in Hawkins County and the remainder in Sullivan County. Traditionally, the Municipality has been a commerce center for the area including southwest Virginia and southeast Kentucky. It is a modern industrial community and one of the State’s leading manufacturing centers.

<b>Census Population</b>	<b>Kingsport<sup>(1)</sup></b>	<b>% Increase</b>	<b>Sullivan County</b>	<b>% Increase</b>	<b>Hawkins County</b>	<b>% Increase</b>	<b>Tennessee</b>	<b>% Increase</b>
2017	53,558	11.1%	157,158	0.19%	56,459	(0.37%)	6,715,984	5.8%
2010	48,205	7.35%	156,855	2.57%	56,671	5.55%	6,346,105	11.5%
2000	44,905	6.02%	152,921	6.49%	53,689	20.47%	5,689,283	16.7%
1990	36,385	32.25%	143,596	(0.26%)	44,565	1.86%	4,877,185	6.2%
1980	32,027	2.79%	143,968	12.83%	43,751	29.72%	4,591,120	16.9%
1970	31,938	21.37%	127,602	11.56%	33,726	10.69%	3,926,018	10.1%

<sup>(1)</sup> For 2017, estimated by the U.S. Bureau of the Census.

### GENERAL

The Municipality was incorporated in 1917 and has been operated under the Council-Manager form of government since that time. The Board of Mayor and Aldermen (the “Governing Body”) was expanded from five to seven members through a charter amendment effective May 15, 1973. In odd numbered years, three members of the Board are elected by the qualified voters of the Municipality for four-year terms beginning at the first regular meeting of the Board in July following the May election. Coincident with the Board elections, a Mayor is elected by the qualified voters of the Municipality to 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 Municipality according to the Charter and Ordinances in effect. The City Manager appoints various department heads, officials and employees except those who operate and administer the Municipality’s School System. The Municipality’s School System is governed by a five-member Board of Education. In each odd numbered year, two or three members are elected by the qualified

voters of the Municipality. The Board of Education 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, the City Charter and City Code.

Pay scales for employees and officials of all departments are approved by the Board and all appropriations of funds are made by the Governing Body.

For additional information on the Municipality, see the website:  
<http://www.kingsporttn.gov/>

## EDUCATIONAL OPPORTUNITIES

Kingsport and the upper East Tennessee area offer a wealth of educational opportunities for residents and their families. The Kingsport City School system and the Sullivan County School system are pre-K through 12 systems that serve residents of the Municipality.

*Kingsport City Schools.* The Kingsport City School system is governed by a five member board elected-at-large on a non-partisan basis. The Board operates 8 elementary schools, 2 middle schools and a high school. Additionally, there are several specialized education programs including the Cora Cox Academy which is an alternative learning facility for students in grades 6 through 12 and the Palmer Early Learning Center provides early educational opportunities for children from birth through the age of 5.

Source: Kingsport City School website: <http://www.k12k.com/>

### School Enrollment:

FYE 2018	7,617
FYE 2017	7,385
FYE 2016	7,151
FYE 2015	7,038
FYE 2014	7,010
FYE 2013	6,798
FYE 2012	6,698
FYE 2011	6,556
FYE 2010	6,439
FYE 2009	6,392
-----	-----

Source: City of Kingsport School System

*Sullivan County Schools.* The Sullivan County School system includes 24 schools composed of 11 elementary schools; 9 middle schools and 4 high schools.

Source: Sullivan County Department of Education website: <http://www.sullivank12.net/schools/>

*Downtown Kingsport Academic Village.* The Academic Village is comprised of the Kingsport Center for Higher Education, the Regional Center for Advanced Manufacturing, the Regional Center for Health Professions, and the Regional Center for Automotive Programs. The Academic Village boasts nearly 150,000 square feet of classrooms and labs and serves approximately 4,000 students. Oversight of the Academic Village has been provided by a 12-

member Kingsport Higher Education Commission created by the Municipality to coordinate overall development of future programs.

*Kingsport Center for Higher Education.* The Center for Higher Education offers programs ranging from associate to doctoral degrees. Programs are currently conducted at the Center by East Tennessee State University, Lincoln Memorial University, and Northeast State Community College.

*Advanced Manufacturing Center (“RCAM”).* RCAM is Northeast State Community College’s advanced technology center. RCAM is housed in a 26,000 square foot training facility located in downtown Kingsport. The focus for RCAM is on teaching traditional and non-traditional students and current employees advanced manufacturing skills using the latest manufacturing simulators and techniques. In 2016, RCAM added additional classrooms and lab space totaling approximately 15,000 square feet.

The *Regional Center for Health Professions (“RCHP”).* RCHP is Northeast State Community College’s health professions center. RCHP is housed in a 42,000 square facility focusing on Cardiovascular Technology - Invasive Option, Cardiovascular Technology - Non-Invasive Option, Dental Assisting, Emergency Medical Technology, Advanced Emergency Medical Technology, Medical Laboratory Technology, Nursing, Paramedic, and Surgical Technology.

The *Regional Center for Automotive Programs (“RCAP”).* RCAP is Northeast State’s training program focusing on automotive body/collision repair.

## **HEALTH CARE**

*Ballad Health.* Ballad Health was created through the merger in early 2018 between the Mountain States Health Alliance and the Wellmont Health System. Ballad Health is an integrated healthcare system serving 29 counties of Northeast Tennessee, Southwest Virginia, Northwest North Carolina and Southeast Kentucky. Ballad Health operates a family of 21 hospitals, including three tertiary medical centers, a dedicated children’s hospital, community hospitals, three critical access hospitals, a behavioral health hospital, an addiction treatment facility, long-term care facilities, home care and hospice services, retail pharmacies, outpatient services and a comprehensive medical management corporation. Two of Ballad’s primary hospitals are located in Kingsport: Holston Valley and Indian Path.

Source: BalladHealth.org

*Holston Medical Group (“HMG”).* Since Holston Medical Group’s founding in 1977, the HMG "Family of Care" has grown from a handful of family practitioners to a comprehensive, diversified group of nearly 150 primary care physicians, specialists and mid-level providers, with 24-hour medical /surgical coverage. Located in Kingsport, HMG is one of the largest, most-respected, physician-led, multi-specialty groups in the southeastern United States.

Source: Holston Medical Group website: <http://www.holstonmedicalgroup.com/>

*Creekside Behavioral Health.* Memphis-based Strategic Behavioral Health (SBH) announced a \$12 million investment in a 72-bed hospital facility that will create 180-220 new jobs in Kingsport.

## MANUFACTURING, COMMERCE AND THE LOCAL ECONOMY

*General.* Kingsport continues to maintain a strong focus on economic diversification, with a particular emphasis on sports tourism. Thousands have visited Kingsport for more numerous sporting tournaments and other events recruited and hosted by the Kingsport Convention & Visitors Bureau. Other major tourism dollars were contributed from attendance at major events including NASCAR races at Bristol Motor Speedway and various conferences and events held at the Meadowview Conference, Convention and Resort Center and Kingsport's Aquatic Center. Additionally a week long FunFest Summer Festival brings in over tens of thousands of visitors.

*Eastman Chemical Company, Inc. (NYSE Symbol: EMN).* Eastman is a global advanced materials and specialty additive company that produces a broad range of products found in items people use every day. With a portfolio of specialty businesses, Eastman works with customers to deliver innovative products and solutions while maintaining a commitment to safety and sustainability. Its market-driven approaches take advantage of world-class technology platforms and leading positions in attractive end markets such as transportation, building and construction, and consumables. Eastman focuses on creating consistent, superior value for all stakeholders. As a globally diverse company, Eastman serves customers in more than 100 countries and had 2017 revenues of approximately \$9.5 billion. The company is headquartered in Kingsport, Tennessee, USA and employs approximately 14,500 people around the world.

For additional information, see Eastman's website: <http://www.eastman.com/Company/Pages/Home.aspx>

Two decades ago, Eastman Chemical accounted for approximately 40% of all property tax valuation in the Municipality. Today, that ratio is in the range of 25%, largely due to the growth of commercial, medical, retail and residential sectors.

## RECENT DEVELOPMENTS

*Aerospace Park.* The *Aerospace Park* is arguably, the most notable community development story of the year with the region's support for the further development of *Aerospace Park*. The *Aerospace Park* is being developed to create a large, build-ready site in order to promote and accommodate air travel, commerce and navigation. The *Aerospace Park* will be located on a 160-acre site that offers direct airfield access on Airport property located in Sullivan County, Tennessee. Washington and Sullivan County along with the cities of Bristol, Johnson City and Kingsport, Tennessee have joined in a partnership to support and underwrite financing for this project. Additionally, significant grant funding has been provided by the State of Tennessee.

The *Aerospace Park* is designed to accommodate various types and sizes of aircraft manufacturing, finishing, maintenance, repair and overhaul ("MRO"), and related aerospace activities. The potential users of the site are expected to include small aircraft/helicopter, corporate/business jet, large single and twin isle commercial aircraft, air cargo aircraft, and MRO operations. The ultimate build-out of the site potentially could accommodate more than 2,000 aerospace industry jobs.

Since 2001, more than \$23 million has been invested in site preparation, utilities installation, taxiway extensions, aircraft ramp, and roads that serve the *Aerospace Park*. In 2014, a bordering road was relocated, and a taxiway was extended. These improvements resulted in providing airside and

landside access to the entire 160-acre site. Twenty-one acres of the site are fully prepared and certified for immediate development under the Select Tennessee Sites certification program.

*RMC Advanced Technologies* announced its U.S. headquarters and establishment of a manufacturing facility at Phipps Bend Industrial Park. The composite components manufacturer will invest \$7 million and create 54 new jobs.

*Ware Manufacturing*, a pet products manufacturer, announced it will create 32 jobs and invest \$1.1 million

*HSN Distribution Center* announced that it would continue its recent investment and job creation trend. The Home Shopping Network's warehouse and fulfillment operation invested about \$48 million in a highly automated storage and retrieval system and added 40 jobs in a 2014 project. The company followed up this year by adding another equipment upgrade at a cost of just under \$10 million, creating 165 additional positions.

*Cooper Standard*. In the first half of 2018, State, and local officials announced the expansion of Cooper Standard, an automotive supplier. The company will invest about \$1 million and fill 98 new positions. The company manufactures coolant tube and hose assemblies, transmission oil cooling lines, and fuel and brake lines. Prior to its expansion, the plant employed 340 people.

*Homeland Vinyl*. Homeland Vinyl announced the addition of 50,000 square feet and 50 employees.

*Techni-Glass*. Techni-Glass announced a \$1.5 million expansion. The 15,000-square foot addition will make room for new equipment and the addition of 54 new employees.

*Landair*. Landair, one of the largest expansions in terms of employment numbers actually came courtesy of a Greeneville-based company. Although the company is based in nearby Greene County, the jobs created were at the company's Kingsport distribution hub. Company officials notified the state of Tennessee that they would add 210 jobs to their Sullivan County workforce.

*Bharat Forge*. In early 2018, news came in the form of a buy-out of one of the region's mainstay manufacturers by the world's largest metal forging company. India-based Bharat Forge purchased Walker Forge and its assets for \$14 million. Since the purchase and subsequent creation of Bharat Forge-PMT Technologies, LLC, employment at the plant has grown and the newly formed company has made several significant equipment upgrades.

Source: City of Kingsport

*Anita's Snack Foods*. In March 2015, Pure Foods, a Canadian based company announced a decision to invest \$22 million in a new manufacturing facility and the creation of 273 new jobs. Pure Foods, Inc., - a maker of gluten-free snack foods - established its U.S. headquarters in an existing 83,000 square foot building in the Gateway Commerce Park off Interstate 26. The facility opened on January 29, 2016. In February 2017, Pure Foods filed for Chapter 11 reorganization bankruptcy protection following a production stoppage in October 2016. In March 2017, Memphis based Brimhall Foods, the parent of Brim's Snacks acquired the equipment formerly held by Pure Foods. Recently, Anita's Snack Foods acquired the facility as its east coast manufacturing and distribution

center. They have contracts with Walmart and Tyson Foods to serve the east coast. They produce tortilla chips for “On The Border” and “Late July” (a fast-growing acquisition of Campbell’s brands) among others. Anita’s is a well-established California company that needed an additional facility to serve the entire eastern U.S. market.

## **OTHER NOTABLE DEVELOPMENT**

*The Blake at Kingsport.* The Blake at Kingsport is a new assisted living facility representing \$21.5M of new construction in the Colonial Heights area of Kingsport. It will employ more than 80 skilled nurses and medical professionals.

