

*City of Kingsport  
Tennessee  
Comprehensive Annual  
Financial Report*



*Fiscal Year Ended June 30, 2014*

**City of Kingsport, Tennessee**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2014**



**Prepared By**  
**The Finance Department**  
**James H. Demming, City Recorder**

**CITY OF KINGSPORT, TENNESSEE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2014**

**TABLE OF CONTENTS**

	Page
<b>I. INTRODUCTORY SECTION (UNAUDITED)</b>	
Letter of Transmittal	1
GFOA Certificate of Achievement	7
Organizational Chart	8
History and Organization	9
List of Principal Officials	10
<b>II. FINANCIAL SECTION</b>	
Independent Auditors' Report	11
<b>A. MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	14
<b>B. BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	27
Statement of Activities	28
<b>Fund Financial Statements</b>	
<b>Governmental Fund Financial Statements</b>	
Balance Sheet	29
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	31
Statement of Revenues, Expenditures, and Changes in Fund Balances	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	34
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	35
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Purpose School Fund	38
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Position	40
Statement of Revenues, Expenses, and Changes in Fund Net Position	42
Statement of Cash Flows	43
<b>Notes to the Financial Statements</b>	45
<b>Required Supplementary Information</b>	
Schedule of Funding Progress - Defined Benefit Pension Plan	142
Schedule of Funding Progress - Post Employment Healthcare Plans	143
<b>C. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES</b>	
<b>Major Governmental Funds</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Debt Service Fund	144

**CITY OF KINGSPORT, TENNESSEE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2014**

**TABLE OF CONTENTS**

	Page
<b>Nonmajor Governmental Funds</b>	
Combining Balance Sheet	145
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	146
Combining Balance Sheet - Nonmajor Governmental Funds - Public Safety	147
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Public Safety	148
Combining Balance Sheet - Nonmajor Governmental Funds - Transportation	149
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Transportation	150
Combining Balance Sheet - Nonmajor Governmental Funds - Culture and Recreation	151
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Culture and Recreation	152
Combining Balance Sheet - Nonmajor Governmental Funds - Education	153
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Education	154
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Criminal Forfeiture Fund	155
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Drug Fund	156
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - State Street Aid Fund	157
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Regional Sales Tax Revenue Fund	158
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Visitors Enhancement Fund	159
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Steadman Cemetery Fund	160
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Public Library Commission Fund	161
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Bays Mountain Park Fund	162
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Senior Citizens Advisory Board Fund	163
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - School Nutrition Services Fund	164
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Palmer Center Fund	165
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Allandale Trust Fund	166
<b>Nonmajor Enterprise Funds</b>	
Combining Statement of Net Position	167
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	169
Combining Statement of Cash Flows	170

**CITY OF KINGSPORT, TENNESSEE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2014**

**TABLE OF CONTENTS**

	Page
<b>Internal Service Funds</b>	
Combining Statement of Net Position	172
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	173
Combining Statement of Cash Flows	174
<b>Discretely Presented Component Units</b>	
Statement of Cash Flows	175
 <b>D. SUPPLEMENTAL INFORMATION</b>	
<b>Capital Assets Used in the Operation of Governmental Funds</b>	
Comparative Schedules by Source	176
Schedule by Function and Activity	177
Schedule of Changes by Function and Activity	179
<b>Other</b>	
Schedule of Operating Costs - Enterprise Funds	180
Schedule of Operating Costs - Nonmajor Enterprise Funds	181
Schedule of Expenditures of Federal Awards	182
Schedule of Expenditures of State Awards	186
 <b>III. STATISTICAL SECTION (UNAUDITED)</b>	
Net Position by Component	188
Changes in Net Position	189
Governmental Activities Tax Revenues by Source	191
Fund Balances of Governmental Funds	192
Changes in Fund Balances of Governmental Funds	193
General Government Tax Revenues by Source	195
Assessed Value and Estimated Actual Value of Taxable Property	196
Property Tax Rates - Direct and Overlapping Governments	197
Principal Property Taxpayers	198
Property Tax Levies and Collections	199
Schedule of Changes In Property Tax Receivable	200
Local Option Sales Tax Collections	201
Ratios of Outstanding Debt by Type	202
Ratios of General Bonded Debt Outstanding	203
Direct and Overlapping Governmental Activities Debt	204
Legal Debt Margin Information	205
Pledged-Revenue Coverage	206
Demographic and Economic Statistics	207
Principal Employers	208
Full-Time Equivalent City Government Employees by Function	209
Operating Indicators by Function	210
Capital Asset Statistics by Function	211
Utility Rate Structure and Number of Customers	212

**CITY OF KINGSPORT, TENNESSEE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2014**

**TABLE OF CONTENTS**

	Page
Schedule of Unaccounted for Water - AWWA Reporting and Performance	
Indicators Worksheets	213
Top Ten Water Customers	215
Top Ten Sewer Customers	216
Schedule of Bonds Payable - Future Requirements	217
Salaries and Surety Bonds of Principal Officials	218
Schedule of Insurance in Force	219
 <b>IV. COMPLIANCE SECTION</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	220
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	222
Schedule of Findings and Questioned Costs	224
Summary Schedule of Prior Audit Findings	227





## CITY OF KINGSPORT, TENNESSEE

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December 30, 2014

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Kingsport for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the City of Kingsport. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Kingsport has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Kingsport's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Kingsport's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Brown, Edwards & Company, L.L.P., a firm of licensed certified public accountants, have issued an unmodified ("clean") opinion on the City of Kingsport's financial statements for the fiscal year ended June 30, 2014. The independent auditors' report is located at the front of the financial section of this report.

The independent audit of the financial statements of the City of Kingsport was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the compliance report section of this CAFR.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Kingsport's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City of Kingsport was incorporated in 1917 and operates under a council-manager form of government. It is located in the northeast part of the state. The City currently occupies a land area of approximately 53 square miles and serves a population of 51,274. Its established urban growth boundary encompasses 107 square miles which provides potential areas for the City to expand its corporate limits in the future. The City is authorized by state statutes to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Board of Mayor and Aldermen.

The City of Kingsport has operated under the council-manager form of government since 1917. Policy-making and legislative authority are vested in the Board of Mayor and Aldermen (BMA) consisting of the mayor and six other members. The BMA is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees, and hiring the City Manager. The City's Manager is responsible for carrying out the policies and ordinances of the BMA, for overseeing the day-to-day operations of the City and for appointing the heads of various departments. The BMA is elected on a non-partisan basis. Board members serve four-year staggered terms, with an election every two years. The Mayor is elected to serve a two-year term. The City Manager serves at the pleasure of the Board.

The City of Kingsport provides a full range of services, including police, fire and rescue, elementary and secondary education, street construction and maintenance, planning and zoning, parks and recreation, cultural events, public transportation and general administrative services. In addition, water and sewer service, storm water management, solid waste collection, aquatic center, convention center and golf course are provided under an Enterprise Fund concept with user charges established by the BMA to ensure adequate coverage of operating expenses and payments on outstanding debt. Vehicle maintenance and replacement and self-insurance activities are provided through Internal Service Funds. The City of Kingsport provides water and sewer service and solid waste collection service outside the city limits.

The City is financially accountable for two legally separate organizations; the Industrial Development Board of Kingsport and the Emergency Communications District of Kingsport. Both of these organizations are reported separately within the City's financial statements. Additional information on these legally separate entities can be found in the notes to the financial statements (see note 1.A).

The annual budget serves as the foundation for the City of Kingsport's financial planning and control. All departments of the City of Kingsport are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the BMA for review by May 15<sup>th</sup>. The BMA is required to hold two public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Kingsport's fiscal year. The appropriation budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department and between departments within any fund. Transfers of appropriations between funds, however, require the approval of the BMA. Budget-to-actual comparisons are provided in this report. The general fund comparison is presented on pages 35 through 37 as part of the basic financial statements for the City's funds.

## **Factors Affecting Financial Condition**

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



**Local Economy** Kingsport is the largest City in the Kingsport - Bristol, TN – Bristol, VA Metropolitan Statistical Area which has a population of 308,899. On a regional basis, there are approximately 416,000 persons living within a radius of 25 miles, 896,000 persons living within a radius of 50 miles and 1,898,000 persons living within a radius of 75 miles.

Kingsport gathered momentum in 2014 as Eastman's Project Inspire continued with the construction of a 300,000 square foot corporate business services building. The building permit for this project is the largest single building permit in City history, posted at \$74.3 million.

In addition to the new corporate business center, Eastman also pulled three additional building permits totaling \$1.89 million for new industrial capacity. Eastman Chemical Company will be adding 300 direct new employees over the next few years, as many as 1,000 contractors and several hundred temporary construction jobs under the \$1.6 billion expansion effort set to run through 2020.

In recent years, Eastman has dramatically cut exposure to cyclical commodity chemical markets as it moved to a faster growing specialty chemicals portfolio. The company has also expanded into Asia Pacific and other emerging markets.

The latest addition to Eastman's specialty chemicals portfolio is Taminco, a \$1.8 billion maker of agricultural chemicals, animal feed additives, personal care and water treatment products, which Eastman acquired in late 2014. This acquisition follows the recent purchases of Solutia and BP's specialty aviation fluids business.

But Eastman is not the only global trade player in the region, according to the International Trade Administration of the U.S. Department of Commerce.

ITA found that the Kingsport Bristol MSA is now the 50th largest exporting area in the country, with more than 218 companies exporting from the MSA in 2011. At least 72 percent of those exporting companies were small to mid-size employers with less than 500 employees.

In all, \$5.6 billion worth of goods were exported from the MSA in 2013.

Inside the City, construction activity picked up in 2014, with 438 residential building permits and 162 commercial for a combined \$128.26 million in private sector investment in Kingsport. That's up from \$66.35 million in FY 2013.

Residential development grew by 10 percent in FY 2014, with 87 new single family housing starts, at a total construction value of \$17.54 million, up 39 percent from FY 2013. Average residential construction cost was also up in a big way to \$201,595 per unit.

Home improvement and commercial renovation were also major growth areas in the fiscal year, with 192 permits for additions and alterations issued at an estimated construction value of \$21.63 million.

The strength of the construction market could be seen clearly in Kingsport-Bristol employment data, with construction sector employment increasing every month since May, peaking with an 11.6 percent increase in September and 10.1 percent jump in October.

All of these factors play into the improving employment profile, with Kingsport unemployment at 6.5 percent in October 2014. About 200 more people were employed in Kingsport than the same time in 2013.

Yet another positive indicator can be found in sales tax collections that have broken through previous highs for three years running. General Fund sales tax collections jumped from \$15.44 million in FY13 to \$15.90 million in FY 14.

Sales per capita have grown fastest in Kingsport over the last decade or so, rising about 39.3 percent over the period. In comparison, retail sales per capita rose 29.9 percent in Bristol TN/VA and 33 percent in Johnson City.

Since 1999, Kingsport's market share of Tri-Cities retail sales have increased from 31.4% to 35.3%.

Downtown also continued to generate new businesses, with Hokey Smokie Restaurant, Sleepy Owl Brewery, Southern Smoke BBQ and Burgers, Two Dads Café, and Vito's Italian Ristorante, joining the downtown roster, along with the latest restaurant, Macado's, opening in the former Café Blue space after an extensive remodeling of the building.

Downtown redevelopment continued to be a top City priority, with 42 percent, or \$6.8 million, of the 2014 bond issue directed at streets, parks and other investments in the downtown area.

During the last 10 years, the City has invested \$39.8 million in capital spending in downtown area higher education facilities, road improvements, land acquisition, parks and other downtown oriented efforts.

In addition, 2015 should find downtown Kingsport with a major new employer, with IntelliHARTx announced 100 new jobs in December at Broad Street "patient contact" call center operation. Mid-term plans could see that grow to 350 to 500 jobs over the next few years.

And a local investment group reopened the former AGC glass plant as Heritage Manufacturing with a \$15.8 million investment, creating 120 jobs in the formerly shuttered plant.

Finally, Kingsport's economic stability, sound budgeting and solid financial practices were recognized in 2014 with Standard & Poor's reaffirming its AA bond rating for the City, while Moody's Investors Services reaffirming an equivalent Aa2 rating. These are the highest bond ratings in the City's history.