*Fort Henry Mall.* Hull Property Group is investing \$4.6 million into a total facelift with bright lights, clear lines, and an inviting retail experience. NCG Theater and Dunham’s Sports have joined the line-up. The investment has been well-received by the community and stabilized an important cornerstone of the city’s retail offerings.

*Downtown Redevelopment.* Appraised property values increased \$29.5 million during the past 5 years. This increase in values does not include non-taxable investments like higher education, parks, Farmers Market, etc.

*Meade Tractor.* Meade Tractor opened a new \$4 million corporate office and retail facility at I-81/I-26 employing approximately 30. Retailers of heavy equipment for farm and home, they have acquired a new line of tractors and heavy equipment with annual sales of more than \$4.6M in 2017.

*New Multi-family Housing.* Four major apartment complexes are open or nearing completion.

- *Villas at Riverbend.* This multi-family housing development includes 265 units adjoining a future municipal park with more than 26 acres of riverfront access.
- *The Overlook at Indian Trail.* This multi-family housing development includes 168 units adjoining the 9-mile Kingsport Greenbelt.
- *Town Park Lofts.* This multi-family housing development includes 262 urban loft units in a 4-story downtown mixed-use complex that is unique in the region.
- *Retreat at MeadowView* includes 72 units near MeadowView Resort, Cattails Golf, YMCA and the Aquatic Center.

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## EMPLOYMENT - GENERAL

The chart below depicts the average annual employment trends (on a seasonally adjusted basis) for the most recent 10 year period:

<u>Location</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
United States	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%
Tennessee	4.7%	6.6%	10.5%	9.8%	9.0%	7.8%	7.8%	6.5%	5.6%	4.8%
Sullivan County	4.1%	5.2%	8.7%	8.4%	7.7%	7.5%	7.6%	6.6%	5.7%	5.3%
County Workforce	73,530	74,360	74,970	74,840	76,010	72,940	71,630	69,930	69,220	69,790
County Employment	70,550	70,520	68,420	68,520	70,130	67,450	66,180	65,320	65,240	66,090
Co. Unemployment	2,980	3,840	6,550	6,320	5,880	5,500	5,450	4,610	3,980	3,700
Kingsport	5.6%	7.1%	8.6%	9.4%	8.4%	7.6%	8.0%	6.5%	n/a	n/a
City Workforce	19,000	19,380	19,150	19,320	20,840	20,970	21,530	22,470	n/a	n/a
City Employment	17,940	18,000	17,500	17,500	19,100	19,370	19,800	21,000	n/a	n/a
City Unemployment	1,070	1,380	1,660	1,820	1,740	1,600	1,730	1,460	n/a	n/a

Source: Tennessee Department of Employment Security, Annual Labor Force Estimates Summary

### CITY OF KINGSPORT, TENNESSEE PRINCIPAL EMPLOYERS FOR THE FISCAL YEAR 2018

<b>Employer</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Mountain States Health	9,760	1	14.2%
Wellmont Health Systems	7,342	2	10.7%
Eastman	6,500	3	9.5%
Kingsport City Schools	1,261	4	1.8%
Pal's Sudden Service	1,162	5	1.7%
Holston Medical Group	788	6	1.1%
City of Kingsport	750	7	1.1%
BAE SYSTEMS Ordnance Systems, Inc.	700	8	1.0%
Domtar	330	9	0.5%
Bank of TN	270	10	0.4%
	<b>28,863</b>		<b>42.0%</b>
Total Sullivan County Employment:			
	FYE 2018	68,760	

Source:

-NET WORKS/Sullivan Partnership

Employee numbers include full time and part time employees.

## ECONOMIC DATA

The following chart shows estimated per capita personal income trends for the most recent 10 year period for the nation, State and the Municipality.

<u>Location</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>National</b>	\$49,246	\$48,451	\$46,494	\$44,438	\$44,266	\$42,453	\$40,277	\$39,376	\$41,082	\$39,821
<b>Tennessee</b>	\$43,326	\$42,128	\$40,128	\$39,312	\$39,137	\$37,323	\$35,601	\$34,468	\$35,307	\$34,227
<b>Kingsport</b>	\$37,322	\$35,912	\$35,264	\$34,975	\$32,390	\$31,697	\$29,730	\$29,730	\$28,222	\$29,549
<b>City vs. National</b>	75.9%	75.3%	76.6%	78.7%	73.2%	74.7%	73.8%	75.5%	68.7%	74.2%
<b>City Vs. TN</b>	86.1%	85.4%	87.2%	89.0%	82.8%	84.9%	83.5%	86.3%	79.9%	86.3%

Source: U Source: U.S. Department of Commerce, Bureau of Economic Analysis – CA1-3 and SA1 Personal Income Summary and the City

The following chart depicts building permit activity in the Municipality from fiscal year 2009 through 2018:

<u>FYE</u>	<u>Permits Issued</u>	<u>Estimated Value</u>
2018	518	\$125,319,037
2017	551	115,441,000
2016	606	87,070,000
2015	1,367	82,349,000
2014	600	128,262,000
2013	632	61,991,466
2012	741	75,196,403
2011	531	65,620,983
2010	581	56,285,000
2009	631	123,745,000

Source: City of Kingsport, Tennessee

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**CITY OF KINGSPORT, TENNESSEE**  
**DEBT STRUCTURE - SUMMARY OF BONDED INDEBTEDNESS**  
**As of June 30, 2018 Plus the Bonds**

Amount Issued <sup>(1)</sup>	Purpose	Due Date	Interest Rates	Debt Outstanding
\$ 3,524,680	Qualified Zone Academy Bonds, Series 2004	2021	0.000%	\$ 660,877
1,549,000	Qualified Zone Academy Bonds, Series 2005	2021	0.000%	309,800
7,480,000	General Obligation Public Improvement and Refunding Bonds, Series 2008	March 2028	3.500 - 4.000%	380,000
11,165,000	General Obligation Bonds, Series 2008	March 2028	3.500 - 4.375%	570,000
9,800,000	TMBF Loan, Series 2008	May 2026	Variable	5,383,196
12,160,000	General Obligation Public Improvement Bonds, Series 2009A	March 2029	4.500 - 5.000%	590,000
7,100,000	General Obligation Bonds, Series 2009B	March 2029	3.000 - 5.000%	345,000
15,180,000	Local Option Sales Tax Revenue and Tax Bonds, Series 2009C (Meadowview)	March 2029	4.500 - 5.000%	735,000
26,415,000	2009D BABS General Obligation Public Improvement Bonds	March 2030	2.250 - 5.625%	18,815,000
14,225,000	General Obligation Bonds, Series 2009E (Aquatic Center)	March 2030	3.000 - 5.000%	1,415,000
1,240,000	QSCB Loan 2009 (Schools)	July 2026	1.515	627,456
16,140,000	General Obligation Public Improvement Bonds, Series 2011	March 2032	2.000 - 3.750%	13,215,000
3,110,000	General Obligation Bonds, Series 2012A (Sales Tax)	April 2032	2.000 - 5.000%	2,565,000
9,970,000	General Obligation Refunding Bonds, Series 2012B	April 2019	3.000%	865,000
9,305,000	General Obligation Public Improvement Bonds, Series 2012C	April 2019	2.000 - 4.000%	6,950,000
43,095,000	General Obligation Refunding Bonds, Series 2013	May 2027	2.500 - 4.000%	25,180,000
1,310,000	General Obligation Bonds, Series 2013A	March 2034	3.000 - 4.000%	1,115,000
27,510,000	General Obligation Improvement Bonds, Series 2013B	March 2034	2.000 - 5.000%	23,325,000
15,605,000	General Obligation Public Improvement Bonds, Series 2014A	Sept. 2034	2.000 - 5.000%	14,500,000
9,300,000	General Obligation Public Improvement Bonds, Series 2014B	Sept. 2034	2.000 - 5.000%	8,515,000
13,235,098	Drinking Water State Revolving Fund Loan (SRF Loan) - 2015	August 2037	1.78%	13,088,581
17,695,000	General Obligation Refunding Bonds, Series 2015	March 2028	2.000 - 4.000%	17,400,000
15,105,000	General Obligation Refunding and Improvement Bonds, Series 2015A	March 2036	2.000 - 4.000%	14,230,000
16,580,000	General Obligation Refunding Bonds, Series 2016A	March 2029	2.000 - 4.000%	16,580,000
13,360,000	General Obligation Refunding Bonds, Series 2016B	March 2030	2.000 - 4.000%	13,360,000
14,855,000	General Obligation Public Improvement Bonds, Series 2017A	March 2037	2.000 - 5.000%	14,855,000
11,250,000	General Obligation Public Improvement Bonds, Series 2017B (Water and Sewer Supported)	March 2037	2.000 - 5.000%	11,250,000
21,335,000	General Obligation Public Improvement Bonds, Series 2016	March 2036	2.000 - 4.000%	20,540,000
856,000	HUD - 108 Loan	August 2030	2.200 - 4.480%	555,000
5,000,000	Energy Efficiency School Initiative Loan 822-001 <sup>(2)</sup>	November 2024	0.750%	2,719,085
\$ 374,454,778	<b>Total Existing Debt</b>			\$ 250,638,995
7,040,000	General Obligation Improvement Bonds, Series 2018A	March 2038		7,040,000
5,275,000	General Obligation Improvement Bonds, Series 2018B (Water and Sewer Supported)	March 2038		5,275,000
2,360,000	General Obligation Improvement Bonds, Series 2018C (Aquatics Center)	March 2038		2,360,000
\$ 389,129,778	<b>Total Existing / Proposed Debt</b>			\$ 265,313,995
	Less: Revenue Supported Bonds <sup>(2)</sup>			(134,541,142)
\$ 389,129,778	<b>Net Direct Debt</b>			\$ 130,772,853

(1) Does not include capitalized leases or compensated absences, if any. Inter-fund loans are not included. Also not included is the Municipality's contingent liabilities. For more information on contingent liabilities, see the Comprehensive Annual Financial Reports and the Notes to the Financial Statements referenced in Appendix D. See "MISCELLANEOUS - Additional Debt Obligations" for more information.

(2) Revenue Supported Debt includes debt that is supported by Regional Sales Tax Revenues and by the Water and Sewer and Storm Water Enterprise Fund revenues. Solid Waste enterprise debt is not supported by net revenues and is included as general fund supported debt beginning with the Series 2018A Bonds.

**CITY OF KINGSPORT, TENNESSEE  
INDEBTEDNESS AND DEBT RATIOS**

**INTRODUCTION**

The information set forth in the following table is based upon information derived from the Comprehensive Annual Financial Reports, including the one for the most recent reporting period which is included as Appendix D. This table should be read in conjunction with those statements. The table does not include future funding plans, if any.