**Long-term Financial Planning** As a part of the City's annual budget process, the BMA re-evaluates the adopted multi-year Capital Improvement Plan (CIP) for utility, general government and school related activities to address needed improvements to existing City facilities, roads and infrastructure. The CIP currently includes plans for several significant projects scheduled over the next few years. These include improvements to the City's Library, Parks and Recreational facilities (\$27M), improvements to local roads and bridges (\$17M), improvements to General Government and Educational facilities (\$6M), improvements to the Water System (\$13M), and improvements and expansion of the Wastewater System (\$26M). While the CIP generally looks out over a 5 year period, the plan for the water and sewer utility systems encompass a 10 year period. These projects will be funded mostly by the issuance of new debt. Even with this significant amount of new debt, the total outstanding debt is expected to be within the parameters of the adopted debt limits as specified in the BMA's debt management policy.

The City of Kingsport has adopted a comprehensive set of financial policies to guide its operations. One of the primary policies that has given the City the flexibility to address cash flow and emergency needs and to take advantage of significant grant opportunities that have matching requirements, is the adoption of a General Fund Reserve target of \$11,400,000 with a further restriction that the City will not fund any recurring operating expenditures with the use of one-time revenues. Funding for the water and sewer CIP consists of gradual annual rate increases and savings realized from declining annual debt service expenditures. This strategy is utilized to provide an annual funding source for non-major capital expenditures and to reserve issuance of new debt obligations for large major capital projects.

## **Major Initiatives**

Latest figures indicate that enrollment at the downtown Academic Village now stands at 2,800, up by about 400 students from 2013, with seven private colleges and universities offering course work at 159,000 square feet of dedicated higher education space.

Since 1990, the percentage of the City population with an associate degree increased 2.7 percent, while those with a bachelor's degree increased 3.2 percent and those with a graduate degree increased 2.6 percent. And, attainment levels within a 20-minute drive radius of downtown increased at an even quicker pace, continuing to build a quality workforce that can assist in attracting new jobs and retaining existing jobs.

Kingsport's efforts in Higher Education have been honored by Harvard University, the National League of Cities and the Tennessee Municipal League, with Educate & Grow, a last-dollar scholarship, now echoed state wide in the form of the Tennessee Promise program.

Kingsport's Move To program has also continued to generate returns. Each newcomer to Kingsport is estimated to generate \$25,000 in annual economic activity. Since 2006, Kingsport has attracted 3,738 new families from 50 states. Netting 772 new families after discounting for those who moved away, these new families created an estimated annual sales impact of \$44.39 million.

In another major initiative, the Kingsport Aquatic Center surpassed 300,000 visitors as it entered its 18 month of operation. The Aquatic Center is designed to meet the community's immediate needs as well as serve as a new tourism generator for the region. The Aquatic Center is the only facility within a 120 mile radius featuring three indoor pools, including a 50 meter lap pool, and an outdoor waterpark. The project is collocated with a YMCA fitness facility.

From a management perspective, the Board of Mayor and Aldermen continued in 2014 to focus on reducing work place injuries and lost time costs, while also continuing to invest new capital to maintain, improve and expand basic infrastructure including water/sewer services.

The BMA placed renewed emphasis on pavement maintenance, allocating \$750,000 in recurring operating dollars and \$1 million in special emphasis capital funding to address a backlog of road maintenance work.

Meanwhile, the J. Fred Johnson Stadium renovation opened in 2014, adding updated bathrooms, new seating, a new press box, elevators and other amenities at an investment of \$4.59 million in a facility that hadn't been faced improved in at least 20 years.

At the same time, work continued on Brickyard Park off Industry Drive, providing replacement baseball/softball fields for those fields displaced by Eastman Chemical Company's ongoing Project Inspire corporate expansion. The park is slated to open in 2015.

Also, staff continued to improve and streamline processes, deploying new asset management software that based on daily generated data can help predict water system failures before they occur moving forward.

Meanwhile, project management protocols have been standardized to more clearly delineate the roles of the project owner, project manager and contractor to ensure a finished project meets the vision of the Board and citizens by delivering an on-time, on-budget finished product with a limited number of change orders.

Code Enforcement has also seen a major redesign with back office tasks distributed within Development Services to free enforcement staff to focus on field work.

Development Services also launched the KLOUD initiative to promote sustainability and best practices as well as raising community awareness, while rolling out a 10-month effort to fine tune and integrate a number of existing downtown improvement plans to develop a consolidated plan for the downtown area.

In Public Safety, the City earned an Insurance Services Office Rating increase from Class 3 to Class 2, potentially saving homeowners hundreds of dollars on their fire insurance premiums, and only missed a Class 1 rating by just a few points. Only a handful of Cities around the state and 2.5% percent of the 30,145 communities with fire protection nation-wide have earned an ISO 2 rating.

At the same time, the City crime rate dropped dramatically, with serious violent crimes in 2013 (the latest numbers available) dropping 17.45%, a 26.4% decrease in domestic violence and a 27.96% decrease in simple assaults, according to the Kingsport Police Department.

### **Awards and Acknowledgements**

**Awards** The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsport for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the 14th consecutive year that the City of Kingsport has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2013. The annual budget document dated July 1, 2014 has been submitted to the GFOA for review and it is anticipated that it will also receive this award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



T. Jeffrey Fleming  
City Manager



James H. Demming  
City Recorder/CFO



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Kingsport  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

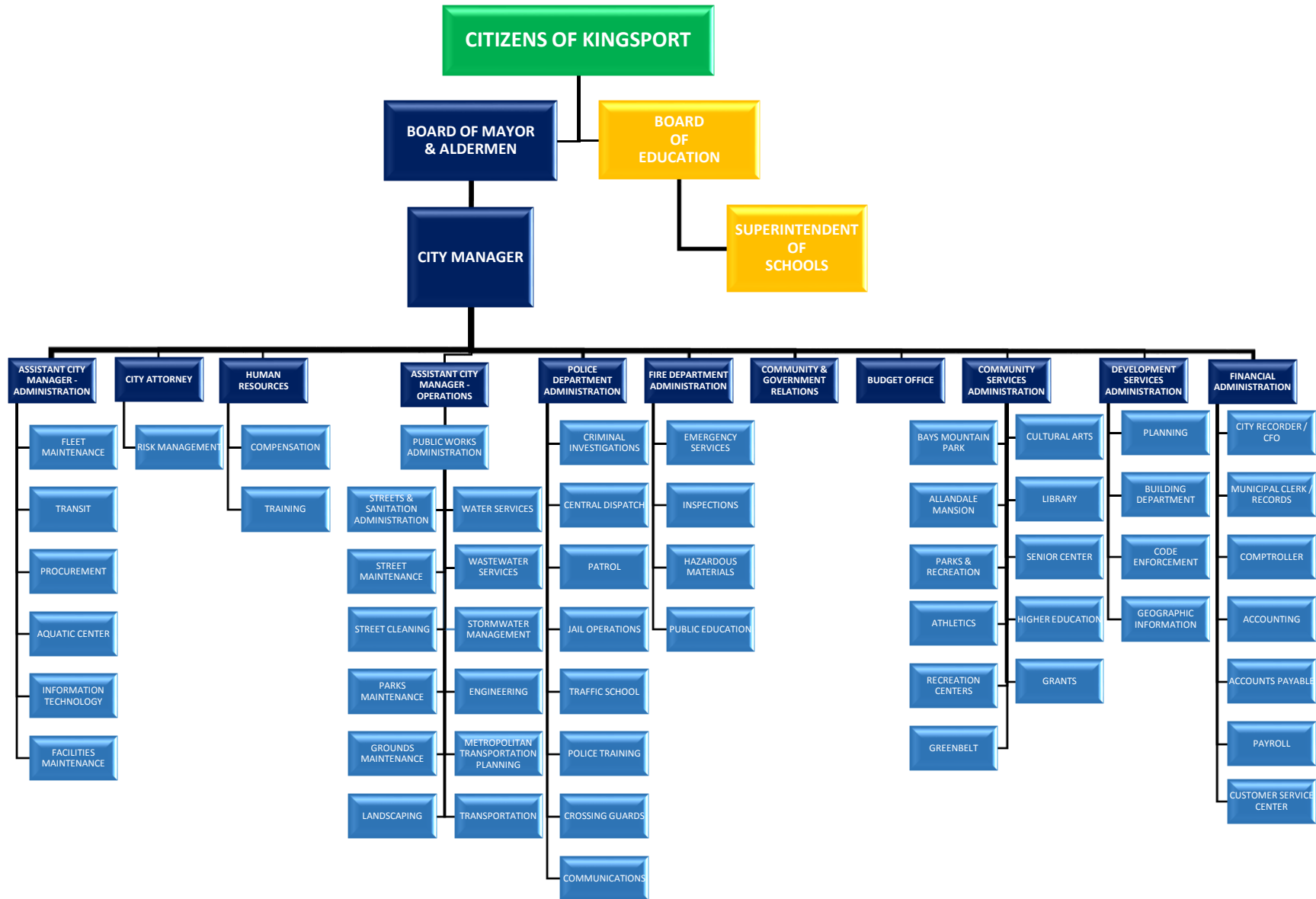
**June 30, 2013**



Executive Director/CEO



## Organizational Chart





## **CITY OF KINGSPORT, TENNESSEE**

### **HISTORY AND ORGANIZATION**

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

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

CITY OF KINGSPORT, TENNESSEE

PRINCIPAL OFFICIALS

AS OF

June 30, 2014

BOARD OF MAYOR AND ALDERMEN

Dennis R. Phillips	Mayor
Mike McIntire	Vice Mayor
John Clark	Alderman
Colette George	Alderman
Tom C. Parham	Alderman
Tom Segelhorst	Alderman
Jantry Shupe	Alderman

CHARTER OFFICERS

John G. Campbell	Outgoing City Manager (6/28/2014)
T. Jeffrey Fleming	Incoming City Manager (6/29/2014)
James H. Demming	City Recorder/Chief Financial Officer
J. Michael Billingsley	City Attorney
David A. Quillin	Police Chief
William K. Rogers	City Judge
Dr. Lyle C. Ailshie	Superintendent of Schools

DEPARTMENT HEADS

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

CITY OF KINGSPORT, TENNESSEE

BASIC FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION WITH

INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2014

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingsport, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Emergency Communications District (the ECD), which represents 19 percent, 38 percent, and 36 percent, respectively, of the assets, net positions, and revenues of the aggregate discretely presented component units.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Emergency Communications District (the ECD), which represents 19 percent, 38 percent, and 36 percent, respectively, of the assets, net positions, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the ECD, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## **Auditor's Responsibility (Continued)**

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingsport, Tennessee, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of pension and OPEB funding progress, and the budgetary comparison information, for the Debt Service Fund on pages 14 through 26, pages 142 through 143, and page 144 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kingsport, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section, and supplemental information, including the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## **Other Matters (Continued)**

### *Other Information (Continued)*

The combining and individual nonmajor fund financial statements and schedules, and supplemental information, including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual nonmajor fund financial statements and schedules, and supplemental information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of the City of Kingsport, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kingsport, Tennessee's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
December 30, 2014





## **A. MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014  
(amounts expressed in thousands)**

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As management of the City of Kingsport (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 6 of this report.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$416,460 (net position). Of this amount, \$2,468 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$7,974. Of this decrease \$4,539 can be attributed to accruing OPEB liabilities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$35,317, an increase of \$3,227. The increase primarily relates to new bond proceeds reported in capital projects. Approximately 33% of this total fund balance, \$11,649, is unassigned and therefore available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,649 or approximately 17% of total general fund expenditures including transfers out.
- The City's total gross debt increased by \$13,182 (6%) during the current fiscal year. The increase is the result of new bonds issued in October 2013. The City issued \$1,310 General Obligation Bonds, Series 2013A and \$27,510 General Obligation Bond Public Improvement Bonds, Series 2013B.

**Overview of the Financial Statements**

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

**Government-wide financial statements**

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

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

**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014  
(amounts expressed in thousands)**

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

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

**Fund financial statements**

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

**Governmental funds**

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

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

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

**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014  
(amounts expressed in thousands)**

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**Proprietary funds**

The City maintains eleven (11) different types of proprietary funds, including enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, solid waste management, storm water management, aquatic center, convention center and golf course activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for vehicle maintenance and replacement and self-insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-141 of this report.