INDEBTEDNESS	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 <sup>(1)</sup>
<b>TAX SUPPORTED</b>											
General Obligation Bonds <sup>(2)</sup>	\$ 83,414,174	\$ 107,301,284	\$ 102,991,394	\$ 109,060,780	\$ 116,753,130	\$ 124,047,448	\$ 131,824,589	\$ 127,542,389	\$ 130,586,519	\$ 129,016,199	\$ 130,637,853
<b>TOTAL TAX SUPPORTED</b>	<u>\$ 83,414,174</u>	<u>\$ 107,301,284</u>	<u>\$ 102,991,394</u>	<u>\$ 109,060,780</u>	<u>\$ 116,753,130</u>	<u>\$ 124,047,448</u>	<u>\$ 131,824,589</u>	<u>\$ 127,542,389</u>	<u>\$ 130,586,519</u>	<u>\$ 129,016,199</u>	<u>\$ 130,637,853</u>
<b>REVENUE SUPPORTED</b>											
Water & Sewer Bonds, Loans, Regional Sales											
Tax Supported Debt and Storm Water Bonds <sup>(3)</sup>	\$ 49,977,000	\$ 97,743,000	\$ 91,559,000	\$ 113,553,142	\$ 109,222,397	\$ 114,405,723	\$ 115,243,589	\$ 111,930,196	\$ 133,192,545	\$ 138,272,488	\$ 134,541,142
<b>TOTAL REVENUE SUPPORTED</b>	<u>\$ 49,977,000</u>	<u>\$ 97,743,000</u>	<u>\$ 91,559,000</u>	<u>\$ 113,553,142</u>	<u>\$ 109,222,397</u>	<u>\$ 114,405,723</u>	<u>\$ 115,243,589</u>	<u>\$ 111,930,196</u>	<u>\$ 133,192,545</u>	<u>\$ 138,272,488</u>	<u>\$ 134,541,142</u>
<b>TOTAL DEBT</b>	\$ 133,391,174	\$ 205,044,284	\$ 194,550,394	\$ 222,613,922	\$ 225,975,527	\$ 238,453,171	\$ 247,068,178	\$ 239,472,585	\$ 263,779,064	\$ 267,288,687	\$ 265,178,995
Less: Revenue Supported Debt	(49,977,000)	(97,743,000)	(91,559,000)	(113,553,142)	(109,222,397)	(114,405,723)	(115,243,589)	(111,930,196)	(133,192,545)	(138,272,488)	(134,541,142)
Less: Debt Service Fund Balance	<u>(971,096)</u>	<u>(600,280)</u>	<u>(468,937)</u>	<u>(1,230,382)</u>	<u>(148,495)</u>	<u>(139,984)</u>	<u>(144,635)</u>	<u>(224,584)</u>	<u>(340,307)</u>	<u>(652,554)</u>	<u>(652,554)</u>
<b>NET DIRECT DEBT</b>	\$ 82,443,078	\$ 106,701,004	\$ 102,522,457	\$ 107,830,398	\$ 116,604,635	\$ 123,907,464	\$ 131,679,954	\$ 127,317,805	\$ 130,246,212	\$ 128,363,645	\$ 129,985,299
<b>OVERLAPPING DEBT<sup>(4)</sup></b>	\$ 18,431,987	\$ 24,614,843	\$ 33,183,233	\$ 34,258,402	\$ 40,011,367	\$ 37,247,011	\$ 37,743,320	\$ 40,097,107	\$ 179,251,540	\$ 141,720,520	\$ 141,720,520
<b>NET DIRECT &amp; OVERLAPPING DEBT</b>	\$ 100,875,065	\$ 131,315,847	\$ 135,705,690	\$ 142,088,800	\$ 156,616,002	\$ 161,154,475	\$ 169,423,274	\$ 167,414,912	\$ 309,497,752	\$ 270,084,165	\$ 271,705,819
<b>PROPERTY TAX BASE<sup>(5)</sup></b>											
Estimated Actual Value	\$ 5,129,398,172	\$ 5,026,784,103	\$ 5,136,863,657	\$ 5,305,111,318	\$ 5,604,513,479	\$ 5,763,618,186	\$ 5,784,231,432	\$ 5,816,219,071	\$ 5,734,328,781	\$ 5,968,712,220	\$ 6,128,818,929
Appraised Value	4,380,660,219	4,270,247,541	5,136,863,657	5,305,111,318	5,288,268,400	5,763,618,186	5,784,231,432	5,613,233,025	5,534,200,707	4,760,404,164	6,128,818,929
Assessed Value	1,352,126,208	1,322,721,235	1,606,980,905	1,641,584,382	1,643,256,206	1,678,554,710	1,785,012,769	1,795,858,120	1,771,157,587	1,784,915,122	1,885,882,539
Source: Tennessee Tax Aggregate Reports.											

<sup>(1)</sup> Beginning in FY 2018, treats solid waste debt as debt supporting by the general fund since it is not self-supporting as is storm water debt. See the storm water debt schedule herein.

<sup>(2)</sup> Does not include compensated absences, capitalized leases or contingent liabilities. See the Notes to the Financial Statements accessible as indicated in APPENDIX D for additional details.

<sup>(3)</sup> Revenue Supported Debt includes debt that is supported by the Water and Sewer Enterprise Funds revenues, by the Regional Sales Tax revenues, by and by Storm Water revenues. Solid Waste enterprise debt is not fully supported by respective revenues but is included as general fund supported debt in this chart for illustration purposes (see the subsequent schedules herein).

<sup>(4)</sup> OVERLAPPING DEBT Includes the Municipality's estimated portion of Sullivan County's debt and Hawkins County's debt - best available information includes estimates.

<sup>(5)</sup> The most recent reappraisal of property was effective January 1, 2017 for Sullivan County and January 1, 2016 for Hawkins County.

<b>DEBT RATIOS</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018<sup>(1)</sup></b>
TOTAL DEBT to Estimated Actual Value	2.60%	4.08%	3.79%	4.20%	4.03%	4.14%	4.27%	4.12%	4.60%	4.48%	4.33%
TOTAL DEBT to Appraised Value	3.05%	4.80%	3.79%	4.20%	4.27%	4.14%	4.27%	4.27%	4.77%	5.61%	4.33%
TOTAL DEBT to Assessed Value	9.87%	15.50%	12.11%	13.56%	13.75%	14.21%	13.84%	13.33%	14.89%	14.97%	14.06%
NET DIRECT DEBT to Estimated Actual Value	1.61%	2.12%	2.00%	2.03%	2.08%	2.15%	2.28%	2.19%	2.27%	2.15%	2.12%
NET DIRECT DEBT to Appraised Value	1.88%	2.50%	2.00%	2.03%	2.20%	2.15%	2.28%	2.27%	2.35%	2.70%	2.12%
NET DIRECT DEBT to Assessed Value	6.10%	8.07%	6.38%	6.57%	7.10%	7.38%	7.38%	7.09%	7.35%	7.19%	6.89%
OVERLAPPING DEBT to Estimated Actual Value	0.36%	0.49%	0.65%	0.65%	0.71%	0.65%	0.65%	0.69%	3.13%	2.37%	2.31%
OVERLAPPING DEBT to Appraised value	0.42%	0.58%	0.65%	0.65%	0.76%	0.65%	0.65%	0.71%	3.24%	2.98%	2.31%
OVERLAPPING DEBT to Assessed Value	1.36%	1.86%	2.06%	2.09%	2.43%	2.22%	2.11%	2.23%	10.12%	7.94%	7.51%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	7.46%	9.93%	8.44%	8.66%	9.53%	9.60%	9.49%	9.32%	17.47%	15.13%	14.41%
<b>PER CAPITA DEBT RATIOS</b>											
POPULATION <sup>(2)</sup>	44,435	44,435	45,763	47,356	49,275	50,561	51,264	51,274	52,806	52,806	52,806
PER CAPITA PERSONAL INCOME <sup>(3)</sup>	\$ 28,222	\$ 28,222	\$ 29,730	\$ 29,730	\$ 31,697	\$ 32,390	\$ 34,975	\$ 35,264	\$ 35,912	\$ 37,322	\$ 42,066
Estimated Actual Value to POPULATION	\$ 115,436	\$ 113,127	\$ 112,249	\$ 112,026	\$ 113,739	\$ 113,993	\$ 112,832	\$ 113,434	\$ 108,592	\$ 113,031	\$ 116,063
Assessed Value to POPULATION	\$ 30,429	\$ 29,768	\$ 35,115	\$ 34,665	\$ 33,349	\$ 33,199	\$ 34,820	\$ 35,025	\$ 33,541	\$ 33,801	\$ 35,713
Total Debt to POPULATION	\$ 3,002	\$ 4,614	\$ 4,251	\$ 4,701	\$ 4,586	\$ 4,716	\$ 4,820	\$ 4,670	\$ 4,995	\$ 5,062	\$ 5,022
Net Direct Debt to POPULATION	\$ 1,855	\$ 2,401	\$ 2,240	\$ 2,277	\$ 2,366	\$ 2,451	\$ 2,569	\$ 2,483	\$ 2,467	\$ 2,431	\$ 2,462
Overlapping Debt to POPULATION	\$ 415	\$ 554	\$ 725	\$ 723	\$ 812	\$ 737	\$ 736	\$ 782	\$ 3,395	\$ 2,684	\$ 2,684
Net Direct & Overlapping Debt to POPULATION	\$ 2,270	\$ 2,955	\$ 2,965	\$ 3,000	\$ 3,178	\$ 3,187	\$ 3,305	\$ 3,265	\$ 5,861	\$ 5,115	\$ 5,145
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	10.64%	16.35%	14.30%	15.81%	14.47%	14.56%	13.78%	13.24%	13.91%	13.56%	11.94%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	6.57%	8.51%	7.54%	7.66%	7.47%	7.57%	7.34%	7.04%	6.87%	6.51%	5.85%
Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	1.47%	1.96%	2.44%	2.43%	2.56%	2.27%	2.11%	2.22%	9.45%	7.19%	6.38%
Net Direct & Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	8.04%	10.47%	9.97%	10.09%	10.03%	9.84%	9.45%	9.26%	16.32%	13.70%	12.23%

<sup>(1)</sup> Treats Solid Waste and Storm Water as self-supporting debt thereby reducing Net Direct Debt and increasing revenue supported debt by identical amounts. See the Storm Water and Solid Waste

<sup>(2)</sup> POPULATION data according to: the U.S. Census data and population estimates provided by the City.

<sup>(3)</sup> PER CAPITA PERSONAL INCOME is based upon the most current data available from the Municipality.

**CITY OF KINGSPORT, TENNESSEE**  
**DEBT SERVICE REQUIREMENTS - General Fund Supported**  
**As of June 30, 2018 Plus the Series 2018A Bonds**

Year Ending June 30	PRINCIPAL REQUIREMENTS GENERAL FUND SUPPORTED			Percent Total Debt Retired	INTEREST REQUIREMENTS GENERAL FUND SUPPORTED			Total Debt Service Requirements
	Outstanding Debt <sup>(1)</sup>	Current Issue	Total Principal		Outstanding Debt	Current Issue	Total Interest	
2019	\$ 9,135,724	\$ -	\$ 9,135,724		\$ 4,974,309	\$ 113,348	\$ 5,087,657	\$ 14,223,381
2020	9,116,464	285,000	9,401,464		4,734,033	266,700	5,000,733	14,402,197
2021	9,276,664	295,000	9,571,664		4,430,698	252,450	4,683,148	14,254,812
2022	8,973,200	315,000	9,288,200	28.60%	4,146,485	237,700	4,384,185	13,672,385
2023	8,968,336	325,000	9,293,336		3,836,970	221,950	4,058,920	13,352,256
2024	9,302,364	345,000	9,647,364		3,545,358	205,700	3,751,058	13,398,422
2025	9,219,560	360,000	9,579,560		3,220,008	188,450	3,408,458	12,988,018
2026	9,399,631	375,000	9,774,631		2,903,582	170,450	3,074,032	12,848,663
2027	9,651,433	395,000	10,046,433	65.56%	2,580,347	151,700	2,732,047	12,778,480
2028	7,493,635	405,000	7,898,635		2,299,065	139,850	2,438,915	10,337,550
2029	6,363,779	340,000	6,703,779		2,103,664	127,700	2,231,364	8,935,143
2030	5,234,043	350,000	5,584,043		1,928,795	117,500	2,046,295	7,630,338
2031	4,356,561	365,000	4,721,561		684,177	107,000	791,177	5,512,738
2032	4,481,459	375,000	4,856,459	88.32%	534,307	96,050	630,357	5,486,816
2033	3,525,000	385,000	3,910,000		384,989	84,331	469,320	4,379,320
2034	3,640,000	400,000	4,040,000		270,564	71,819	342,383	4,382,383
2035	2,835,000	410,000	3,245,000		151,019	58,818	209,837	3,454,837
2036	1,750,000	425,000	2,175,000		83,088	45,494	128,582	2,303,582
2037	1,010,000	440,000	1,450,000		30,300	31,150	61,450	1,511,450
2038	-	450,000	450,000	100.00%	-	15,750	15,750	465,750
	<u>\$ 123,732,853</u>	<u>\$ 7,040,000</u>	<u>\$ 130,772,853</u>		<u>\$ 42,841,755</u>	<u>\$ 2,703,910</u>	<u>\$ 45,468,465</u>	<u>\$ 174,341,318</u>

(1) Does not include capitalized leases or compensated absences of inter-fund loans, if any. Debt is secured by the Municipality's "full faith, credit and unlimited taxing power..." (i.e., its "G.O. pledge"). Storm Water enterprise debt is not fully supported by respective revenues and is not included as general debt in this chart, but is broken out in a subsequent chart. Includes the Solid Waste Management Fund paid by General Fund Revenue. Additionally, debt associated with the Meadowview Convention and Conference Center, the Aquatics Center and Cattails Golf Course is also G.O. secured but is fully payable from net revenue or Local Option Sales Taxes located in the district encompassing each of the 3 enterprise activities. For more information, see the Summary of Bonded Indebtedness and the Notes to the Financial Statements accessible as indicated in Appendix D.

**CITY OF KINGSPORT, TENNESSEE**  
**DEBT SERVICE REQUIREMENTS - Water and Sewer Revenue Supported**  
**As of June 30, 2018 Plus the Series 2018B Bonds<sup>(2)</sup>**

<b>PRINCIPAL REQUIREMENTS</b>				<b>INTEREST REQUIREMENTS</b>				
<b>WATER AND SEWER SYSTEM</b>				<b>WATER AND SEWER SYSTEM</b>				
Ending June 30	Outstanding Principal <sup>(1)</sup>	Current Issue	Total Principal	Total Debt Retired	Outstanding Interest	Current Interest	Total Interest	Total Requirements
2019	6,134,708	\$ -	\$ 6,134,708		3,087,250	\$ 83,475	\$ 3,170,725	\$ 9,305,433
2020	5,784,148	185,000	5,969,148		2,892,983	196,413	3,089,396	9,058,544
2021	5,969,900	195,000	6,164,900		2,688,468	187,162	2,875,630	9,040,530
2022	5,670,844	205,000	5,875,844		2,508,655	177,413	2,686,068	8,561,912
2023	5,886,980	215,000	6,101,980		2,301,032	167,162	2,468,194	8,570,174
2024	5,988,332	230,000	6,218,332	35.55%	2,093,337	156,413	2,249,750	8,468,082
2025	6,109,876	240,000	6,349,876		1,878,464	144,912	2,023,376	8,373,252
2026	6,204,820	250,000	6,454,820		1,667,881	132,913	1,800,794	8,255,614
2027	5,708,588	265,000	5,973,588		1,469,180	120,412	1,589,592	7,563,180
2028	5,790,768	270,000	6,060,768		1,290,785	112,462	1,403,247	7,464,015
2029	5,963,164	280,000	6,243,164	65.85%	1,114,020	104,363	1,218,383	7,461,547
2030	6,155,788	290,000	6,445,788		925,767	95,963	1,021,730	7,467,518
2031	5,568,628	295,000	5,863,628		734,271	87,262	821,533	6,685,161
2032	4,641,708	305,000	4,946,708		563,252	78,413	641,665	5,588,373
2033	4,015,016	315,000	4,330,016		419,794	68,881	488,675	4,818,691
2034	4,143,564	325,000	4,468,564	91.25%	295,034	58,644	353,678	4,822,242
2035	3,242,352	335,000	3,577,352		170,731	48,081	218,812	3,796,164
2036	2,681,392	345,000	3,026,392		91,123	37,194	128,317	3,154,709
2037	1,569,096	360,000	1,929,096		25,446	25,550	50,996	1,980,092
2038	67,104	370,000	437,104	100.00%	-	12,950	12,950	450,054
	<u>\$ 97,296,776</u>	<u>\$ 5,275,000</u>	<u>\$ 102,571,776</u>		<u>\$ 26,217,469</u>	<u>\$ 2,096,038</u>	<u>\$ 28,313,507</u>	<u>\$ 130,885,283</u>

<sup>(1)</sup> Does not include capitalized leases or compensated absences, if any. Debt is secured by the Municipality's "full faith, credit and unlimited taxing power..." (i.e., its "G.O. pledge"), but all debt service is paid from the net revenues of the Municipality's water or sewer system. For more information including separate amortization schedules for the water and the sewer funds, see the Summary of Bonded Indebtedness and the Notes to the Financial Statements accessible as indicated in Appendix D.

<sup>(2)</sup> For the current rates and charges and individual debt schedules for the Water Fund and the Sewer Fund, see the Comprehensive Annual Financial Report referenced in Appendix D.

**CITY OF KINGSPORT, TENNESSEE**  
**DEBT SERVICE REQUIREMENTS - Sales Tax Supported**  
**As of June 30, 2018 Plus the Series 2018C Bonds<sup>(2)</sup>**

Year Ending June 30	PRINCIPAL REQUIREMENTS SALES TAX SUPPORTED			Percent Total Debt Retired	INTEREST REQUIREMENTS SALES TAX SUPPORTED			Total Debt Service Requirements
	Outstanding Debt <sup>(1)</sup>	Current Issue	Total Principal		Outstanding Debt	Current Issue	Total Interest	
2019	\$ 1,845,000	\$ -	\$ 1,845,000		\$ 962,393	\$ 31,522	\$ 993,915	\$ 2,838,915
2020	1,925,000	95,000	2,020,000		925,978	74,169	1,000,147	3,020,147
2021	2,005,000	95,000	2,100,000		845,773	71,319	917,092	3,017,092
2022	2,080,000	100,000	2,180,000		769,149	68,469	837,618	3,017,618
2023	2,150,000	105,000	2,255,000		689,543	65,468	755,011	3,010,011
2024	2,250,000	105,000	2,355,000	41.49%	607,131	62,319	669,450	3,024,450
2025	2,325,000	110,000	2,435,000		520,680	59,169	579,849	3,014,849
2026	2,420,000	110,000	2,530,000		430,834	55,869	486,703	3,016,703
2027	2,505,000	115,000	2,620,000		337,041	52,569	389,610	3,009,610
2028	2,585,000	120,000	2,705,000		258,997	49,118	308,115	3,013,115
2029	2,650,000	125,000	2,775,000	83.98%	198,708	45,519	244,227	3,019,227
2030	1,595,000	125,000	1,720,000		115,636	41,769	157,405	1,877,405
2031	490,000	130,000	620,000		65,975	38,018	103,993	723,993
2032	510,000	135,000	645,000		49,950	\$34,119	79,850	724,850
2033	295,000	140,000	435,000		33,250	29,900	58,600	493,600
2034	305,000	140,000	445,000	96.55%	23,550	25,350	44,350	489,350
2035	220,000	145,000	365,000		13,500	20,800	29,587	394,587
2036	230,000	150,000	380,000		6,900	16,087	17,925	397,925
2037	-	155,000	155,000		-	11,025	5,600	160,600
2038	-	160,000	160,000	100.00%	-	5,600	5,600	165,600
	<u>\$ 28,385,000</u>	<u>\$ 2,360,000</u>	<u>\$ 30,745,000</u>		<u>\$ 6,854,989</u>	<u>\$ 858,178</u>	<u>\$ 7,684,648</u>	<u>\$ 38,429,648</u>

<sup>(1)</sup> Does not include capitalized leases, inter-fund loans or compensated absences, if any. Includes debt issued for MeadowView Conference and Convention Center, the Aquatics Center and Cattails Golf Course which is secured by the Municipality's G.O. pledge, but is payable from the net revenues of each enterprise and/or Regional Sales Taxes generated in the the district encompassing each enterprise activity. For more information, see the Summary of Bonded Indebtedness and the Notes to the Financial Statements accessible as indicated in Appendix D.

<sup>(2)</sup> For the current rates and charges for the Regional Sales Tax Fund, see the Comprehensive Annual Financial Report in Appendix D.

**CITY OF KINGSPORT, TENNESSEE**  
**DEBT SERVICE REQUIREMENTS - Storm Water Enterprise Fund**  
**As of June 30, 2018<sup>(2)</sup>**

Year Ending June 30	PRINCIPAL REQUIREMENTS STORM WATER SYSTEM			Percent Total Debt Retired	INTEREST REQUIREMENTS STORM WATER SYSTEM		Total Debt Service Requirements
	Outstanding Debt <sup>(1)</sup>	Total Principal	Outstanding Interest		Total Interest		
2019	\$ 84,012	\$ 84,012			\$ 49,646	\$ 49,646	\$ 133,658
2020	86,443	86,443			46,509	46,509	132,952
2021	89,426	89,426			43,034	43,034	132,460
2022	92,548	92,548			39,198	39,198	131,746
2023	95,654	95,654			35,394	35,394	131,048
2024	99,811	99,811	44.75%		31,417	31,417	131,228
2025	102,175	102,175			27,282	27,282	129,457
2026	105,743	105,743			22,993	22,993	128,736
2027	110,031	110,031			18,488	18,488	128,519
2028	114,365	114,365			14,211	14,211	128,576
2029	119,221	119,221	89.80%		10,154	10,154	129,375
2030	68,957	68,957			5,468	5,468	74,425
2031	27,439	27,439			2,099	2,099	29,538
2032	28,541	28,541	100.00%		1,069	1,069	29,610
	<u>\$ 1,224,366</u>	<u>\$ 1,224,366</u>			<u>\$ 346,962</u>	<u>\$ 346,962</u>	<u>\$ 1,571,328</u>

<sup>(1)</sup> Does not include capitalized leases, compensated absences, if any or contingent liabilities. Inter-fund loans, if any, are also not included. Storm Water enterprise debt is secured by the Municipality's G.O. pledge. For more information, see the Summary of Bonded Indebtedness and the Notes to the Financial Statements referenced in Appendix D.

<sup>(2)</sup> For the current rates and charges for the Storm Water Fund, see the Comprehensive Annual Financial Report in Appendix D.

**CITY OF KINGSPORT, TENNESSEE**  
**Ten Year Summary of Revenues, Expenditures and**  
**Changes In Fund Balances - General Fund**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Revenues</b>										
Taxes	\$ 34,196,929	\$ 34,956,317	\$ 35,687,142	\$ 36,735,841	\$ 37,664,973	\$ 38,447,163	\$ 40,655,013	\$ 43,806,004	\$ 43,231,684	\$ 48,097,883
Licenses and Permits	778,788	544,797	354,400	339,843	390,916	357,816	530,179	518,480	456,360	569,817
Intergovernmental	20,799,950	20,387,165	19,642,492	20,241,878	21,829,490	22,056,020	22,628,202	23,943,819	24,706,071	24,368,885
Charges for Services	1,270,450	1,412,505	2,201,664	2,345,903	2,082,809	2,122,968	1,933,484	1,963,227	2,447,112	2,811,932
Fines and Forfeitures	2,034,486	1,840,622	1,205,281	1,243,032	736,228	648,957	753,558	749,630	842,116	930,840
Investment Earnings	939,112	388,048	105,839	68,235	82,616	38,116	10,654	11,602	44,714	54,346
Contributions and Donations	7,350	2,074	2,154	32,407	4,043	127,563	157,097	125,000	126,661	181,885
Miscellaneous	<u>346,667</u>	<u>225,927</u>	<u>303,931</u>	<u>794,771</u>	<u>490,360</u>	<u>93,898</u>	<u>328,555</u>	<u>120,296</u>	<u>94,985</u>	<u>119,650</u>
<b>Total Revenues</b>	<b>\$ 60,373,732</b>	<b>\$ 59,757,455</b>	<b>\$ 59,502,903</b>	<b>\$ 61,801,910</b>	<b>\$ 63,281,435</b>	<b>\$ 63,892,501</b>	<b>\$ 66,996,742</b>	<b>\$ 71,238,058</b>	<b>\$ 71,949,703</b>	<b>\$ 77,135,238</b>
<b>Expenditures</b>										
General government	\$ 7,005,005	\$ 8,056,430	\$ 8,159,252	\$ 8,182,493	\$ 8,889,159	\$ 8,796,127	\$ 8,591,022	\$ 8,613,724	\$ 8,609,982	\$ 8,611,071
Public Safety:	16,860,706	17,763,626	17,935,335	18,350,902	18,851,933	19,068,656	19,831,402	20,171,508	20,272,421	21,308,120
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
Economic and Physical Dev.	3,282,588	3,333,384	3,419,325	3,577,098	3,670,958	3,594,287	3,642,231	3,518,154	3,432,304	1,598,330
Culture and Recreation	4,462,490	4,693,900	4,680,818	4,884,922	4,809,798	5,041,504	5,178,628	5,176,467	5,411,743	5,565,884
Miscellaneous Gov. Services	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	<u>898,876</u>	<u>50,170</u>	<u>41,930</u>	<u>710,173</u>	<u>162,194</u>	<u>123,144</u>	<u>138,633</u>	<u>46,481</u>	<u>56,022</u>	<u>37,133</u>
<b>Total Expenditures</b>	<b>\$ 39,168,535</b>	<b>\$ 40,920,755</b>	<b>\$ 41,698,583</b>	<b>\$ 43,177,567</b>	<b>\$ 43,597,397</b>	<b>\$ 44,110,851</b>	<b>\$ 44,932,377</b>	<b>\$ 45,390,564</b>	<b>\$ 45,895,256</b>	<b>\$ 48,054,240</b>
<b>Excess of Revenues</b>										
<b>Over (Under) Expenditures</b>	<b>\$ 21,205,197</b>	<b>\$ 18,836,700</b>	<b>\$ 17,804,320</b>	<b>\$ 18,624,343</b>	<b>\$ 19,684,038</b>	<b>\$ 19,781,650</b>	<b>\$ 22,064,365</b>	<b>\$ 25,847,494</b>	<b>\$ 26,054,447</b>	<b>\$ 29,080,998</b>
<b>Other Financing Sources</b>										
<b>(Uses)</b>										
Transfers In	\$ 2,524,363	\$ 2,587,824	\$ 3,759,855	\$ 3,513,680	\$ 2,882,006	\$ 3,515,367	\$ 3,150,395	\$ 3,414,619	\$ 3,435,818	\$ 3,442,979
Transfers Out	(27,208,550)	(24,352,439)	(22,146,855)	(23,368,942)	(23,577,499)	(24,234,580)	(25,081,379)	(28,134,458)	(29,137,892)	(31,657,606)
Sale of Building	800,000	-	-	-	-	-	-	-	-	-
Debt Proceeds	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ (23,884,187)</b>	<b>\$ (21,764,615)</b>	<b>\$ (18,387,000)</b>	<b>\$ (19,855,262)</b>	<b>\$ (20,695,493)</b>	<b>\$ (20,719,213)</b>	<b>\$ (21,930,984)</b>	<b>\$ (24,719,839)</b>	<b>\$ (25,702,074)</b>	<b>\$ (28,214,627)</b>
<b>Excess of Revenues</b>										
<b>Over (Under) Expenditures</b>										
<b>&amp; Other Uses</b>	<b>\$ (2,678,990)</b>	<b>\$ (2,927,915)</b>	<b>\$ (582,680)</b>	<b>\$ (1,230,919)</b>	<b>\$ (1,011,455)</b>	<b>\$ (937,563)</b>	<b>\$ 133,381</b>	<b>\$ 1,127,655</b>	<b>\$ 352,373</b>	<b>\$ 866,371</b>
<b>Fund Balance July 1</b>	<b>20,918,736</b>	<b>18,239,746</b>	<b>15,311,831</b>	<b>14,729,151</b>	<b>13,584,394</b>	<b>12,572,939</b>	<b>11,635,376</b>	<b>11,768,757</b>	<b>12,896,412</b>	<b>13,248,785</b>
<b>Restatement</b>	-	-	-	86,162	-	-	-	-	-	-
<b>Prior Period Adjustment</b>	-	-	-	-	-	-	-	-	-	-
<b>Net Encumbrances</b>	-	-	-	-	-	-	-	-	-	-
<b>Fund Balance June 30</b>	<b>\$ 18,239,746</b>	<b>\$ 15,311,831</b>	<b>\$ 14,729,151</b>	<b>\$ 13,584,394</b>	<b>\$ 12,572,939</b>	<b>\$ 11,635,376</b>	<b>\$ 11,768,757</b>	<b>\$ 12,896,412</b>	<b>\$ 13,248,785</b>	<b>\$ 14,115,156</b>