**Other information**

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 144-174 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceed liabilities by \$416,460 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (99%) reflects its investment in capital assets (e.g. land, buildings, equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014  
(amounts expressed in thousands)**

**City of Kingsport's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2014
Current and Other Assets	\$ 113,979	\$ 107,625	\$ 34,892	\$ 29,361	\$ 148,871	\$ 136,986
Capital Assets	330,927	330,440	281,191	277,511	612,118	607,951
Total Assets	444,906	438,065	316,083	306,872	760,989	744,937
Total Deferred Outflows of Resources	1,535	0	538	0	2,073	0
Long-term Liabilities Outstanding	150,566	137,067	115,889	107,912	266,455	244,979
Other Liabilities	21,609	70,254	4,546	5,270	26,155	75,524
Total Liabilities	172,175	207,321	120,435	113,182	292,610	320,503
Total Deferred Inflows of Resources	53,992	0	0	0	53,992	0
Net Position:						
Net Investment in Capital Assets	229,485	236,819	183,789	179,431	413,274	416,250
Restricted	248	196	470	365	718	561
Unrestricted	(9,459)	(6,271)	11,927	13,894	2,468	7,623
Total Net Position	\$ 220,274	\$ 230,744	\$ 196,186	\$ 193,690	\$ 416,460	\$ 424,434

A portion of the City's net position, \$718 (less than 1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$2,468 may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year, the government's net position decreased by \$7,974. Net position for governmental activities decreased by \$10,470 while net position for business-type activities increased by \$2,496.

The \$10,470 current year decrease in net position for governmental activities was primarily a result of recording the annual OPEB liability of \$4,539 in accordance with GASB 45, as well as recording \$13,795 in depreciation expense on general fixed assets in accordance with GASB 34.

The primary reason for the increase in net position in the business-type activities is due to the favorable results of the City's water and sewer utility funds. The rate structure in place for both the water and sewer utilities is consistently adequate in providing stable funding for operating costs and debt service requirements. For fiscal year 2014, water rates increased 3% for customers inside the City limits and 3% for customers outside the City limits. Sewer rates also increased 3% for customers inside the City limits and 3% for customers outside the City. These rate increases are part of a continuing rate stabilization plan to provide funding for capital improvements and expansion.

**CITY OF KINGSPORT, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2014**  
**(amounts expressed in thousands)**

The following is a summary of activities for the City during the fiscal year ended June 30, 2014:

**City of Kingsport's Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 5,923	\$ 6,286	\$ 31,164	\$ 28,924	\$ 37,087	\$ 35,210
Operating Grants and Contributions	38,620	37,090	185	239	38,805	37,329
Capital Grants and Contributions	2,044	2,298	1,034	507	3,078	2,805
General Revenues						
Property Taxes	52,678	50,348	0	0	52,678	50,348
Sales Taxes	30,753	29,687	0	0	30,753	29,687
Other Taxes and Intergovernmental	6,145	5,805	0	0	6,145	5,805
Unrestricted Investment Earnings	178	333	75	161	253	494
Grants and Contributions Not Restricted to Specific Programs	1,152	1,371	0	0	1,152	1,371
Other	903	876	0	0	903	876
Total Revenues	<u>138,396</u>	<u>134,094</u>	<u>32,458</u>	<u>29,831</u>	<u>170,854</u>	<u>163,925</u>
<b>Expenses:</b>						
General Government	9,343	12,207	0	0	9,343	12,207
Public Safety	21,804	21,116	0	0	21,804	21,116
Public Works	13,921	13,505	0	0	13,921	13,505
Highway Transportation Planning	4,876	4,219	0	0	4,876	4,219
Economic and Physical Development	4,648	4,591	0	0	4,648	4,591
Culture and Recreation	7,309	7,295	0	0	7,309	7,295
Education	77,125	75,456	0	0	77,125	75,456
Interest on Long-term Debt	4,121	3,254	0	0	4,121	3,254
Water	0	0	10,849	10,374	10,849	10,374
Sewer	0	0	8,912	8,688	8,912	8,688
Solid Waste Management	0	0	4,379	4,246	4,379	4,246
Storm Water Management	0	0	1,230	849	1,230	849
Aquatic Center	0	0	3,221	753	3,221	753
MeadowView Conference Resort and Convention Center	0	0	2,954	1,560	2,954	1,560
Cattails at MeadowView Golf Course	0	0	1,336	1,313	1,336	1,313
Total Expenses	<u>143,147</u>	<u>141,643</u>	<u>32,881</u>	<u>27,783</u>	<u>176,028</u>	<u>169,426</u>
Increase (Decrease) in Net Position before Transfers	(4,751)	(7,549)	(423)	2,048	(5,174)	(5,501)
Transfers	(4,331)	(3,822)	4,331	3,822	0	0
Change in Net Position	<u>(9,082)</u>	<u>(11,371)</u>	<u>3,908</u>	<u>5,870</u>	<u>(5,174)</u>	<u>(5,501)</u>
Net Position, beginning of period	230,744	242,115	193,690	187,820	424,434	429,935
Cumulative Effect of Change in Accounting Principle	<u>(1,388)</u>	<u>0</u>	<u>(1,412)</u>	<u>0</u>	<u>(2,800)</u>	<u>0</u>
Net Position, end of period	<u>\$ 220,274</u>	<u>\$ 230,744</u>	<u>\$ 196,186</u>	<u>\$ 193,690</u>	<u>\$ 416,460</u>	<u>\$ 424,434</u>

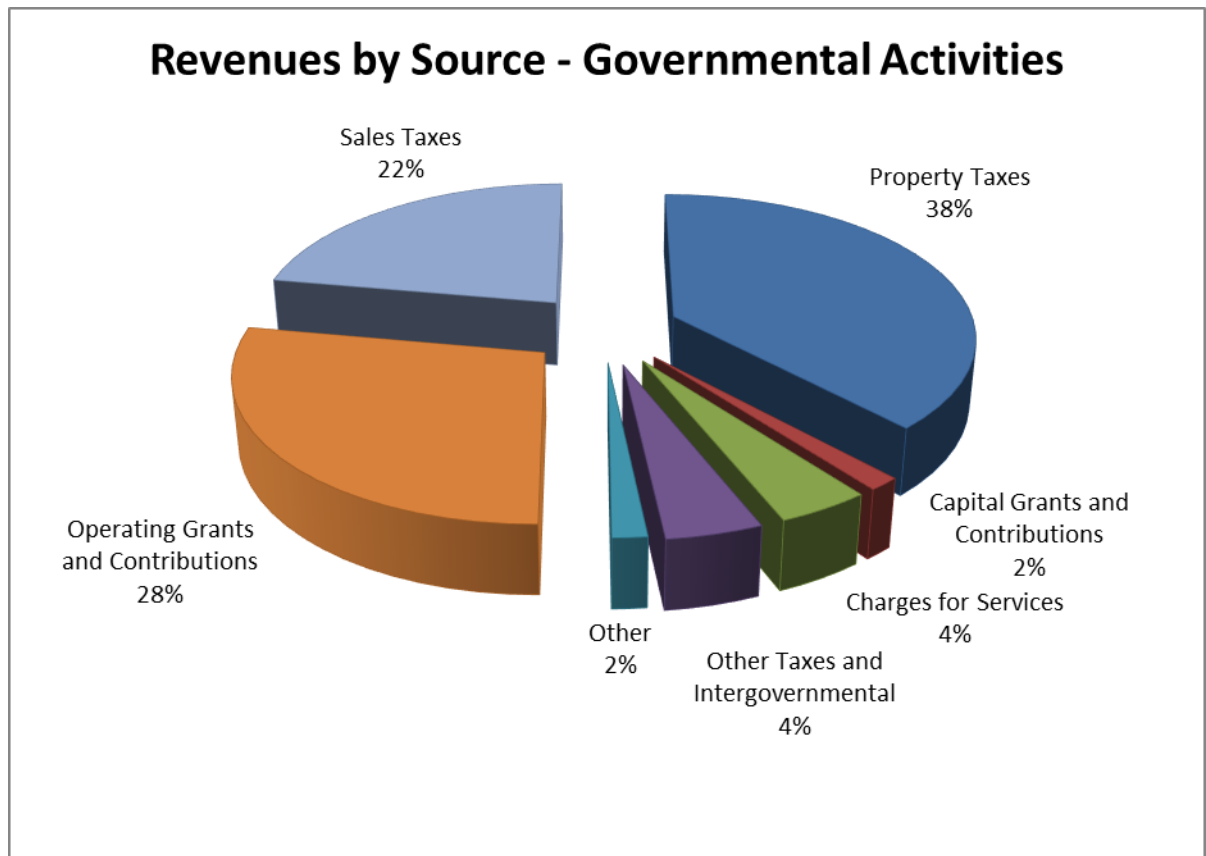


**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014  
(amounts expressed in thousands)**

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**Governmental Activities - Revenue**

Although governmental activities reduced the City's net position by \$10,470, the City's governmental revenues totaling \$138,396 were more than the prior year by \$4,302. Operating grants and contributions were more than the prior year by \$1,530. In addition, property taxes were more than the prior year by \$2,330 and sales taxes were more than the prior year by \$1,066.

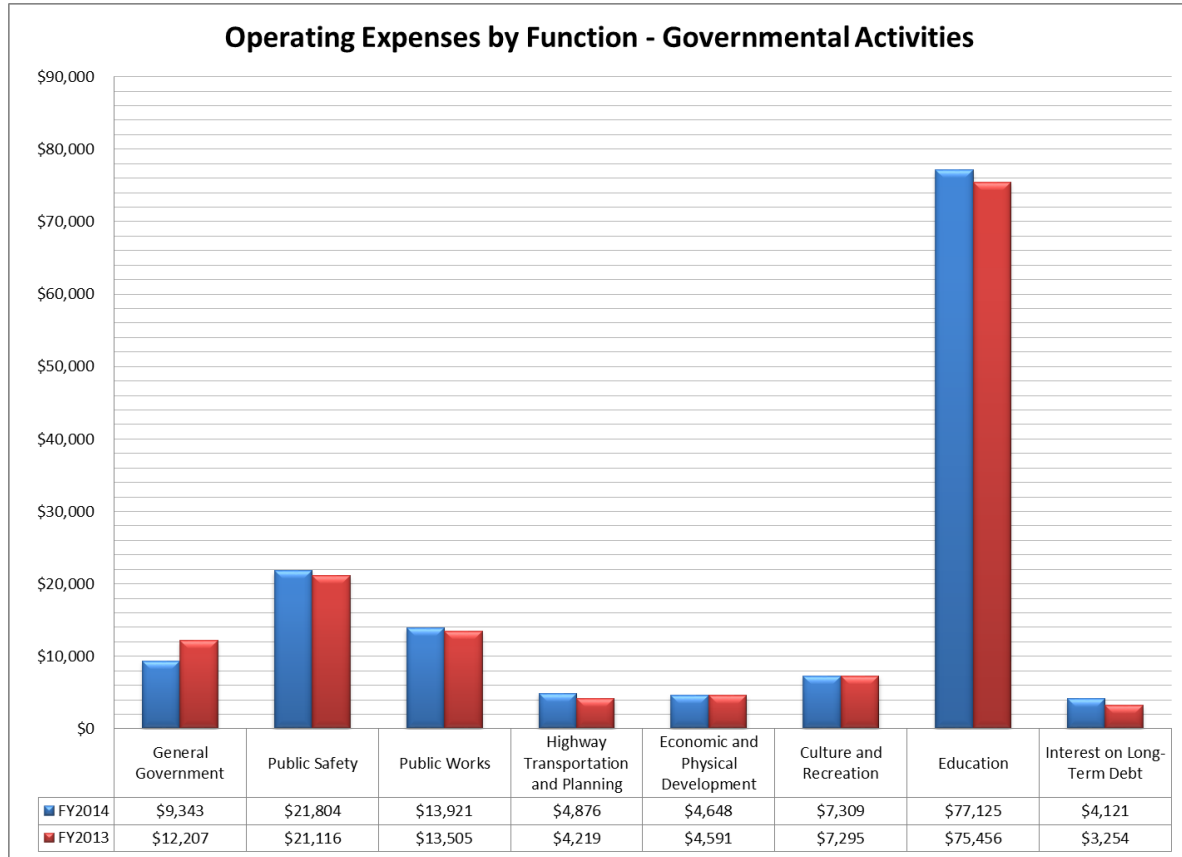


**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014  
(amounts expressed in thousands)**

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**Governmental Activities – Operating Expenses**

Operating expenses for governmental activities were more than the prior year by \$1,504. Operating expenses for the general government function was less than the prior year by \$2,864 while operating expenses for the education function was more than the prior year by \$1,669.



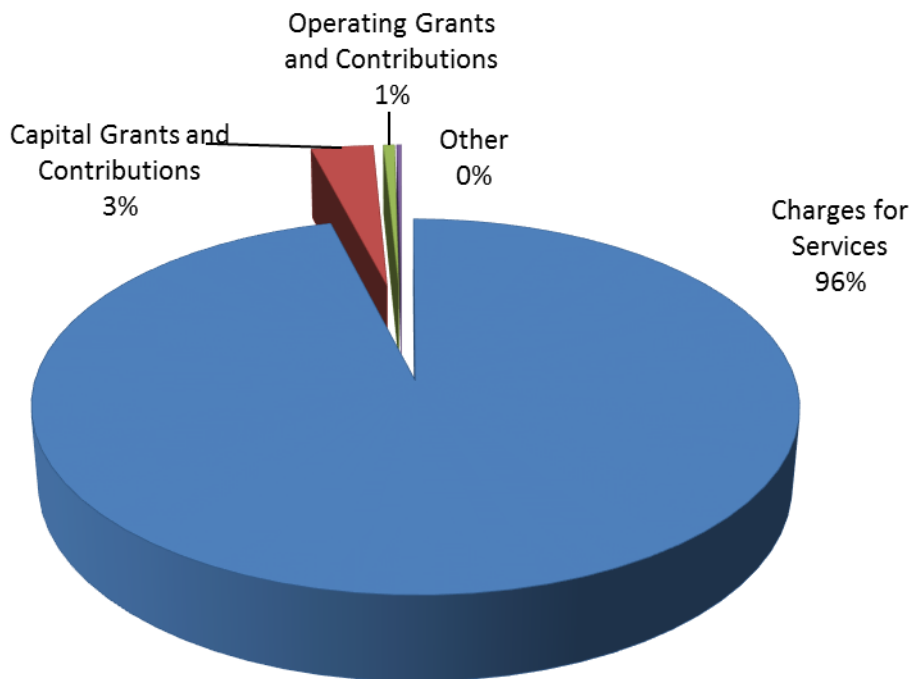
**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014  
(amounts expressed in thousands)**

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**Business-Type Activities - Revenue**

Business-type activities increased the City's net position by \$2,496. The City's business-type revenues totaling \$32,458 was more than the prior year by \$2,627. A primary factor in the increased revenue was the 3% increase for all water and sewer rates. In addition fiscal year 2014 was the first full year of operations for the new aquatic center fund.

**Revenue by Source - Business-Type Activities**

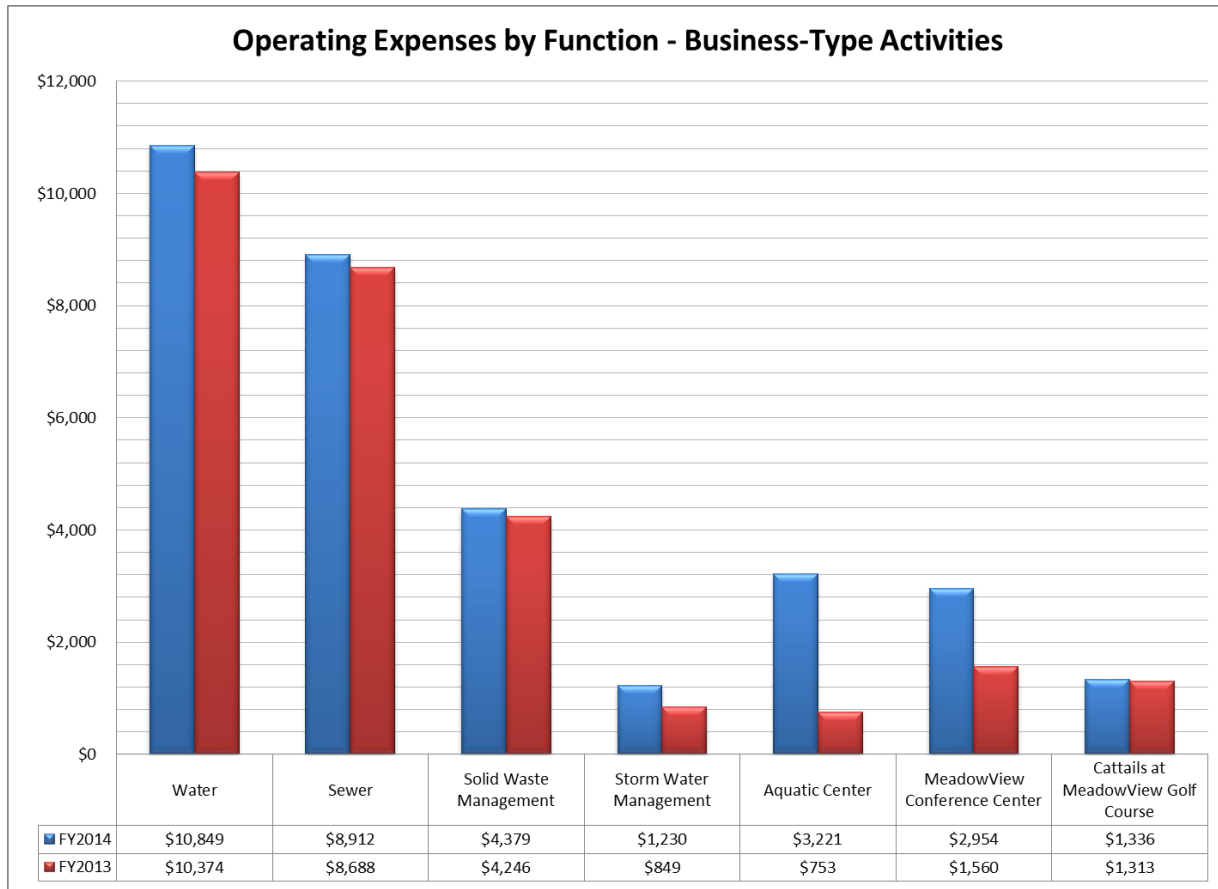


**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014  
(amounts expressed in thousands)**

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**Business-Type Activities – Operating Expenses**

Operating expenses for business-type activities were more than the prior year by \$5,098. Of this, \$1,394 represents an increase in expenses of the MeadowView Convention Center Fund. In addition \$2,468 relates to the newly established Aquatic Center Fund which experienced its first full year of operations in fiscal year 2014.



**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014  
(amounts expressed in thousands)**

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**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Kingsport's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Kingsport's governmental funds reported combined ending fund balances of \$35,317 an increase of \$3,227 in comparison with the prior year. Approximately 33% of this total amount, \$11,649 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance consists of \$356 nonspendable primarily attributed to inventories and a perpetual care trust, \$14,015 restricted primarily for capital projects, \$18 committed for specific projects, and \$9,279 assigned primarily to the City's various governmental funds most significantly for education, capital projects, and debt service.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11,649 while total fund balance was \$11,769. Of the total fund balance \$34 is considered nonspendable while \$86 is considered assigned. The majority of the assigned fund balance represents fund balance allocations for fiscal year 2015. As a matter of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out.

Unassigned fund balance represents approximately 17% of total general fund expenditures and transfers out, while total fund balance represents 17% of that same amount. During fiscal year 2014, the fund balance of the City's General Fund increased by \$133.

The general purpose school fund has a total fund balance of \$5,149, of which most is uncommitted. The net increase in fund balance during the current year in the general purpose school fund was \$1,884.

The capital project fund has a total fund balance of \$13,663. Of this amount, \$13,538 represents unspent bond proceeds restricted for capital projects. The remainder of \$125 is assigned to the capital project fund. The net increase in this fund balance of \$1,301 was primarily due to bond proceeds received during the current fiscal year.

The debt service fund has a total fund balance of \$51. Debt service expenditures (principal and interest) totaled \$10,690 for fiscal year 2014. This was \$121 more than the debt service expenditures paid in fiscal year 2013.

Nonmajor (other) governmental funds have a fund balance of \$4,685. The net decrease in fund balance during the current year in nonmajor governmental funds was \$123.

**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014  
(amounts expressed in thousands)**

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**Proprietary funds**

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

Unrestricted net position of the water and sewer funds at the end of the fiscal year amounted to \$6,991 and \$6,558 respectively. Other factors concerning the financial position of these funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget represent a \$595 increase and are detailed as follows:

\$	181	Appropriate additional hotel tax and Hall Income tax to cover transfers and subsidies
	275	Appropriate additional state and tax revenue to Industrial Development Board
	50	Appropriate additional state and tax revenue for various expenditures
	46	Appropriate various donations and grants received
	43	Provide funding for prior year encumbrances
<hr/>		
\$	595	

**Capital Asset and Debt Administration**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$612,118 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress.

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

- The most significant business-type construction project during fiscal year 2014 was the completion of the Aquatics Center. Business-type construction in progress at the close of the fiscal year was \$47,112.
- Construction continued and/or began on a variety of general governmental projects including various road improvement projects. The most significant of the governmental projects during FY2014 was the start of a new softball/baseball complex and improvements to the J. Fred Johnson Stadium. Governmental construction in progress at the close of the fiscal year was \$38,239.



**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014  
(amounts expressed in thousands)**

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

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2012
Land	\$ 25,522	\$ 24,063	\$ 7,837	\$ 6,330	\$ 33,359	\$ 30,393
Buildings and Systems	86,334	82,704	219,911	177,050	306,245	259,754
Improvements other than Buildings	9,997	10,434	5,238	3,255	15,235	13,689
Machinery and Equipment	17,456	16,867	1,080	976	18,536	17,843
Software	245	318	13	12	258	330
Infrastructure	153,134	150,224	0	0	153,134	150,224
Construction in Progress	38,239	45,830	47,112	89,888	85,351	135,718
<b>Total Capital Assets</b>	<b>\$ 330,927</b>	<b>\$ 330,440</b>	<b>\$ 281,191</b>	<b>\$ 277,511</b>	<b>\$ 612,118</b>	<b>\$ 607,951</b>

**Long-term debt**

At the end of the current fiscal year, the City had total gross debt outstanding of \$222,673. All of this debt is backed by the full faith and credit of the government.

**City of Kingsport's Outstanding Debt**  
(Gross Amounts)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Notes Payable	\$ 812	\$ 956	\$ 0	\$ 0	\$ 812	\$ 956
General Obligation Bonds	104,166	96,398	109,327	102,852	213,493	199,250
Loans from Other Governments	8,368	9,285	0	0	8,368	9,285
<b>Total Long-term Debt</b>	<b>\$ 113,346</b>	<b>\$ 106,639</b>	<b>\$ 109,327</b>	<b>\$ 102,852</b>	<b>\$ 222,673</b>	<b>\$ 209,491</b>

During the current fiscal year, the City's total gross debt increased by \$13,182 (6%). The governmental activities long-term debt increased by \$6,707 while business-type activities long-term debt increased by \$6,475.

The current year increase in long-term debt can be attributed to bonds issued in October 2013. The City issued \$1,310 General Obligation Bonds, Series 2013A and \$27,510 General Obligation Bond Public Improvement Bonds, Series 2013B.

**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014  
(amounts expressed in thousands)**

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The City currently has a rating of AA from Standard & Poor's Rating Services and a rating of Aa2 from Moody's Investors Service. Both the Standard & Poor's rating and the Moody's rating were reaffirmed in November 2014 in conjunction with a recent bond sale.

The City is subject to debt limitations imposed by its Charter. The total bonded indebtedness (excluding general obligation debt supported by utility operations and assessments) shall not exceed 20% of the assessed taxable value of property within the City. The current outstanding general obligation debt is less than the City's debt limitation.

Additional information on the City's long-term debt can be found in Note 4.E on pages 75-122 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the municipal service area is currently 6.5%, which is a decrease of 1.1% from a year ago. Employment in the city limits increased by approximately 200 jobs.
- Inflationary trends in the region are comparable to national indices.
- 600 building permits with an estimated value of \$128,262 were issued during this fiscal year, compared to 632 building permits with an estimated value of \$61,991 for the previous year.

Short term interest rates on investments for the City's operating funds decreased to approximately 0.10% in fiscal year 2014 as the federal funds target rate continued to be held to approximately .25% by the Federal Reserve Board. The City has been able to obtain 0.33% rates with one year commitments.

All of these factors were considered in preparing the City's budget for the 2015 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$11,649. The City has assigned fund balance of \$65 to cover encumbrances remaining from FY2014.

For the FY2015 budget year, water rates were increased by 5% for all inside customers while sewer rates were increased by 2% for both inside and outside customers.