Source: Comprehensive Annual Financial Reports of the Municipality

Note: From Fiscal Year ending 2007 - 2008, data reported in the CAFR were rounded to the nearest thousand.



**CITY OF KINGSPORT, TENNESSEE**  
**Ten Year Summary of Revenues, Expenses and**  
**Changes in Net Assets - Water and Sewer Funds**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Operating Revenues</b>										
Charges and Fees	\$ 25,183,269	\$ 25,403,240	\$ 24,545,159	\$ 23,873,075	\$ 24,463,225	\$ 24,278,023	\$ 25,313,894	\$ 25,841,142	\$ 26,488,060	\$ 27,318,876
Penalties and Fines	599,559	637,750	556,118	547,732	550,757	534,580	571,669	669,207	774,036	623,250
Miscellaneous	31,684	22,491	29,740	239,140	24,566	34,590	48,375	55,147	63,620	65,171
<b>Total Operating Revenues</b>	<b>\$ 25,814,512</b>	<b>\$ 26,063,481</b>	<b>\$ 25,131,017</b>	<b>\$ 24,659,947</b>	<b>\$ 25,038,548</b>	<b>\$ 24,847,193</b>	<b>\$ 25,933,938</b>	<b>\$ 26,565,496</b>	<b>\$ 27,325,716</b>	<b>\$ 28,007,297</b>
<b>Operating Expenses</b>										
Operating Costs	\$ 10,578,186	\$ 11,109,643	\$ 10,772,806	\$ 11,054,147	\$ 11,818,993	\$ 12,054,338	\$ 12,254,053	\$ 12,088,840	\$ 12,853,732	\$ 13,117,379
Depreciation	4,637,732	5,261,711	5,312,280	5,877,230	5,981,448	6,227,914	6,292,547	7,650,220	7,899,341	8,034,850
<b>Total Operating Expenses</b>	<b>\$ 15,215,918</b>	<b>\$ 16,371,354</b>	<b>\$ 16,085,086</b>	<b>\$ 16,931,377</b>	<b>\$ 17,800,441</b>	<b>\$ 18,282,252</b>	<b>\$ 18,546,600</b>	<b>\$ 19,738,060</b>	<b>\$ 20,753,073</b>	<b>\$ 21,152,229</b>
<b>Operating Income</b>	<b>\$ 10,598,594</b>	<b>\$ 9,692,127</b>	<b>\$ 9,045,931</b>	<b>\$ 7,728,570</b>	<b>\$ 7,238,107</b>	<b>\$ 6,564,941</b>	<b>\$ 7,387,338</b>	<b>\$ 6,827,436</b>	<b>\$ 6,572,643</b>	<b>\$ 6,855,068</b>
<b>Non-Operating Revenues (Expenses)</b>										
Investment Earnings	\$ 970,530	\$ 486,747	\$ 223,541	\$ 121,499	\$ 152,258	\$ 153,835	\$ 73,588	\$ 74,903	\$ 171,113	\$ 250,854
Federal Interest Subsidy	\$ -	\$ -	\$ -	\$ 203,407	\$ 165,297	\$ 66,110	\$ 148,798	\$ 145,362	\$ 140,455	\$ 134,801
Interest Expense	(1,606,431)	(1,308,336)	(1,007,724)	(843,459)	(730,976)	(634,424)	(739,534)	(2,051,206)	(1,998,879)	(1,847,548)
Gain on Disposal of Capital Assets	50	(11,266)	400	(22,029)	5,012	(58,911)	(303,664)	2,500	-	-
Amortization Expense	(63,400)	(56,477)	(58,378)	(21,761)	(64,045)	(85,721)	-	-	-	-
Arbitrage Expense	(27,121)	-	-	-	-	-	-	-	-	-
Payment in Lieu of Taxes	-	-	-	-	-	-	-	-	-	-
Other/ Bond Issue Cost	-	-	-	-	-	-	(170,955)	(181,747)	(131,015)	(116,600)
<b>Total Non-Operating Rev. (Exp.)</b>	<b>\$ (726,372)</b>	<b>\$ (889,332)</b>	<b>\$ (842,161)</b>	<b>\$ (601,730)</b>	<b>\$ (472,454)</b>	<b>\$ (559,111)</b>	<b>\$ (991,767)</b>	<b>\$ (2,010,188)</b>	<b>\$ (1,818,326)</b>	<b>\$ (1,578,493)</b>
<b>Operating Income Before Other</b>	<b>\$ 9,872,222</b>	<b>\$ 8,802,795</b>	<b>\$ 8,203,770</b>	<b>\$ 7,126,840</b>	<b>\$ 6,765,653</b>	<b>\$ 6,005,830</b>	<b>\$ 6,395,571</b>	<b>\$ 4,817,248</b>	<b>\$ 4,754,317</b>	<b>\$ 5,276,575</b>
<b>Other</b>										
Capital Contributions	\$ 2,660,735	\$ 2,123,441	\$ 1,296,823	\$ 655,174	\$ 65,871	\$ 403,146	\$ 1,033,605	\$ 868,632	\$ 1,495,226	\$ 1,709,857
Transfers In	87,163	122,826	125,786	105,304	115,834	134,465	133,761	122,159	145,130	144,141
Transfers Out	(2,253,434)	(2,342,344)	(2,455,001)	(2,583,080)	(2,555,883)	(2,890,816)	(2,771,823)	(3,028,820)	(3,064,304)	(3,090,529)
<b>Total Other</b>	<b>\$ 494,464</b>	<b>\$ (96,077)</b>	<b>\$ (1,032,392)</b>	<b>\$ (1,822,602)</b>	<b>\$ (2,374,178)</b>	<b>\$ (2,353,205)</b>	<b>\$ (1,604,457)</b>	<b>\$ (2,038,029)</b>	<b>\$ (1,423,948)</b>	<b>\$ (1,236,531)</b>
<b>Change in Net Position</b>	<b>\$ 10,366,686</b>	<b>\$ 8,706,718</b>	<b>\$ 7,171,378</b>	<b>\$ 5,304,238</b>	<b>\$ 4,391,475</b>	<b>\$ 3,652,625</b>	<b>\$ 4,791,114</b>	<b>\$ 2,779,219</b>	<b>\$ 3,330,369</b>	<b>\$ 4,040,044</b>
<b>Net Position - Prior Year</b>	<b>\$ 126,360,600</b>	<b>\$ 136,727,286</b>	<b>\$ 145,434,004</b>	<b>\$ 152,605,382</b>	<b>\$ 157,909,620</b>	<b>\$ 162,301,095</b>	<b>\$ 165,953,720</b>	<b>\$ 170,083,435</b>	<b>\$ 165,241,480</b>	<b>\$ 168,571,849</b>
<b>Imposition of GASB 68 Pension Liability</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,822,968)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Corrections Related to CIP Project Closing</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (490,586)</b>	<b>\$ (3,798,206)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Position - Prior Year As Restated</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 162,462,261</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Position - FYE</b>	<b>\$ 136,727,286</b>	<b>\$ 145,434,004</b>	<b>\$ 152,605,382</b>	<b>\$ 157,909,620</b>	<b>\$ 162,301,095</b>	<b>\$ 165,953,720</b>	<b>\$ 170,254,248</b>	<b>\$ 165,241,480</b>	<b>\$ 168,571,849</b>	<b>\$ 172,611,893</b>

Source: Comprehensive Annual Financial Reports of the Municipality.

Note: From Fiscal Year ending 2007 - 2008, data reported in the CAFR were rounded to the nearest thousand.

For separate operating schedules of the water and sewer funds and the current schedules of water and sewer rates and charges, see the Comprehensive Annual Financial Report linked in APPENDIX D

## FINANCIAL INFORMATION

### CONTINGENT LIABILITIES

The Municipality is party to several agreements with both the Sullivan County Economic Partnership and the Industrial Development Board of the City of Kingsport (“IDBK”) that have required financial participation in the past or may require financial participation by the Municipality in the future. A portion of those agreements are shown below including several recent changes or additions.

For additional information, see the Notes to the Financial Statements included as APPENDIX D (specifically, Footnote 5. “Other Information”, Subsection B. “Contingencies”, Subsection G. “Joint Ventures”, Subsection H. “Jointly Governed Organizations” and Subsection I. “Subsequent Events”).

*General Shale Property.* In December 2013, the IDBK established a line of credit of not to exceed \$4,000,000 at an interest rate of 3.0%, with an even year term in order to purchase and develop certain property known as the General Shale Property. Consisting of approximately 98 acres, this property will be used to provide for future economic development opportunities and construction of municipal recreational facilities.

By resolution adopted on December 17, 2013 by the Governing Body, the Municipality and IDBK entered into an agreement wherein proceeds from the sale of all or any portion 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 Municipality 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. In the event a principal balance remains outstanding upon final maturity, the Municipality agrees to either: (1) purchase the property from the IDBK for a purchase price equal to the outstanding principal and accrued interest owed on the loan; or (2) provide an economic development contribution to IDBK in an amount sufficient to pay the outstanding principal and accrued interest owed on the loan. As of June 30, 2018, the IDBK line of credit had an outstanding principal balance of \$3,289,000.

Source: Comprehensive Annual Financial Report for FY 2017 of the City of Kingsport.