**Requests for Information**

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



## **B. BASIC FINANCIAL STATEMENTS**

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**CITY OF KINGSPORT, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	Industrial Development Board	Emergency Communications District
<b>ASSETS:</b>					
Cash	\$ 1,920,531	\$ 2,000	\$ 1,922,531	\$ 981,816	\$ 1,893,713
Cash with Fiscal Agent	0	36,762	36,762	0	0
Equity in Pooled Cash and Investments	21,726,101	12,334,703	34,060,804	0	0
Long Term Certificates of Deposit	280,691	0	280,691	0	662,278
Investments	303,762	0	303,762	0	0
Accounts Receivable, Net	39,228,002	4,412,172	43,640,174	43,209	16,238
Accrued Interest Receivable	22,922	23,793	46,715	0	1,180
Due from Other Governments	27,548,621	239,802	27,788,423	0	20,896
Due from Primary Government	0	0	0	409,533	0
Due from Component Units	10,592	25,511	36,103	0	0
Internal Balances	0	0	0	0	0
Inventories	591,531	564,981	1,156,512	0	0
Prepays	233,590	153,927	387,517	51,106	67,789
Land Held for Sale or Development	0	0	0	8,293,947	0
<b>Restricted Assets:</b>					
Cash	18,407,366	16,407,077	34,814,443	0	0
Long Term Certificates of Deposit	1,000,000	0	1,000,000	0	0
Investments	2,507,264	288,076	2,795,340	328,246	0
Receivables	0	0	0	499,216	0
<b>Capital Assets:</b>					
Land	25,521,835	7,837,451	33,359,286	1,572,319	242,010
Buildings and Systems	163,469,476	335,719,729	499,189,205	4,331,319	0
Improvements Other Than Buildings	22,649,433	10,544,210	33,193,643	317,928	0
Machinery and Equipment	47,438,372	4,283,668	51,722,040	0	1,210,317
Software	667,166	79,811	746,977	0	0
Infrastructure	284,403,208	0	284,403,208	0	0
Construction in Progress	38,238,714	47,111,553	85,350,267	0	459,710
Less: Accumulated Depreciation	(251,461,666)	(124,385,550)	(375,847,216)	(312,886)	(821,841)
Other Assets, Net	198,000	402,929	600,929	0	0
<b>Total Assets</b>	<b>444,905,511</b>	<b>316,082,605</b>	<b>760,988,116</b>	<b>16,515,753</b>	<b>3,752,290</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Deferred Charge on Refunding	1,535,217	538,387	2,073,604	0	0
<b>Total Deferred Outflows of Resources</b>	<b>1,535,217</b>	<b>538,387</b>	<b>2,073,604</b>	<b>0</b>	<b>0</b>
<b>LIABILITIES:</b>					
Accounts Payable and Other Current Liabilities	16,769,204	2,378,337	19,147,541	35,690	201,565
Due to Primary Government	0	0	0	36,103	0
Due to Other Governments	8,205	222,632	230,837	0	0
Due to Component Units	49,287	246	49,533	0	0
Compensated Absences Payable	3,271,953	594,055	3,866,008	0	0
Matured Bonds and Interest Payable	0	36,762	36,762	0	0
Accrued Interest Payable	1,355,421	1,100,991	2,456,412	41,888	0
Unearned Revenue	154,510	22,788	177,298	72,200	0
Liabilities Payable from Restricted Assets	0	189,633	189,633	0	0
<b>Noncurrent Liabilities:</b>					
Due Within One Year	7,859,331	9,753,835	17,613,166	153,523	0
Due in More Than One Year	108,364,319	103,687,894	212,052,213	10,347,126	0
OPEB Liability	34,342,309	2,447,450	36,789,759	0	0
<b>Total Liabilities</b>	<b>172,174,539</b>	<b>120,434,623</b>	<b>292,609,162</b>	<b>10,686,530</b>	<b>201,565</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable Revenue-Property Taxes	53,545,531	0	53,545,531	0	0
Unavailable Revenue Other	446,990	0	446,990	0	0
<b>Total Deferred Inflows of Resources</b>	<b>53,992,521</b>	<b>0</b>	<b>53,992,521</b>	<b>0</b>	<b>0</b>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	229,484,970	183,789,590	413,274,560	597	1,090,196
Restricted for Debt Service	0	120,580	120,580	0	0
Restricted for Capital Improvements	95,260	349,315	444,575	0	0
Restricted for Perpetual Care (Nonexpendable)	152,691	0	152,691	0	0
Unrestricted	(9,459,253)	11,926,884	2,467,631	5,828,626	2,460,529
<b>Total Net Position</b>	<b>\$ 220,273,668</b>	<b>\$ 196,186,369</b>	<b>\$ 416,460,037</b>	<b>\$ 5,829,223</b>	<b>\$ 3,550,725</b>

See accompanying notes to the basic financial statements.

**CITY OF KINGSPORT, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2014

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business - Type Activities	Total	Industrial Development Board	Emergency Communications District
Primary Government:									
Governmental Activities:									
General Government	\$ 9,342,864	\$ 491,916	\$ 411,802	\$ 1,110,969	\$ (7,328,177)	\$ 0	\$ (7,328,177)		
Public Safety	21,804,504	1,227,933	389,355	0	(20,187,216)	0	(20,187,216)		
Public Works	13,920,899	0	0	0	(13,920,899)	0	(13,920,899)		
Highways and Transportation	4,876,627	130,945	2,526,627	932,968	(1,286,087)	0	(1,286,087)		
Economic and Physical Development	4,647,819	764,682	438,634	0	(3,444,503)	0	(3,444,503)		
Culture and Recreation	7,308,927	963,498	157,208	0	(6,188,221)	0	(6,188,221)		
Education	77,124,830	2,344,300	34,696,771	0	(40,083,759)	0	(40,083,759)		
Interest on Long Term Debt	4,121,095	0	0	0	(4,121,095)	0	(4,121,095)		
Total Governmental Activities	143,147,565	5,923,274	38,620,397	2,043,937	(96,559,957)	0	(96,559,957)		
Business - Type Activities:									
Water	10,848,749	12,791,336	59,515	513,891	0	2,515,993	2,515,993		
Sewer	8,912,004	13,142,602	89,283	519,714	0	4,839,595	4,839,595		
Solid Waste Management	4,379,003	832,053	4,467	0	0	(3,542,483)	(3,542,483)		
Storm Water Management	1,230,005	1,840,865	8,928	0	0	619,788	619,788		
Aquatic Center	3,220,643	1,428,226	8,158	0	0	(1,784,259)	(1,784,259)		
MeadowView Conference Resort and Convention Center	2,954,368	180,481	14,957	0	0	(2,758,930)	(2,758,930)		
Cattails at MeadowView Golf Course	1,335,963	948,586	0	0	0	(387,377)	(387,377)		
Total Business - Type Activities	32,880,735	31,164,149	185,308	1,033,605	0	(497,673)	(497,673)		
Total Primary Government	\$ 176,028,300	\$ 37,087,423	\$ 38,805,705	\$ 3,077,542	(96,559,957)	(497,673)	(97,057,630)		
Component Units:									
Industrial Development Board	\$ 2,158,147	\$ 1,101,499	\$ 123,570	\$ 0				\$ (933,078)	\$ 0
Emergency Communications District	588,631	501,188	0	0				0	(87,443)
Total Component Units	\$ 2,746,778	\$ 1,602,687	\$ 123,570	\$ 0				(933,078)	(87,443)
General Revenues:									
Property Taxes					52,677,994	0	52,677,994	0	0
Sales Taxes					30,753,163	0	30,753,163	0	0
Alcoholic Beverage Taxes					1,800,932	0	1,800,932	0	0
Occupational Licenses and Business Taxes					1,806,045	0	1,806,045	0	0
Hotel / Motel Taxes					1,643,055	0	1,643,055	0	0
Income Taxes					893,978	0	893,978	0	0
Grants and Contributions Not Restricted to Specific Programs					1,151,744	0	1,151,744	0	195,813
Unrestricted Investment Earnings					178,084	74,889	252,973	2,311	4,805
Miscellaneous					903,143	0	903,143	0	0
Transfers					(4,331,130)	4,331,130	0	0	0
Total General Revenues and Transfers					87,477,008	4,406,019	91,883,027	2,311	200,618
Change in Net Position					(9,082,949)	3,908,346	(5,174,603)	(930,767)	113,175
Net Position, July 1, 2013					230,744,535	193,690,329	424,434,864	6,759,990	3,437,550
Cumulative Effect of Change in Accounting Principle					(1,387,918)	(1,412,306)	(2,800,224)	0	0
Net Position - July 1, 2013 (as restated)					229,356,617	192,278,023	421,634,640	6,759,990	3,437,550
Net Position - June 30, 2014					\$ 220,273,668	\$ 196,186,369	\$ 416,460,037	\$ 5,829,223	\$ 3,550,725

See accompanying notes to the basic financial statements.

**CITY OF KINGSPORT, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014**

	<b>General Fund</b>	<b>General Purpose School Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>						
Cash	\$ 7,300	\$ 0	\$ 0	\$ 0	\$ 1,913,231	\$ 1,920,531
Equity in Pooled Cash and Investments	5,280,040	8,779,805	24,055	0	1,215,845	15,299,745
Long-Term Certificates of Deposit	0	0	0	30,000	250,691	280,691
Investments	0	0	0	0	303,762	303,762
Taxes Receivable, net	38,489,066	0	0	0	0	38,489,066
Accounts Receivable, net	658,590	37,721	0	0	39,379	735,690
Accrued Interest Receivable	0	0	22,790	6	76	22,872
Due from Other Governments	5,230,070	18,675,835	0	22,790	3,619,926	27,548,621
Due from Other Funds	4,129,969	1,122,911	0	0	0	5,252,880
Due from Component Units	10,592	0	0	0	0	10,592
Inventories	3,207	4,336	0	0	163,277	170,820
Prepays	31,153	1,370	0	0	0	32,523
Cash - Restricted	0	0	4,466	18,402,900	0	18,407,366
Investments - Restricted	0	0	0	72,759	95,260	168,019
<b>Total Assets</b>	<b>\$ 53,839,987</b>	<b>\$ 28,621,978</b>	<b>\$ 51,311</b>	<b>\$ 18,528,455</b>	<b>\$ 7,601,447</b>	<b>\$ 108,643,178</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 591,605	\$ 496,172	\$ 0	\$ 1,729,665	\$ 426,458	\$ 3,243,900
Compensated Absences Payable	118,017	126,732	0	0	0	244,749
Due to Other Governments	8,195	0	0	0	10	8,205
Due to Other Funds	0	0	0	2,901,811	2,351,069	5,252,880
Due to Component Units	34,642	0	0	14,645	0	49,287
Contracts Payable	0	0	0	191,520	0	191,520
Other Liabilities	2,069,553	6,435,703	0	0	18,593	8,523,849
Advances from Other Funds	387,028	0	0	0	0	387,028
Unearned Revenue	20	6,450	0	27,500	120,540	154,510
<b>Total Liabilities</b>	<b>3,209,060</b>	<b>7,065,057</b>	<b>0</b>	<b>4,865,141</b>	<b>2,916,670</b>	<b>18,055,928</b>

**CITY OF KINGSPORT, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014**

	<b>General Fund</b>	<b>General Purpose School Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Deferred Inflows of Resources:						
Unavailable Revenue - Property Taxes	38,415,180	16,408,400	0	0	0	54,823,580
Unavailable Revenue Other	446,990	0	0	0	0	446,990
Total Deferred Inflows of Resources	38,862,170	16,408,400	0	0	0	55,270,570
Fund Balances:						
Nonspendable:						
Inventory	3,207	4,336	0	0	163,277	170,820
Prepays	31,153	1,370	0	0	0	32,523
Allandale Trust Principal	0	0	0	0	152,691	152,691
Restricted for:						
Unspent Federal Forfeitures	0	0	0	0	95,260	95,260
Unspent Bond Proceeds	0	0	0	13,537,759	0	13,537,759
Unspent Hotel Tax	0	0	0	0	381,733	381,733
Committed to:						
DB Track Maintenance Project	0	15,000	0	0	0	15,000
Veterans Memorial	0	0	0	0	3,510	3,510
Assigned to:						
Fund Balance Allocations	64,733	0	0	0	0	64,733
Future Industrial Park	20,927	0	0	0	0	20,927
Education	0	5,127,815	0	0	2,220,731	7,348,546
Debt Service	0	0	51,311	0	0	51,311
Capital Projects	0	0	0	125,555	0	125,555
Community Development	0	0	0	0	16,471	16,471
Other Projects	0	0	0	0	255,809	255,809
Public Safety	0	0	0	0	409,291	409,291
Transportation	0	0	0	0	696,470	696,470
Culture and Recreation	0	0	0	0	250,803	250,803
Allandale	0	0	0	0	38,731	38,731
Unassigned	11,648,737	0	0	0	0	11,648,737
Total Fund Balances	11,768,757	5,148,521	51,311	13,663,314	4,684,777	35,316,680
Total Liabilities Deferred Inflows of Resources and Fund Balances	<u>\$ 53,839,987</u>	<u>\$ 28,621,978</u>	<u>\$ 51,311</u>	<u>\$ 18,528,455</u>	<u>\$ 7,601,447</u>	<u>\$ 108,643,178</u>

See accompanying notes to the basic financial statements.

**CITY OF KINGSPORT, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2014**

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

Total Fund Balance of Governmental Funds	\$ 35,316,680
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	320,782,094
Property tax assessments are reported as revenue in the government - wide statements in the period in which an enforceable legal claim arises against property owners. In governmental funds, these assessments are not available to finance current period expenditures and are reported as unearned revenue until paid by property owners.	1,278,049
Deferred charge on refunding is reported as deferred outflows on statement of net position.	1,535,217
Internal service funds are used by management to charge the costs of fleet maintenance, liability insurance, employee health insurance, and retiree's health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	16,209,913
Long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(154,848,285)</u>
Net Position of Governmental Activities	<u><u>\$ 220,273,668</u></u>

See accompanying notes to the basic financial statements.



**CITY OF KINGSPORT, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Taxes	\$ 40,655,013	\$ 25,009,838	\$ 0	\$ 0	\$ 3,899,255	\$ 69,564,106
Licenses and Permits	530,179	0	0	0	0	530,179
Intergovernmental	22,628,202	26,332,495	203,365	91,434	11,770,560	61,026,056
Charges for Services	1,933,484	1,222,887	0	0	1,289,657	4,446,028
Fines and Forfeitures	753,558	0	0	0	170,632	924,190
Investment Earnings	10,654	0	136,614	497	4,473	152,238
Contributions and Donations	157,097	0	0	54,649	244,654	456,400
Miscellaneous	328,555	351,562	0	0	3,510	683,627
Total Revenues	<u>66,996,742</u>	<u>52,916,782</u>	<u>339,979</u>	<u>146,580</u>	<u>17,382,741</u>	<u>137,782,824</u>
EXPENDITURES:						
Current:						
General Government	8,591,022	0	0	0	157,341	8,748,363
Public Safety	19,831,402	0	0	0	236,325	20,067,727
Public Works	6,823,759	0	0	0	0	6,823,759
Economic and Physical Development	3,642,231	0	0	0	438,634	4,080,865
Transportation	0	0	0	0	4,876,627	4,876,627
Culture and Recreation	5,178,628	0	0	0	121,963	5,300,591
Education	0	60,341,422	0	0	8,486,382	68,827,804
Miscellaneous	726,702	0	0	0	0	726,702
Debt Service:						
Principal	0	0	6,657,299	0	0	6,657,299
Interest	0	0	4,032,477	0	0	4,032,477
Bond Issuance Costs	0	0	0	165,924	0	165,924
Other Costs	0	0	29,895	0	0	29,895
Capital Outlay	138,633	150,218	0	12,539,950	1,331,533	14,160,334
Total Expenditures	<u>44,932,377</u>	<u>60,491,640</u>	<u>10,719,671</u>	<u>12,705,874</u>	<u>15,648,805</u>	<u>144,498,367</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>22,064,365</u>	<u>(7,574,858)</u>	<u>(10,379,692)</u>	<u>(12,559,294)</u>	<u>1,733,936</u>	<u>(6,715,543)</u>

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

	<b>General Fund</b>	<b>General Purpose School Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
OTHER FINANCING SOURCES (USES):						
Transfers In	3,150,395	13,628,778	10,409,954	254,296	1,996,411	29,439,834
Transfers Out	(25,081,379)	(4,169,403)	0	(666,863)	(3,853,319)	(33,770,964)
Issuance of Debt	0	0	0	13,406,845	0	13,406,845
Premiums on Debt Issued	0	0	0	866,390	0	866,390
Total Other Financing Sources (Uses)	(21,930,984)	9,459,375	10,409,954	13,860,668	(1,856,908)	9,942,105
Net Change in Fund Balances	133,381	1,884,517	30,262	1,301,374	(122,972)	3,226,562
Fund Balances, July 1, 2013	11,635,376	3,264,004	21,049	12,361,940	4,807,749	32,090,118
Fund Balances, June 30, 2014	<u>\$ 11,768,757</u>	<u>\$ 5,148,521</u>	<u>\$ 51,311</u>	<u>\$ 13,663,314</u>	<u>\$ 4,684,777</u>	<u>\$ 35,316,680</u>

See accompanying notes to the basic financial statements.

**CITY OF KINGSPORT, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2014**

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

Net Change in Fund Balance of Governmental Funds	\$ 3,226,562
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays in the current period were more than depreciation of capital assets.	364,963
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The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is a decrease to net position.	(733,426)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(406,380)
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Internal service funds are used by management to charge the costs of fleet maintenance, liability insurance, employee health insurance, and retiree health insurance to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.	649,773
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Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds:	
Increase in Compensated Absences	(103,886)
Increase in OPEB Liability	(4,539,000)
Increase in Accrued Interest	(116,506)

The issuance of long term debt (e.g. bonds) provide current financial resources to governmental funds, while the repayment of the principal of long term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.	<u>(7,425,049)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (9,082,949)</u></u>
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**CITY OF KINGSPORT, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes:				
General Property	\$ 35,459,500	\$ 35,770,121	\$ 35,811,130	\$ 41,009
Gross Receipts	4,846,400	4,837,257	4,843,883	6,626
Licenses and Permits	535,900	520,900	530,179	9,279
Intergovernmental:				
Federal	0	18,878	18,878	0
State	5,402,300	5,999,370	6,017,466	18,096
County	16,517,000	16,167,000	16,307,104	140,104
Local	308,700	287,300	284,754	(2,546)
Charges for Services	1,874,000	1,963,038	1,933,484	(29,554)
Fines and Forfeitures	822,600	745,395	753,558	8,163
Investment Earnings	40,000	10,000	10,654	654
Contributions and Donations	155,000	157,097	157,097	0
Miscellaneous	308,500	325,941	328,555	2,614
 Total Revenues	 <u>66,269,900</u>	 <u>66,802,297</u>	 <u>66,996,742</u>	 <u>194,445</u>
EXPENDITURES:				
General Government:				
Board of Mayor and Aldermen	133,350	165,616	165,382	234
Judicial	30,950	26,950	26,850	100
City Attorney	427,960	420,604	420,406	198
City Manager	446,400	489,022	488,741	281
Deputy City Manager	56,200	0	0	0
Assistant to City Manager	104,100	106,072	105,096	976
Budget Office	189,860	175,509	173,847	1,662
Special Programs	2,251,900	2,473,741	2,473,595	146
Public Information Office	181,100	186,951	186,102	849
Personnel	1,100,750	987,758	982,972	4,786
Purchasing	252,250	251,137	250,550	587
Finance Administration	1,676,850	1,665,114	1,663,759	1,355
Records Administration	86,500	83,573	82,777	796
Information Services	1,051,150	1,069,445	1,068,581	864
Geographic Information	342,800	343,748	343,085	663
Grant Office	174,200	161,349	159,279	2,070
 Total General Government	 <u>8,506,320</u>	 <u>8,606,589</u>	 <u>8,591,022</u>	 <u>15,567</u>

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Public Safety:				
Police Administration	1,562,700	1,406,539	1,406,007	532
Jail Operations	418,900	314,477	313,822	655
Training	297,200	316,611	316,144	467
Traffic School	7,600	9,575	8,799	776
Investigations	1,621,200	1,668,625	1,668,270	355
Patrol Division	5,996,000	5,844,492	5,839,476	5,016
Animal Control	0	0	0	0
Central Dispatch	1,158,000	1,120,697	1,117,170	3,527
Communications	284,450	266,429	265,490	939
Fire Control and Prevention	8,675,500	8,918,673	8,896,224	22,449
Total Public Safety	20,021,550	19,866,118	19,831,402	34,716
Public Works:				
Administration	166,700	174,740	173,889	851
Streets and Sanitation Administration	289,300	286,283	284,560	1,723
Street Cleaning	420,900	359,749	358,596	1,153
Street Maintenance	1,689,400	1,882,373	1,881,448	925
Building Maintenance	1,648,800	1,719,861	1,716,725	3,136
Grounds Maintenance	1,128,400	1,210,344	1,210,177	167
Park Maintenance	620,900	605,454	601,865	3,589
Inter Local Agreements	20,000	0	0	0
Landscaping	633,100	599,585	596,499	3,086
Total Public Works	6,617,500	6,838,389	6,823,759	14,630
Economic and Physical Development:				
Administration	329,900	362,305	361,546	759
Planning	551,300	531,895	531,298	597
Transportation	1,197,400	1,235,928	1,232,485	3,443
Charter Bus Service	10,700	10,900	10,344	556
Engineering	1,127,100	1,004,146	1,003,362	784
Code Enforcement	557,400	503,739	503,196	543
Total Economic and Physical Development	3,773,800	3,648,913	3,642,231	6,682

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
Culture and Recreation:				
Administration	366,000	396,119	393,327	2,792
Adult Education	5,000	4,550	3,083	1,467
Parks and Recreation Centers	399,100	354,491	350,333	4,158
Lynn View	109,840	99,390	95,163	4,227
Farmers Market	18,300	18,260	16,205	2,055
Swimming Pools	18,500	12,713	11,028	1,685
Athletics	822,800	756,770	750,009	6,761
Cultural Arts	241,100	235,879	231,655	4,224
Allandale	239,000	246,558	242,449	4,109
Senior Citizens Center	653,700	660,811	656,421	4,390
Bays Mountain Park	1,122,600	1,187,984	1,184,832	3,152
Library	1,259,500	1,245,046	1,244,123	923
Total Culture and Recreation	5,255,440	5,218,571	5,178,628	39,943
Miscellaneous	683,089	1,102,528	726,702	375,826
Capital Outlay	144,900	141,893	138,633	3,260
Total Expenditures	45,002,599	45,423,001	44,932,377	490,624
Excess of Revenues Over Expenditures	21,267,301	21,379,296	22,064,365	685,069
Other Financing Sources (Uses):				
Transfers In	3,670,100	3,690,151	3,150,395	(539,756)
Transfers Out	(24,937,401)	(25,111,742)	(25,081,379)	30,363
Net Other Financing Sources (Uses)	(21,267,301)	(21,421,591)	(21,930,984)	(509,393)
Net Change in Fund Balances	0	(42,295)	133,381	175,676
Fund Balances, July 1, 2013	0	42,295	11,635,376	11,593,081
Fund Balances, June 30, 2014	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,768,757</u>	<u>\$ 11,768,757</u>

See accompanying notes to the basic financial statements.

**CITY OF KINGSPORT, TENNESSEE**  
**GENERAL PURPOSE SCHOOL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
County Taxes:				
Property Taxes	\$ 16,674,000	\$ 17,039,000	\$ 17,273,244	\$ 234,244
Gross Receipts Taxes	7,727,000	7,616,000	7,699,723	83,723
Other Taxes	62,000	32,000	36,871	4,871
Intergovernmental:				
Federal	282,550	370,429	305,235	(65,194)
State	25,605,100	26,001,469	26,027,260	25,791
County	0	0	0	0
Charges for Services	1,320,100	1,320,100	1,222,887	(97,213)
Miscellaneous	253,500	448,455	351,562	(96,893)
Total Revenues	<u>51,924,250</u>	<u>52,827,453</u>	<u>52,916,782</u>	<u>89,329</u>
EXPENDITURES:				
Instruction:				
Regular	32,027,515	33,319,226	32,779,432	539,794
Special Education	4,848,300	4,907,057	4,838,975	68,082
Vocational	1,422,950	1,437,990	1,422,855	15,135
Adult Education	257,950	272,660	189,236	83,424
Total Instruction	<u>38,556,715</u>	<u>39,936,933</u>	<u>39,230,498</u>	<u>706,435</u>
Student Support Services:				
Attendance	58,950	60,950	57,638	3,312
Health Services	662,745	669,818	662,629	7,189
Other	2,214,950	2,238,721	2,137,458	101,263
Total Student Support Services	<u>2,936,645</u>	<u>2,969,489</u>	<u>2,857,725</u>	<u>111,764</u>
Instructional Staff Support Services:				
Regular	3,688,217	3,774,082	3,594,887	179,195
Special Education	425,850	425,850	417,928	7,922
Vocational	141,800	141,800	139,104	2,696
Adult Education	32,950	44,220	20,842	23,378
Total Instructional Staff Support Services	<u>4,288,817</u>	<u>4,385,952</u>	<u>4,172,761</u>	<u>213,191</u>
General Administrative Support Services:				
Board of Education	1,287,900	1,287,900	1,256,087	31,813
Office of Superintendent	781,250	795,775	676,826	118,949
Total General Administrative Support Services	<u>2,069,150</u>	<u>2,083,675</u>	<u>1,932,913</u>	<u>150,762</u>

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**GENERAL PURPOSE SCHOOL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
School Administrative Support Services	2,927,246	2,909,214	2,852,956	56,258
Business Administrative Support Services	364,800	367,800	358,118	9,682
Operations and Maintenance Support Services:				
Operations	4,100,926	4,144,841	4,141,099	3,742
Plant Maintenance	1,973,000	2,407,279	2,372,334	34,945
Total Operations and Maintenance Support Services	6,073,926	6,552,120	6,513,433	38,687
Student Transportation Support Services	1,681,550	1,681,850	1,552,273	129,577
Noninstructional Services:				
After School Programs	346,450	357,591	337,912	19,679
Community Service	554,600	556,988	532,833	24,155
Total Noninstructional Services	901,050	914,579	870,745	43,834
Capital Outlay	1,343,713	767,398	150,218	617,180
Total Expenditures	61,143,612	62,569,010	60,491,640	2,077,370
Deficiency of Revenues Under Expenditures	(9,219,362)	(9,741,557)	(7,574,858)	2,166,699
OTHER FINANCING SOURCES (USES):				
Transfers In	13,575,500	13,619,350	13,628,778	9,428
Transfers Out	(4,356,138)	(4,206,091)	(4,169,403)	36,688
Total Other Financing Sources (Uses)	9,219,362	9,413,259	9,459,375	46,116
Net Change in Fund Balances	0	(328,298)	1,884,517	2,212,815
Fund Balances, July 1, 2013	0	328,298	3,264,004	2,935,706
Fund Balances, June 30, 2014	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,148,521</u>	<u>\$ 5,148,521</u>

See accompanying notes to the basic financial statements.