*Heritage Glass Site.* In May 2014, the IDBK obtained a \$2,600,000 loan to purchase a glass manufacturing facility from AGC Glass. The loan carried a rate of 3.95%. Principal and interest are payable monthly over 15 years. The facility was leased to a new glass manufacturer – Heritage Glass. Monthly lease payments cover the principal and interest on the loan. The Municipality is contingently liable for the loan payments in the event the manufacturer defaults on the lease. In the spring of 2015, Heritage Glass suspended operations and defaulted on the Lease. IDBK has modified the terms of its loan whereby its lender agreed to accept interest only payments through December 31, 2015. IDBK is a party to an Inter-creditor Agreement with Heritage Glass' lender who has a lien on all of its equipment and inventory located in the manufacturing facility. In return for IDBK

agreeing to modify certain terms of the Inter-creditor Agreement, the lender agreed to reimburse IDBK for all interest payments due on its loan from April 30 through December 31, 2015. The terms of this agreement were subsequently extended an additional 90 days. In May 2016, the IDBK entered into a lease agreement with EnviraGlass, LLC for this facility. In conjunction with this transaction, the IDBK obtained a new loan in the amount of \$2,675,000. This loan carried a rate of 3.95% with principal and interest payable monthly over 20 years beginning July 2016. Proceeds from this loan were used to retire the outstanding balance of the original loan. The Municipality also agreed to provide up to \$3,875,000 in economic development contributions to the IDBK over the twenty year period, if needed. The Municipality is contingently liable for the loan payments in the event the manufacturer defaults on the lease. On September 22, 2016, IDBK sent a notice of default to EnviraGlass for non-payment of the lease rents. In April 2017, the IDBK and Eastman Chemical Company entered into a three year lease-purchase agreement. The monthly rental payments under this agreement are sufficient to pay the principal and interest on the loan. As of June 30, 2018, the outstanding principal balance on the loan was \$2,483,500.

*C&F Manufacturing Site.* In July 2011 the IDBK entered into a loan agreement for \$3,500,000. The loan was used to purchase an industrial use facility near Tri-Cities 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 Municipality 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. In March 2016, the loan was extended for 24 months and the extension calls for interest only payments from the Municipality and the County. Proceeds from the sale or lease of the facility, in excess of the amount needed to satisfy the outstanding principal balance and accrued interest of the loan, will be used to repay the Municipality and the County for any amounts paid pursuant to the funding agreements. In January 2017, the property was sold to LeClerc Foods TN, LLC with the proceeds of the sale used to pay down the loan balance. The remaining balance of the loan of \$740,804 was refinanced at a fixed rate of 2.84% for a term of 48 months. As of June 30, 2018, the outstanding principal balance on the loan was \$488,600. Under the terms of their respective funding agreements, the Municipality 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.

Source: City of Kingsport

*Tri-Cities Crossing Property.* In May 2015, the IDBK borrowed \$6,540,000 in order to purchase approximately 33.75 acres and to construct an industrial building for lease to Pure Foods, Inc. Interest on the loan will accrue on the outstanding principal balance during the period May 15, 2015 through November 14, 2017, at a rate per annum equal to the LIBOR Rate plus ninety-nine basis points (0.99). During the period November 15, 2017 through the maturity date of May 15, 2025, interest will accrue under the Loan at a fixed rate of 3.89% per annum.

By resolution adopted on March 18, 2015, to support IDBK's acquisition and improvement of the property and its ability to pay the debt service due under the Loan, the Municipality entered into an agreement with IDBK to provide economic development contributions from time to time in such amounts as are needed by IDBK, during the 10 term of the loan, to make the debt service payments under the Loan after application of the net rental income from the lease with Pure Foods, Inc. and any other leases and rental agreements on the property. IDBK will use all net rental income

received from the leases and rental agreements on the property, and all net proceeds realized from the sale of all or any portion of the property, to pay the accrued interest and debt service payments due under the Loan.

In the event any indebtedness remains outstanding under the loan at the maturity date, the Municipality shall either: (i) purchase the property from IDBK for a purchase price equal to the outstanding indebtedness then owed on the Loan including all principal, interest and expenses, if any, or (ii) provide an economic development contribution to IDBK in an amount sufficient to pay the outstanding indebtedness then owed on the Loan. In February 2017, the Pure Foods filed for Chapter 11 reorganization bankruptcy protection following a production stoppage in October 2016. In March 2017, Memphis based Brimhall Foods, the parent of Brim's Snacks acquired the equipment formerly held by Pure Foods. In June 2017, Kingsport Foods Company (a newly formed Tennessee Corporation managed by Brimhall Foods) entered into a 10 year building lease with the IDBK. In May 2018, the IDBK terminated the lease agreement with Brimhall Foods and entered into a new lease agreement with Anita's Snack Foods Corp. The lease term is through March 2025 and includes a five-year renewal option. At June 30, 2018 the outstanding principal balance on the loan was \$5,173,000.

*Public Housing Redevelopment Plan.* In July 2016, the Municipality entered into an agreement with the Kingsport Housing & Redevelopment Authority (KHRA) to provide financial support in the program to redevelop public housing facilities within the Municipality. The estimated \$50,500,000 project will rehabilitate 378 existing public housing units and construct 51 replacement units. The Municipality has agreed to donate to KHRA up to a total of \$4,493,440, in annual amounts, beginning January 30, 2018, of \$224,672 over a twenty year period, in support of this project, if needed. The total amount of the donation will be limited to the amount needed to complete the project or \$4,493,440, whichever is less. Funds donated to the KHRA that are not used on the project, will be returned to the Municipality. KHRA received approval for approximately \$14,900,000 of Low Income Housing Tax Credits for this project in the spring 2018. Additional requests for LIHTC will be included in applications for award in the spring 2019.

*Downtown Property Acquisitions.* By resolution, adopted on September 6, 2016, to support IDBK's acquisition of certain properties in the downtown district, the Municipality entered into an agreement with IDBK to provide up to \$1,000,000 in economic development contributions, if needed. The IDBK owns certain Main Street properties which are in the process of being sold. It is anticipated that the proceeds from this property sale, along with funds currently held by IDBK, will be sufficient to fund the acquisition of the downtown properties. However, contributions from the Municipality may be needed if the IDBK is unable to finalize the closing on the Main Street property sale prior to the acquisition of the downtown property purchases. All contributions made to the IDBK by the Municipality, will be repaid by IDBK upon receipt of the proceeds from the sale of their property.

Source: City of Kingsport

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%. As portions of the

property are sold, IDBK will use the proceeds from the sales to reduce the principal balance outstanding on the loan. In the event net rental income from leases and rental agreements on the property, and the sale of part or all of the property, is not sufficient to cover the annual interest portion of the debt service on the loan, the City has approved an agreement with the IDBK to provide an annual contribution to the IDBK in an amount up to the required annual debt service interest on the loan, which is \$52,587. On October 19, 2017 the IDBK sold the property. The proceeds from the sale of the property retired the full principal balance outstanding of \$ 1,785,000.

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 are to provide funding for an economic development project known as the Aerospace Park Project. The City of Kingsport entered into this agreement on November 8, 2017. On March 29, 2018, the Airport Authority issued \$8,500,000 of Aerospace Park Bonds, Series 2018. The City of Kingsport’s pro rata share of this debt is \$1,589,500 (18.7%). As a part of the intergovernmental financing agreement, each authority member entered into a Guaranty Agreement, in which, they pledged 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. The City’s portion of the annual debt service on these bonds will range from between \$109,500 to \$118,000 through June 30, 2038.

Source: City of Kingsport

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**

The following table depicts major revenue sources for all governmental activities for the most recent 10 fiscal years:

<b>FY Year</b>	<b>Property Tax</b>	<b>All Sales Taxes</b>	<b>Hall Income Tax<sup>(1)</sup></b>	<b>Business Tax</b>	<b>Alcoholic Beverage Tax</b>	<b>Hotel/Motel Tax</b>	<b>Total</b>
2017	\$59,329,621	\$34,602,066	\$867,272	\$6,655,136	\$1,928,659	\$1,686,532	\$105,069,286
2016	57,058,121	34,386,506	1,068,350	2,103,921	1,924,222	1,677,590	98,218,710
2015	55,935,014	32,690,121	1,115,663	2,068,944	1,847,187	1,564,355	95,221,284
2014	52,677,994	30,753,163	893,978	1,806,045	1,800,932	1,643,053	89,575,167
2013	50,347,648	29,687,264	709,109	1,845,565	1,742,979	1,507,778	85,840,343
2012	48,236,082	29,469,816	609,312	1,746,264	1,778,471	1,499,600	83,339,545
2011	47,144,856	27,514,740	555,283	1,681,523	1,617,478	1,380,588	79,894,468
2010	45,938,645	26,304,997	577,363	1,589,591	1,549,521	1,300,766	77,260,883
2009	45,003,403	27,003,900	957,062	1,673,312	1,575,636	1,241,227	77,454,540
2008	43,181,138	27,531,437	1,324,987	1,951,834	1,459,593	1,381,161	76,830,150

(1) In the 2016 General Assembly of the State of Tennessee, the State Budget calls for a phase out of the Hall Income Tax on interest and dividends from investments. Since its enactment in 1929, the tax rate has been 6% which applied to all taxable income derived from interest and dividends greater than \$1,250 per person or \$2,500 for married couples filing jointly. The State Budget reduces the tax by 1.0% to 5.0% with the intent of phasing it out altogether by 2021. Based on the situs of collections, local jurisdictions such as the Municipality receive 0.0375% of the total tax. There are no “hold-harmless” provisions for local jurisdictions.

Source: Comprehensive Annual Financial Reports of the City of Kingsport and various news accounts.

## **BUDGETARY PROCESS**

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 Board of Mayor and Aldermen a preliminary budget for the upcoming fiscal year, by May 15. The preliminary budget is compiled from revenue and expense projections as well as requests submitted by each department. The Board of Mayor and Aldermen must pass the preliminary budget on two readings before it is adopted and becomes the approved spending plan for the Municipality.

The City Manager has the authority to transfer the unused portion of any items 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 Board of Mayor and Aldermen. Expenditures may not exceed appropriations at the fund level. Supplemental appropriations may be authorized by the Board of Mayor and Aldermen through the adoption of appropriate ordinances during the year.

Formal budgetary accounting is employed as a management control for all funds of the Municipality. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund, certain special revenue funds (criminal forfeiture, drug, state street aid, regional sales tax, Eastman annex tax, Steadman cemetery, public library commission, Bays Mountain, senior citizen 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.

Source: Comprehensive Annual Financial Report of the City of Kingsport, Tennessee

## **INVESTMENT AND CASH MANAGEMENT PRACTICES**

The Municipality'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 deposits and investments, including repurchase agreements. These restrictions are summarized as follows:

Custodial credit risk is the risk that in the event of bank failure, deposits may not be returned to the Municipality. All deposits were insured through FDIC or collateralized as required by Title 9, Chapter 1, Section 118, Tennessee Code Annotated.

Total demand deposits and certificates of deposit for the Municipality are held generally 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.

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

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

Specifically, the LGIP was established under Tennessee Code Annotated Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP 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 Tennessee LGIP has not been rated by a nationally recognized statistical rating organization.

Source: Comprehensive Annual Financial Report of the City of Kingsport, TN

## **REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES**

*Taxation of Property.* Under the Tennessee Constitution (the "Constitution") and laws of the State, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required by the Constitution to be classified into four sub-classifications and assessed at the rates as follows:

- (a) Public Utility Property - includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property - includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose, to be assessed at 40% of its value;
- (c) Residential Property - includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit, to be assessed at 25% of its value; and
- (d) Farm Property - includes all real property used or held for use in agriculture, to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property - assessed at 55% of its value;
- (b) Industrial and Commercial Property - assessed at 30% of its value; and
- (c) All other Tangible Personal Property - assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State for purposes of taxation.

The Constitution requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

*Taxation.* The Constitution empowers the General Assembly to authorize the several counties and incorporated municipalities in the State to impose taxes for county and municipal



purposes in the manner prescribed by law. Under Tennessee Code Annotated, the General Assembly has authorized the counties and incorporated municipalities to levy an ad valorem tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the legislative body of each jurisdiction based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

*Assessment of Property.* All assessments of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local boards of equalization begin their annual sessions.

The boards of equalization are required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

*State Assessments of Public Utility Property.* The State Comptroller of the Treasury (the "Comptroller") is authorized and directed under State law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by law.

On or before the first Monday in August of each year, the assessments are required to be completed and the Comptroller is required to send a notice of assessment to each company assessable. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the Comptroller, who may change or affirm the valuation. On or before the first Monday in September of each year, the Comptroller is required to file with the State Board of Equalization ("State Board") assessments so made. The State Board is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the Comptroller.

The State Board has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board is final and conclusive as to all

matters passed upon by the State Board, subject to judicial review consisting of a new hearing in chancery court.

*Periodic Reappraisal and Equalization.* Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board, by a continuous four-year cycle comprised of an on-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State.

*Certified Tax Rate.* Upon a general reappraisal of property as determined by the State Board, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate ("Certified Tax Rate") which will provide the same ad valorem revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

No tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

*Tax Freeze for the Elderly Homeowner.* The Constitution was amended in November, 2006 to authorize the General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible.

*Tax Collection and Tax Lien.* County Property taxes are payable the first Monday in October of each year although cities and towns may follow different calendars based on their Charter requirements. Unless a city or town collects its own taxes as it is permitted to do, the county trustee of each county acts as the collector of all county property taxes.

The taxes assessed by the State, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

*Taxation in the Municipality.* Unlike counties, all property taxes of the Municipality are due on November 1 of each year based upon appraisals as of January 1 of the same calendar year. All property taxes levied in the Municipality are delinquent on December 1 of the same calendar year. Delinquent taxes begin accumulating penalties after November 1 at a rate of 2.0% for November and December and at a rate of 1.0% for each month thereafter that taxes remain unpaid.

*Assessed Valuations.* As of April 19, 2018 according to the Tennessee State Board of Equalization, property in Sullivan County reflected a ratio of appraised value to true market value of 1.0000. Sullivan County is on a 4 year appraisal cycle. The current county-wide reappraisal in Sullivan County was certified and became effective as of January 1, 2017 (fiscal year 2018).

Approximately 3.7% of the Municipality is located in Hawkins County. Property in Hawkins County reflected a ratio of appraised value to true market value of 0.9593 according to the State resulting ratio adjustment in 2018. Hawkins County is on a 5 year appraisal cycle. The next county-wide appraisal in Hawkins County will occur in 2021. Public utility assessments have been equalized and certified by the State after adjustment resulting from reappraisals or from sales studies.

*Assessed Values and Estimated Actual Values of the Municipality.* The table below depicts total combined historical data for all property in Sullivan and Hawkins Counties.

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		<b>Real Property</b>			<b>Tangible Personal Property</b>	<b>Public Utility Property</b>	<b>Total Assessed Value<sup>(2)</sup></b>	<b>Estimated Actual Value</b>	<b>City Tax Rate<sup>(3)</sup></b>
<b>FY</b>	<b>Tax Year</b>	<b>Industrial/Commercial<sup>(2)</sup></b>	<b>Residential</b>	<b>Farm</b>					
2018	2017*	\$694,744,760	\$705,144,825	\$8,725,700	\$427,718,763	\$51,548,491	\$1,885,882,539	\$6,128,818,929	\$1.9750
2017	2016**	683,001,600	669,506,750	5,884,550	373,491,950	53,030,272	1,784,915,122	5,968,712,220	2.0700
2016	2015	676,921,040	666,829,550	6,078,225	369,493,327	51,832,005	1,771,157,147	5,734,328,781	2.0700
2015	2014*	670,533,560	661,774,175	6,327,100	403,466,509	53,756,776	1,795,858,120	5,816,219,071	2.0700
2014	2013	661,117,320	656,652,875	6,122,250	407,237,524	52,692,551	1,785,012,769	5,784,231,932	1.9400
2013	2012	637,745,231	632,822,600	6,301,400	352,511,056	47,486,322	1,678,554,710	5,763,618,186	1.9700
2012	2011**	636,935,120	588,474,175	5,983,325	359,875,528	51,988,058	1,643,256,206	5,604,513,479	1.9700
2011	2010*	625,090,560	569,650,900	5,913,398	386,518,022	54,411,500	1,641,584,382	5,305,111,318	1.9400
2010	2009	608,769,000	536,498,100	5,788,225	407,493,801	48,431,779	1,606,980,905	5,136,863,657	1.9400
2009	2008 <sup>(1)</sup>	479,385,760	451,915,375	4,772,725	345,092,059	40,551,109	1,321,717,028	5,026,787,103	2.3000
	<b>Rate</b>	<b>40%</b>	<b>25%</b>	<b>25%</b>	<b>30%</b>	<b>55%</b>			

<sup>(1)</sup> In tax year 2008, Quebecor Printing which closed in October 2006 reduced assessments as did the new Eastman PILOT.

<sup>(2)</sup> A material portion of the Municipality's property tax revenue is derived from one taxpayer, the loss of which would have a material effect on the Municipality. During the tax year 2017, assessments for this one taxpayer accounted for approximately 24% of the total property tax assessment.

<sup>(3)</sup> Direct tax rate paid by residents in the Sullivan County portion of the Municipality. Residents located in the Hawkins County portion of the Municipality pay a different rate. Residents in the Municipality in Hawkins and Sullivan Counties also pay a separate tax to each jurisdiction.

\* Reappraisal in the Sullivan County portion of the Municipality.

\*\* Reappraisal in the Hawkins County portion of the Municipality.

Source: Tax Aggregate Reports of Tennessee published by the State Board of Equalization and The Comprehensive Annual Financial Reports of the City of Kingsport, Tennessee.

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*Property Tax Levies, Rates and Collections.* The following table depicts property tax levies and collections for fiscal years ending June 30, 2008 through 2018:

<u>FY</u>	<u>Tax Year</u>	<u>Combined Assessed Valuation</u> <sup>(2)</sup>	<u>Sullivan County Tax Rates</u>		<u>Hawkins County Tax Rates</u>		<u>City Fiscal Year Collections</u> <sup>(1)</sup>		
			<u>City Rate</u>	<u>County Rate</u>	<u>City Rate</u>	<u>County Rate</u>	<u>Adjusted Taxes Levied</u> <sup>(3)</sup>	<u>Amount</u> <sup>(3)</sup>	<u>Pct. Adj. Levy</u>
2018	2017*	\$1,885,882,539	\$1.9750	\$2.5500	\$1.9750	\$2.5323		In Process	In Process
2017	2016**	1,784,915,122	2.0700	2.5754	2.0100	2.5323	38,947,473	38,148,030	97.95%
2016	2015	1,771,157,147	2.0700	2.5754	2.0100	2.4650	37,786,449	36,831,749	97.47%
2015	2014	1,795,858,120	2.0700	2.3054	2.0100	2.4650	38,090,183	37,242,618	97.77%
2014	2013*	1,785,012,769	1.9400	2.3054	1.8800	2.3450	35,124,139	34,296,096	97.64%
2013	2012	1,678,554,710	1.9700	2.3307	1.8500	2.3450	33,610,542	32,509,564	96.72%
2012	2011**	1,643,256,206	1.9700	2.1307	1.8500	2.3450	32,696,105	31,684,065	96.45%
2011	2010	1,641,584,382	1.9400	2.1307	2.2400	2.7050	32,297,608	31,071,305	96.20%
2010	2009*	1,606,980,905	1.9400	2.1307	2.2700	2.7050	31,198,267	30,151,757	96.65%
2009	2008 <sup>(1)</sup>	1,321,717,028	2.3000	2.5300	2.2500	2.6100	30,535,512	29,616,908	96.99%

<sup>(1)</sup> In tax year 2008, Quebecor Printing which closed in October 2006 reduced assessments as did the new Eastman PILOT.

<sup>(2)</sup> A material portion of the Municipality's property tax revenue is derived from one taxpayer, the loss of which would have a material effect on the Municipality. During the tax year 2017, assessments for this one taxpayer accounted for approximately 24% of the total property tax assessment.

<sup>(3)</sup> Includes amounts derived from PILOT agreements.

\* Reappraisal in the Sullivan County portion of the Municipality.

\*\* Reappraisal in the Hawkins County portion of the Municipality.

Source: Tax Aggregate Reports of Tennessee published by the State Board of Equalization, Tennessee Comptroller's website and the City of Kingsport.

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*Ten Largest Taxpayers.* According to the Municipality, the 10 largest taxpayers for the FYE June 30, 2018 (Tax Year 2017) as compared to June 30, 2009 (Tax Year 2008) were as follows:

<b>CITY OF KINGSPORT, TENNESSEE PRINCIPAL PROPERTY TAXPAYERS For The Fiscal Years Noted</b>						
<b>Taxpayer</b>	<b>2018</b>			<b>2009</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
Eastman	\$ 458,078,995	1	24.3%	\$ 348,428,573	1	26.3%
Domtar, Inc (Weyerhaeuser Co/ Willamette Industries)	42,078,138	2	2.2%	23,439,943	2	1.8%
Holston Family Practice	26,502,447	3	1.4%			0.0%
Kingsport Power Company (AEP)	23,762,641	4	1.3%	15,138,731	4	
Inland Western Kpt East Stone LLC - Clara F Jackson	16,539,880	5	0.9%	8,977,880	7	0.7%
Wellmont Health System/ Holston Valley Health Care	15,787,218	6	0.8%	19,720,117	3	
Eastman Credit Union	13,912,454	7	0.7%	8,703,596	9	
Mountain States Health / HCA	13,395,593	8	0.7%	9,844,445	6	0.7%
Wal Mart Properties/Real Estate	12,353,023	9	0.7%	8,601,440	10	0.7%
Kingsport Hotel LLC	9,527,050	10	0.5%			0.0%
Fort Henry Mall - Baltry, LLC				13,297,885	5	1.0%
Sprint/United Inter-Mountain Telephone Southeast				8,815,371	8	0.7%
<b>Totals</b>	<b>\$ 631,937,439</b>		<b>33.5%</b>	<b>\$ 464,967,981</b>		<b>31.9%</b>
Total Taxable Assessed Value:						
FYE 2018 (Tax Year 2017)	\$ 1,882,217,169					
FYE 2009 (Tax Year 2008)	1,322,327,705					

Source: City of Kingsport

## LOCAL OPTION SALES TAX

Pursuant to applicable provisions of Title 67, Chapter 6, Part 7 of *Tennessee Code Annotated* as amended (the "Sales Tax Act"), Sullivan County and Hawkins County levy a county-wide local option sales and use tax. Under the Sales Tax Act, counties and incorporated cities may levy sales and use tax on the same privileges on which the State levies its sales and use tax. The rate of any sales and use tax levied by a county or city is limited under State law to 2.75%.

Pursuant to the Sales Tax Act, the levy of a sales and use tax by a county precludes any city from within the county from levying a sales and use tax, but a city may levy a sales tax in addition to the county's sales tax at a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of 2.75%. If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of

determining the maximum sales tax rate. Currently, Sullivan County levies a 2.25% sales tax, but the Municipality has elected to add an additional 0.25% to all sales within that portion of the corporate limits of the Municipality located in Sullivan County bringing the total to 2.50% in the Sullivan County portion of the Municipality. These funds go directly to the Regional Fund which is used to support capital improvements associated with the Municipality’s Meadow View Convention Center and Resort as well as the Kingsport Aquatics Center. The local option sales tax levied by Hawkins County equals the maximum rate allowed by the Sales Tax Act of 2.75%.

The revenues from the county-wide sales and use taxes in Sullivan and Hawkins Counties are distributed pursuant to the provisions of the Sales Tax Act and other provisions of the Tennessee Code Annotated. Fifty percent (50.0%) of the revenues raised through the county-wide sales taxes are directed to educational purposes and are distributed to all organized public school systems in the county (including the Kingsport City School System) in which the taxes are collected based upon the average daily attendance of each school system. The balance of the sales tax collections are divided between the general fund of the county in which the taxes are collected and all incorporated cities in such county based upon the situs of collection unless a separate agreement has been ratified concerning the distribution of these funds. As noted, the Regional Fund receives all the proceeds from the special 0.25% increment.

The distribution of the sales tax for the most recent fiscal years was as follows:

<b>Fiscal Year</b>	<b>City-Wide Total Sales Tax</b>	<b>FY % Change</b>	<b>General Fund</b>	<b>Regional Fund<sup>(1)</sup></b>
2018*	\$21,558,705	3.02%	\$17,706,527	\$3,851,548
2017	20,925,314	(1.67%)	17,177,049	3,748,265
2016	21,282,094	3.70%	17,474,902	3,807,192
2015	20,522,223	5.83%	16,848,127	3,674,106
2014	19,390,768	3.05%	15,901,590	3,489,178
2013	18,816,178	1.42%	15,439,975	3,376,203
2012	18,789,437	5.68%	15,432,814	3,356,623
2011	17,778,766	4.17%	14,594,959	3,183,807
2010	17,067,113	(3.22)%	14,009,678	3,057,435
2009	17,634,903	(1.23)%	14,478,441	3,156,462

<sup>(1)</sup> One quarter percent (0.25%) is levied by the Municipality only in that portion of the Municipality located in Sullivan County (the “Regional Fund”) and has been and will be used to offset the costs related to the Municipality’s Meadowview Conference Center and Resort and related facilities and the Aquatics Center and Water park which serve the Municipality and the region. All totals are depicted on an accrued basis as of the end of the appropriate fiscal year.