**CITY OF KINGSPORT, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2014

	<b>Business - Type Activities - Enterprise Funds</b>						
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Aquatic Center Fund</b>	<b>MeadowView Conference Resort and Convention Center Fund</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>ASSETS:</b>							
<b>Current Assets:</b>							
Cash with Fiscal Agent	\$ 36,762	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,762	\$ 0
Cash	0	0	2,000	0	0	2,000	0
Equity in Pooled Cash and Investments	7,075,435	4,639,200	0	126,696	493,372	12,334,703	6,426,356
Accounts Receivable, Net	1,987,557	1,931,492	87,256	0	405,867	4,412,172	3,246
Accrued Interest Receivable	7,003	16,315	0	0	475	23,793	50
Due from Other Governments	68,003	171,799	0	0	0	239,802	0
Due from Other Funds	0	1,418,197	0	0	0	1,418,197	0
Due from Component Units	10,715	14,796	0	0	0	25,511	0
Inventories	431,214	0	16,362	0	117,405	564,981	420,711
Prepays	92,436	54,258	0	0	7,233	153,927	201,067
<b>Total Current Assets</b>	<b>9,709,125</b>	<b>8,246,057</b>	<b>105,618</b>	<b>126,696</b>	<b>1,024,352</b>	<b>19,211,848</b>	<b>7,051,430</b>
<b>Noncurrent Assets:</b>							
<b>Restricted Assets:</b>							
Cash	68,182	130,448	0	85,000	83,000	366,630	0
Cash from Unspent Bonds	4,536,451	11,140,454	58,024	0	305,518	16,040,447	0
Long Term Certificates of Deposit	0	0	0	0	0	0	1,000,000
Investments	91,743	28,758	0	164,849	2,726	288,076	2,339,245
<b>Total Restricted Assets</b>	<b>4,696,376</b>	<b>11,299,660</b>	<b>58,024</b>	<b>249,849</b>	<b>391,244</b>	<b>16,695,153</b>	<b>3,339,245</b>
<b>Capital Assets:</b>							
Land	730,958	1,069,613	845,711	1,515,497	3,675,672	7,837,451	14,695
Buildings and Systems	108,259,999	166,821,176	19,272,330	39,469,991	1,896,233	335,719,729	14,897
Improvements Other Than Buildings	0	0	0	2,798,759	7,745,451	10,544,210	0
Software	66,400	0	0	0	13,411	79,811	0
Machinery and Equipment	1,001,576	884,280	75,400	1,141,952	1,180,460	4,283,668	27,680,298
Construction in Progress	6,256,725	38,873,276	0	0	1,981,552	47,111,553	0
Less: Accumulated Depreciation	(40,773,496)	(65,915,679)	(639,324)	(11,025,193)	(6,031,858)	(124,385,550)	(17,565,446)
<b>Total Capital Assets</b>	<b>75,542,162</b>	<b>141,732,666</b>	<b>19,554,117</b>	<b>33,901,006</b>	<b>10,460,921</b>	<b>281,190,872</b>	<b>10,144,444</b>
<b>Other Assets:</b>							
Advances to Other Funds	0	0	0	0	0	0	387,028
Prepaid Landfill Closure Costs	0	0	0	0	402,929	402,929	0
Deposits	0	0	0	0	0	0	198,000
<b>Total Other Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>402,929</b>	<b>402,929</b>	<b>585,028</b>
<b>Total Noncurrent Assets</b>	<b>80,238,538</b>	<b>153,032,326</b>	<b>19,612,141</b>	<b>34,150,855</b>	<b>11,255,094</b>	<b>298,288,954</b>	<b>14,068,717</b>
<b>Total Assets</b>	<b>89,947,663</b>	<b>161,278,383</b>	<b>19,717,759</b>	<b>34,277,551</b>	<b>12,279,446</b>	<b>317,500,802</b>	<b>21,120,147</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>							
Deferred Charge on Refunding	135,940	390,316	0	0	12,131	538,387	0
<b>Total Deferred Outflows of Resources</b>	<b>135,940</b>	<b>390,316</b>	<b>0</b>	<b>0</b>	<b>12,131</b>	<b>538,387</b>	<b>0</b>

(continued)

CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2014

	Business - Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
LIABILITIES:							
Current Liabilities:							
Accounts Payable	726,262	618,759	162,866	291,816	202,531	2,002,234	921,870
Due to Other Governments	118,320	97,473	6,839	0	0	222,632	0
Due to Other Funds	0	0	503,340	0	914,857	1,418,197	0
Due to Component Units	0	0	0	246	0	246	0
Compensated Absences Payable	275,414	174,547	10,098	0	133,996	594,055	100,299
Retainages Payable	59,185	130,448	0	0	0	189,633	0
Arbitrage Rebate Payable	0	0	0	0	0	0	0
Matured Bonds Payable	35,262	0	0	0	0	35,262	0
Matured Interest Payable	1,500	0	0	0	0	1,500	0
Accrued Interest Payable	187,271	439,279	234,729	194,231	45,481	1,100,991	0
General Obligation Bonds - Current	2,484,520	5,343,245	823,158	692,891	410,021	9,753,835	0
Unearned Revenue	0	0	22,788	0	0	22,788	0
Other Payables	332,604	43,499	0	0	0	376,103	3,888,065
Total Current Liabilities	4,220,338	6,847,250	1,763,818	1,179,184	1,706,886	15,717,476	4,910,234
Noncurrent Liabilities:							
General Obligation Bonds Payable (Net of Discounts and Premiums)	21,855,430	46,854,391	17,839,998	13,103,396	4,034,679	103,687,894	0
OPEB Liability	1,186,207	705,251	16,324	0	539,668	2,447,450	0
Total Noncurrent Liabilities	23,041,637	47,559,642	17,856,322	13,103,396	4,574,347	106,135,344	0
Total Liabilities	27,261,975	54,406,892	19,620,140	14,282,580	6,281,233	121,852,820	4,910,234
NET POSITION:							
Net Investment in Capital Assets	55,738,663	100,675,484	948,985	20,104,719	6,321,739	183,789,590	10,144,444
Restricted for Debt Service	91,723	28,758	0	0	99	120,580	0
Restricted for Capital Improvements	0	0	0	260,487	88,828	349,315	0
Unrestricted	6,991,242	6,557,565	(851,366)	(370,235)	(400,322)	11,926,884	6,065,469
Total Net Position	<u>\$ 62,821,628</u>	<u>\$ 107,261,807</u>	<u>\$ 97,619</u>	<u>\$ 19,994,971</u>	<u>\$ 6,010,344</u>	<u>\$ 196,186,369</u>	<u>\$ 16,209,913</u>

See accompanying notes to the basic financial statements.

**CITY OF KINGSPORT, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2014

	<b>Business - Type Activities - Enterprise Funds</b>						
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Aquatic Center Fund</b>	<b>MeadowView Conference Resort and Convention Center Fund</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
OPERATING REVENUES:							
Charges and Fees	\$ 12,333,948	\$ 12,979,946	\$ 1,331,018	\$ 180,481	\$ 3,615,226	\$ 30,440,619	\$ 17,149,088
Penalties and Fines	415,422	156,247	0	0	0	571,669	0
Miscellaneous	41,966	6,409	97,208	0	6,278	151,861	271,489
Total Operating Revenue	12,791,336	13,142,602	1,428,226	180,481	3,621,504	31,164,149	17,420,577
OPERATING EXPENSES:							
Operating Costs	7,304,500	4,949,553	1,899,854	1,040,616	6,525,570	21,720,093	15,268,417
Depreciation	2,746,594	3,545,953	639,324	1,325,988	371,019	8,628,878	1,778,088
Total Operating Expenses	10,051,094	8,495,506	2,539,178	2,366,604	6,896,589	30,348,971	17,046,505
Operating Income (Loss)	2,740,242	4,647,096	(1,110,952)	(2,186,123)	(3,275,085)	815,178	374,072
NONOPERATING REVENUES:							
Investment Earnings	25,465	48,123	41	100	1,160	74,889	25,846
Federal Interest Subsidy	59,515	89,283	8,158	14,957	13,395	185,308	0
Interest Expense	(441,240)	(298,294)	(645,033)	(587,764)	(44,795)	(2,017,126)	0
Gain (Loss) on Disposal of Capital Assets	(303,664)	0	0	0	0	(303,664)	249,855
Bond Issue Cost	(52,751)	(118,204)	(36,432)	0	(3,587)	(210,974)	0
Total Nonoperating Revenues	(712,675)	(279,092)	(673,266)	(572,707)	(33,827)	(2,271,567)	275,701
Income (Loss) Before Capital Contributions and Transfers	2,027,567	4,368,004	(1,784,218)	(2,758,830)	(3,308,912)	(1,456,389)	649,773
Capital Contributions	513,891	519,714	0	0	0	1,033,605	0
Transfers In	133,761	0	1,357,502	2,114,195	3,632,829	7,238,287	0
Transfers Out	(1,433,675)	(1,338,148)	(42,200)	0	(93,134)	(2,907,157)	0
Change in Net Position	1,241,544	3,549,570	(468,916)	(644,635)	230,783	3,908,346	649,773
Net Position, July 1, 2013	61,823,168	104,229,739	873,874	20,924,832	5,838,716	193,690,329	15,560,140
Cumulative Effect of Change in Accounting Principle	(243,084)	(517,502)	(307,339)	(285,226)	(59,155)	(1,412,306)	0
Net Position, July 1, 2013 (as restated)	61,580,084	103,712,237	566,535	20,639,606	5,779,561	192,278,023	15,560,140
Net Position, June 30, 2014	\$ 62,821,628	\$ 107,261,807	\$ 97,619	\$ 19,994,971	\$ 6,010,344	\$ 196,186,369	\$ 16,209,913

See accompanying notes to the basic financial statements.