\* For FY2018, the amounts shown are preliminary and subject to final audit.

Source: Comprehensive Annual Financial Report and the Municipality.

As allowed by the Sales Tax Act, the Municipality formally has pledged revenues to be derived from the 0.25% local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County to the payment of both principal and interest on its

\$15,180,000 Local Option Sales Tax Revenue and Tax Bonds, Series 2009C Bonds, dated February 3, 2009 (the “Series 2009C Bonds”). The Series 2009C Bonds mature on March 1, 2019 through March 1, 2022, inclusive, on March 1, 2024, on March 1, 2025 through March 1, 2027, inclusive, and on March 1, 2029. In the event of a deficiency of such revenues, the Municipality has pledged such payments from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the prompt payment of the Series 2009 C Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality has been irrevocably pledged. Series 2009C Bonds maturing on and after March 1, 2020 which are callable on March 1, 2019 were advance refunded by the Series 2016A Bonds as defined and described below.

The Municipality’s \$26,415,000 General Obligation Public Improvement Bonds, Series 2009D (Federally Taxable Build America Bonds), dated December 8, 2009 and maturing on March 1, 2019 through March 1, 2027, on March 1, 2029 and on March 1, 2030 (the “Series 2009D Bonds”) are also payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the prompt payment of the Series 2009D Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality has been irrevocably pledged. Approximately, 5.9% of the proceeds of the Series 2009D Bonds were used to fund the acquisition, development and construction of additional improvements to Municipality’s Meadow View Convention Center and area roads.

The Municipality’s \$14,225,000 General Obligation Bonds, Series 2009E, dated December 8, 2009 and maturing on March 1, 2019 through March 1, 2023, inclusive and on March 1, 2025, on March 1, 2027 and on March 1, 2028 through March 1, 2030, inclusive (the “Series 2009E Bonds”) are also payable from revenues derived from the 0.25% local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County, Tennessee. One hundred percent (100.0%) of the proceeds of the Series 2009E Bonds were used to fund the acquisition, development and construction of the Municipality’s new aquatics center and Water Park and related facilities. Debt service related to these projects is paid from revenues derived from the 0.25% local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County, Tennessee. Series 2009E Bonds maturing on March 1, 2020 and thereafter which are callable on March 1, 2019 were advance refunding by the Municipality’s Series 2016B Bonds as defined and described below.

The Municipality’s General Obligation Public Improvement Bonds, Series 2012A dated June 22, 2012 (the “Series 2012A Bonds”) are also payable from revenues derived from the 0.25% local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County, Tennessee.

The Municipality’s \$9,210,000 General Obligation Refunding Bonds, Series 2016A, dated May 17, 2016, and \$9,060,000 General Obligation Refunding Bonds, Series 2016B, dated May 17, 2016 were used to refund in part the Series 2009C Bonds and the Series 2009E Bonds. To the extent the proceeds of the Series 2009C Bonds and the Series 2009E Bonds were used to fund projects secured by a pledge of the revenues to be derived from the 0.25% local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County, Tennessee,



the Series 2016A Bonds and the Series 2016B Bonds are additionally payable from, but not secured by, such local option sales tax revenues.

Of the Municipality’s \$21,335,000 General Obligation Public Improvement Bonds, Series 2016, dated November 4, 2016 (the “Series 2016 Improvement Bonds”), \$3,270,000 were used to fund projects subject to the 0.25% local option sales tax levied by the Municipality within the corporate limits and within Sullivan County, Tennessee. The Series 2016 Improvement Bonds were secured by the Municipality’s general obligation pledge and payable from, but not secured by, such local option sales tax revenues.

The Municipality’s General Obligation Improvement Bonds, Series 2018C, dated September 21, 2018 are being used to fund projects subject to the 0.25% local option sales tax levied by the Municipality within the corporate limits and within Sullivan County, Tennessee. The Series 2018C Bonds are secured by the Municipality’s general obligation pledge and payable from, but not secured by, such local option sales tax revenues.

**TOP TEN WATER CUSTOMERS**

The Municipality’s Water Treatment facility has a capacity of 28 MGD (WTP capacity). Water is distributed through nearly 850 miles of waterlines. There are currently 34,993 total customers (12,250 outside the Municipality).

<b>CITY OF KINGSPORT, TENNESSEE</b>		
<b>TOP TEN WATER CUSTOMERS</b>		
<b>For the Fiscal Year Ended June 30, 2018</b>		
<u>Customer Name</u>	<u>Consumption (in gallons)</u>	<u>Revenue</u>
Eastman	841,637,852	\$ 1,570,028
BAE Systems	84,781,800	150,577
Domtar Paper Company, LLC	69,638,300	115,552
Wellmont Health System	39,779,400	74,786
Kingsport Housing Authority	31,183,700	69,480
Allandale Falls Apt, LLC	17,018,800	30,694
North Greene Utility District	10,631,300	28,705
Cross Creek Apartments	9,722,700	27,565
Model City II, L.P.	9,785,400	23,441
Tuscany Villas / Stoneview Homes LLC	12,248,500	22,908
	1,126,427,752	\$ 2,113,735

Source: City of Kingsport Finance Department. In the Comprehensive Annual Financial Report referenced in Appendix D, information is available on the current rate structure.

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**TOP TEN WASTEWATER CUSTOMERS**

The Municipality’s Wastewater Treatment facility has a current capacity of 12.4 MGD. Wastewater is collected through nearly 591 miles of sewer lines. There are currently about 22,184 total connections (987 outside the Municipality).

<b>CITY OF KINGSPORT, TENNESSEE</b>		
<b>TOP TEN SEWER CUSTOMERS</b>		
<b>For the Fiscal Year Ended June 30, 2018</b>		
<u>Customer Name</u>	<u>Treatment (in gallons)</u>	<u>Revenue</u>
Eastman	205,766,100	\$ 1,581,965
Kingsport Housing Authority	31,042,900	239,933
BAE Systems	27,199,800	208,622
Wellmont Health System	20,426,400	156,732
Allandale Falls Apt, LLC	17,018,800	130,534
Tuscany Villas / Stoneview Homes LLC.	12,248,500	93,946
Domtar Paper Co, LLC	11,140,300	85,495
Model City II, L.P.	9,785,400	75,054
Rental Uniform	8,798,300	67,483
Holston Manor	8,681,900	66,590
	352,108,400	\$ 2,706,355

Source: City of Kingsport Finance Department. In the Comprehensive Annual Financial Report referenced in Appendix D, information is available on the current rate structure.

**PENSION PLANS**

For information on the Pension Plans of the Municipality, please refer to the appropriate Note to Financial Statements located in the Comprehensive Annual Financial Report of the Municipality which may be accessed as described in APPENDIX D.

**OTHER POST-EMPLOYMENT BENEFITS**

For information on Other Post-Employment Benefits (“OPEB”) of the Municipality, please refer to the appropriate Note to Financial Statements located in the Comprehensive Annual Financial Report of the Municipality which may be accessed as described in APPENDIX D.

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**APPENDIX C**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**CITY OF KINGSPORT, TENNESSEE**

**\$7,040,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2018A**  
**\$5,275,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2018B**  
**\$2,360,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2018C**

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**CONTINUING DISCLOSURE CERTIFICATE**

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This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Kingsport, Tennessee (the “Municipality”) in connection with the issuance of \$7,040,000 General Obligation Improvement Bonds, Series 2018A, \$5,275,000 General Obligation Improvement Bonds, Series 2018B and \$2,360,000 General Obligation Improvement Bonds, Series 2018C (collectively, the “Bonds”), dated the date of original issuance and delivery. The Bonds are being issued pursuant to the resolutions adopted by the Board of Mayor and Aldermen of the Municipality on August 21, 2018 (collectively, the “Resolution”). The Municipality covenants and agrees as follows:

SECTION 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Municipality for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5).

SECTION 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access (“EMMA”) System at [www.emma.msrb.org](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which applies to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Municipality pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall initially mean Regions Bank and thereafter, any successor Dissemination Agent designated in writing by the Municipality and which has filed with the Municipality a written acceptance of such designation.

“Material Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board located at 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b) (5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of Tennessee.

### SECTION 3. Provision of Annual Reports.

(a) The Municipality shall, or shall cause the Dissemination Agent to, not later than twelve months after the end of the Municipality’s fiscal year, commencing with the report for the fiscal year ending June 30, 2018, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross- reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Municipality may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Municipality’s fiscal year changes, it shall give notice of such change in the same manner as for a Material Event under Section 5(c) hereof.

(b) Not later than fifteen (15) Business Days prior to said date, the Municipality shall provide the Annual Report to the Dissemination Agent (if other than the Municipality). If the Municipality is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Municipality shall send a notice to the MSRB in substantially the form of Exhibit A attached hereto.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Municipality), file a report with the Municipality certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The Municipality’s Annual Report shall contain or include by reference the audited financial statements of the Municipality for the prior fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the Municipality’s audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar

to the financial statements contained in the final Preliminary Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

The Annual Report shall also include the following information in a format similar to that included in the “Preliminary Official Statement”, dated September 6, 2018 relating to the Bonds (the “Preliminary Official Statement”):

1. Summary of long-term indebtedness as of the end of such fiscal year;
2. The indebtedness and debt ratios as of the end of such fiscal year, together with information regarding the property tax base;
3. Information regarding general obligation debt service requirements;
4. Information about the revenue and tax backed debt service requirements as of the end of such fiscal year;
5. The fund balances and retained earnings for the fiscal year;
6. Summary of revenues, expenditures, and changes in fund earnings – general fund for the fiscal year;
7. Summary of revenues, expenditures, and changes in retained balances – water fund and the sewer fund;
8. The estimated assessed value of property in the Municipality for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year;
9. Property tax rates and tax collections of the Municipality for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year;
10. The ten largest taxpayers; and
11. Information regarding the Municipality’s share of the Local Option Sales Tax.

Any or all of the items listed above may be included by specific reference to other documents, including “Preliminary Official Statements” of debt issues of the Municipality or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final “Official Statement”, it must be available from the MSRB. The Municipality shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Material Events.

(a) Pursuant to the provisions of this Section 5, the Municipality shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Modifications to rights of Bondholders, if material.
4. Bond calls, if material, and tender offers.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701- TEB)

or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

8. Unscheduled draws on the debt service reserves reflecting financial difficulties.
9. Unscheduled draws on the credit enhancements reflecting financial difficulties.
10. Substitution of the credit or liquidity providers or their failure to perform.
11. Release, substitution or sale of property securing repayment of the Bonds, if material.
12. Bankruptcy, insolvency, receivership or similar event of the Municipality.
13. The consummation of a merger, consolidation, or acquisition involving the Municipality or the sale of all or substantially all of the assets of the Municipality, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of the name of a trustee, if material.

For purposes of the event identified in subsection (a)12 above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Municipality in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Municipality, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Municipality.

(b) When a Material Event occurs, the Municipality shall, in a timely manner not in excess of ten business days after the occurrence of the Material Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Material Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolutions.

(c) Unless otherwise required by law, the Municipality shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

**SECTION 6. Termination of Reporting Obligation.** The Municipality's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Municipality shall give notice of such termination in the same manner as for a Material Event under Section 5(c).

**SECTION 7. Dissemination Agent.** The Municipality may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Municipality pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Regions Bank.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Municipality may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and,
- (c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Resolutions for amendments to the Resolutions with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Municipality shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Municipality. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Material Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Municipality from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Municipality chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Municipality shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

SECTION 10. Default. In the event of a failure of the Municipality to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Municipality to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under



the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Municipality to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities, and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and to the extent permitted by Tennessee law, the Municipality agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Municipality under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Municipality, the Dissemination Agent, the Participating Underwriters, and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: September \_\_, 2018

CITY OF KINGSPORT, TENNESSEE

By: \_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
Chief Financial Officer and City Recorder

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
CITY OF KINGSPORT, TENNESSEE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This document and similar documents for a number of prior fiscal years may be found in electronic, searchable format on the City of Kingsport's official web site:

<https://www.kingsporttn.gov/government/finance-department/financial-reports/>

The Comprehensive Annual Financial Reports are hereby incorporated by reference as APPENDIX D. To the extent there are any differences between the electronically posted financial statements of the Municipality, the printed version shall control.

The Municipality's independent auditors have not been engaged to perform and have not performed any procedures on the financial statements addressed in that report since the date of its report included herein. Additionally, no procedures have been performed relating to this "Official Statement".