**CITY OF KINGSPORT, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2014

	<b>Business - Type Activities - Enterprise Funds</b>							
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Aquatic Center</b>	<b>MeadowView Conference Resort and Convention Center Fund</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Governmental Activities - Internal Service Funds</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Receipts from Customers and Users	\$ 12,621,216	\$ 12,987,556	\$ 1,280,737	\$ 276,824	\$ 3,461,314	\$ 30,627,647	\$ 0	
Receipts from Interfund Services Provided	103,017	193,396	77,978	0	125,056	499,447	17,466,919	
Payments to Suppliers	(2,959,030)	(1,850,149)	(1,948,103)	(895,490)	(4,414,628)	(12,067,400)	(13,400,065)	
Payments to Employees	(4,111,769)	(2,659,477)	(893,679)	0	(2,653,869)	(10,318,794)	(1,522,565)	
Net Cash Provided (Used) by Operating Activities	<u>5,653,434</u>	<u>8,671,326</u>	<u>(1,483,067)</u>	<u>(618,666)</u>	<u>(3,482,127)</u>	<u>8,740,900</u>	<u>2,544,289</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>								
Transfers from Other Funds	133,761	0	1,357,502	2,114,195	3,632,829	7,238,287	0	
Transfers to Other Funds	(1,433,675)	(1,338,148)	(42,200)	0	(93,134)	(2,907,157)	0	
Advances To or From Other Funds	655,958	655,958	(1,311,916)	0	0	0	226,500	
Due To or From Other Funds	0	(623,363)	503,340	0	120,023	0	0	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(643,956)</u>	<u>(1,305,553)</u>	<u>506,726</u>	<u>2,114,195</u>	<u>3,659,718</u>	<u>4,331,130</u>	<u>226,500</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
Proceeds from Capital Debt	4,485,000	10,050,000	1,304,922	0	305,000	16,144,922	0	
Intergovernmental Revenue for Capital Projects	101,438	0	0	0	0	101,438	0	
Acquisition and Construction of Capital Assets	(4,207,373)	(6,425,840)	(275,705)	(10,422)	(830,601)	(11,749,941)	(2,632,530)	
Principal Paid on Capital Debt	(2,357,181)	(5,050,693)	(625,700)	(677,121)	(227,123)	(8,937,818)	0	
Interest Paid on Capital Debt	(369,031)	(259,495)	(658,206)	(588,033)	(35,782)	(1,910,547)	0	
Proceeds from Sales of Capital Assets	2,282	0	0	0	0	2,282	249,855	
Net Cash Used by Capital and Related Financing Activities	<u>(2,344,865)</u>	<u>(1,686,028)</u>	<u>(254,689)</u>	<u>(1,275,576)</u>	<u>(788,506)</u>	<u>(6,349,664)</u>	<u>(2,382,675)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
Proceeds from Sales and Maturities of Investments	220,304	6,706	0	0	0	227,010	52,543	
Purchase of Investments	0	0	0	(129,208)	(2,403)	(131,611)	0	
Interest Received	33,882	32,268	41	100	695	66,986	25,900	
Net Cash Provided (Used) by Investing Activities	<u>254,186</u>	<u>38,974</u>	<u>41</u>	<u>(129,108)</u>	<u>(1,708)</u>	<u>162,385</u>	<u>78,443</u>	
Net Increase (Decrease) In Cash and Cash Equivalents	2,918,799	5,718,719	(1,230,989)	90,845	(612,623)	6,884,751	466,557	
Cash and Cash Equivalents, July 1, 2013	<u>8,798,031</u>	<u>10,191,383</u>	<u>1,291,013</u>	<u>120,851</u>	<u>1,494,513</u>	<u>21,895,791</u>	<u>5,959,799</u>	
Cash and Cash Equivalents, June 30, 2014	<u>\$ 11,716,830</u>	<u>\$ 15,910,102</u>	<u>\$ 60,024</u>	<u>\$ 211,696</u>	<u>\$ 881,890</u>	<u>\$ 28,780,542</u>	<u>\$ 6,426,356</u>	

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2014

	<b>Business - Type Activities - Enterprise Funds</b>							<b>Governmental Activities - Internal Service Funds</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Aquatic Center</b>	<b>MeadowView Conference Resort and Convention Center Fund</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating Income (Loss)	\$ 2,740,242	\$ 4,647,096	\$ (1,110,952)	\$ (2,186,123)	\$ (3,275,085)	\$ 815,178	\$	374,072
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Depreciation	2,746,594	3,545,953	639,324	1,325,988	371,019	8,628,878		1,778,088
(Increase) Decrease in Assets:								
Accounts Receivable	(75,434)	38,350	(60,776)	96,343	(35,134)	(36,651)		46,343
Inventory	35,176	0	(8,464)	0	15,299	42,011		(1,163)
Prepays and Deposits	(46,254)	(54,258)	0	0	17,116	(83,396)		(61,800)
Increase (Decrease) in Liabilities:								
Accounts Payable	116,808	324,501	(92,005)	148,611	(639,260)	(141,345)		592,574
Due from Component Units	0	0	0	(3,485)	0	(3,485)		0
Unearned Revenue	0	0	(9,550)	0	0	(9,550)		0
Benefits Payable	0	0	0	0	0	0		(230,721)
Compensated Absences Payable	16,409	18,794	7,089	0	(1,537)	40,755		2,625
OPEB Liability	102,809	65,371	7,857	0	65,455	241,492		0
Other Payables	23,286	33,924	0	0	0	57,210		44,271
Retainages Payable	(6,202)	51,595	(855,590)	0	0	(810,197)		0
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,653,434</u>	<u>\$ 8,671,326</u>	<u>\$ (1,483,067)</u>	<u>\$ (618,666)</u>	<u>\$ (3,482,127)</u>	<u>\$ 8,740,900</u>	<u>\$</u>	<u>2,544,289</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:								
Cash with Fiscal Agent	\$ 36,762	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,762	\$	0
Cash	0	0	2,000	0	0	2,000		0
Equity in Pooled Cash and Investments	7,075,435	4,639,200	0	126,696	493,372	12,334,703		6,426,356
Restricted Cash from Unspent Bonds	4,536,451	11,140,454	58,024	0	305,518	16,040,447		0
Restricted Cash	68,182	130,448	0	85,000	83,000	366,630		0
Cash and Cash Equivalents, June 30, 2014	<u>\$ 11,716,830</u>	<u>\$ 15,910,102</u>	<u>\$ 60,024</u>	<u>\$ 211,696</u>	<u>\$ 881,890</u>	<u>\$ 28,780,542</u>	<u>\$</u>	<u>6,426,356</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:								
Capital Assets Contributed by Developers	<u>\$ 344,351</u>	<u>\$ 519,714</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 864,065</u>	<u>\$</u>	<u>0</u>
Federal Interest Subsidy Paid Directly to Bank	<u>\$ 59,515</u>	<u>\$ 89,283</u>	<u>\$ 8,158</u>	<u>\$ 14,957</u>	<u>\$ 13,395</u>	<u>\$ 185,308</u>	<u>\$</u>	<u>0</u>

See accompanying notes to the basic financial statements.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Kingsport, Tennessee (the City) was incorporated in 1917 and operates under a Council-Manager form of government. The City is an industrial community in the foothills of the Appalachian Mountains. Along with two other comparably-sized cities within a 20-mile radius, the City is part of a 12 county area in northeast Tennessee and southwest Virginia known as the Tri-Cities Tennessee/Virginia region.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. Adoption of Accounting Principles**

Effective July 1, 2013, the City implemented the following financial accounting and reporting standards issued by GASB:

Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The adoption of GASB Statement No. 65 required debt issuance costs that were previously reported as assets to be shown as an expense. The effects of this statement were applied retroactively by reporting the cumulative effect of the application as a restatement of beginning net position or fund balance, as appropriate. The change resulted in the restatement of the government-wide governmental activities beginning net position of \$1,387,918 and the government-wide business-type activities beginning net position of \$1,412,306. The adoption had no effects on the beginning fund balance of governmental funds.

**B. Reporting entity**

**Primary Government**

The City is a Tennessee municipal corporation governed by a Board of Mayor and Aldermen (BMA). A mayor is elected every two years and six aldermen are elected every four years. A vice mayor is appointed by the BMA from within its membership. The accompanying financial statements present the City (primary government) and its component units, entities for which the City is considered to be financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on the organization or (2) there is a potential for the entity to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Discretely presented component units are reported in separate columns in the government-wide financial statements (see note below for description) to emphasize that those entities are legally separate from the City.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Reporting entity (continued)**

**Discretely Presented Component Units**

Proprietary Fund Type

***The Industrial Development Board of the City of Kingsport, Tennessee (IDBK)*** – The IDBK was incorporated on February 11, 1986, under the provisions of the State of Tennessee constitution and general statutes. The purpose of the IDBK is to finance, acquire, own, lease, and/or dispose of properties to maintain and increase employment opportunities in the City. The IDBK consists of nine members, all of whom are appointed by the City's BMA. A significant amount of the IDBK's revenue is derived from the City. Additionally, City employees provide significant oversight of IDBK projects. Due to the close relationship between the City and the IDBK, it seems likely the City could impose their will on the IDBK, and therefore IDBK is considered a component unit of the City of Kingsport. Separately issued financial statements of the IDBK are not available.

***Emergency Communications District of the City of Kingsport, Tennessee (ECD)*** – The ECD was created by referendum on January 11, 1994, the results of which were certified on January 20, 1994. The purpose of the ECD is to oversee the operations of the 911 emergency telephone services. Their Board consists of nine members, all of whom are appointed by the City's BMA. The operations of the ECD are managed directly by employees of the City. Due to the close relationship between the City and the ECD, it seems likely the City could impose their will on the ECD, and therefore ECD is considered a component unit of the City of Kingsport. Separately issued financial statements may be requested from the ECD administrative offices.

Emergency Communications District of the City of Kingsport  
200 Shelby Street  
Kingsport, Tennessee 37660

**Joint Ventures and Jointly Governed Organizations**

The IDBK is a participant with the Hawkins County Industrial Development Board (HCIDB) in a joint venture to purchase and develop land for industrial purposes known as the Phipps Bend Venture. The IDBK holds a 20% interest in the venture while the HCIDB holds an 80% interest.

Jointly governed organizations of the City include the Tri-Cities Regional Airport Authority.

**C. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are various charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Government-wide and fund financial statements (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**D. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for local revenues, 120 days for state-shared revenues, and 365 days for grant revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In general, taxes, licenses, federal and state grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for and reported in another fund. The primary financial resources reported in the general fund are, local property taxes, local option sales taxes, and state shared revenues.

The *general purpose school fund* is used to account for and report transactions of the City School System. The major sources of funding are state-shared revenues, local property taxes, and local option sales taxes.



**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets related to the general operation of the City (excluding types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments).

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term general obligation debt other than that payable from enterprise funds.

The City reports the following non-major governmental funds:

The *school nutrition services fund* is a special revenue fund used to account for and report federal and state financial resources, as well as user fees for the specific activities associated with the operation of the City School System cafeterias.

The *special school projects fund* is a special revenue fund used to account for and report financial resources derived from federal and state grants related to school projects.

The *public law 93-380 fund* is a special revenue fund used to account for and report restricted federal financial resources, specific to academic programs associated with federal grant entitlements.

The *Palmer Center fund* is a special revenue fund used to account for and report a contribution from the heirs of the late Mary L. Robinson estate, for the support of educational and other services provided to physically challenged children, by the Palmer Center.

The *special revenue general projects fund* is a special revenue fund used to account for and report federal and state grants matched with local revenues to fund general government programs or non-capital improvement projects.

The *community development fund* is a special revenue fund used to account for and report activities funded by community block grant entitlements from the United States Department of Housing and Urban Development.

The *federal transit administration fund* is a special revenue fund used to account for and report activities funded by federal and state grants for support of local government transportation programs.

The *state street aid fund* is a special revenue fund used to account for and report activities funded by state gasoline taxes.

The *drug fund* is a special revenue fund used to account for and report financial resources primarily derived from fines and forfeitures and used to support the City's police department drug investigations and enforcement programs.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The *criminal forfeiture fund* is a special revenue fund used to account for and report activities related to seized property and money with the exception of those related to drug activities. In addition, this fund accounts for funds received from the United States Department of Justice under the Equitable Sharing of Federally Forfeited Property program. Federal revenue is restricted in use for the purchase of equipment.

The *regional sales tax revenue fund* is a special revenue fund used to account for and report the proceeds from a \$.0025 (1/4 ¢) local option sales tax previously approved by local referendum. These funds are used for the retirement of debt issued to fund construction of the MeadowView Conference Resort and Convention Center and to support the operations of the complex including the Cattails Golf Course and Aquatic Center.

The *public library commission fund* is a special revenue fund used to account for and report contributions from patrons, civic organizations, private corporations, and other supporters of the Kingsport Public Library.

The *Bays Mountain Park fund* is a special revenue fund used to account for and report contributions from individuals, civic organizations and private corporations for the support and continued development of the Bays Mountain Park.

The *Steadman cemetery fund* is a special revenue fund used to account for and report a contribution from the heirs of Bonnie M. Steadman to provide for the maintenance of the Steadman family cemetery.

The *senior citizens advisory board fund* is a special revenue fund used to account for and report financial resources derived from various programs and events conducted by participating senior citizens and contributions from individuals, civic organizations and private corporations.

The *metropolitan planning office fund* is a special revenue fund used to account for and report grant funds received from the federal highway administration, federal transit administration, and State of Tennessee for support of local MPO programs.

The *justice assistance grant fund* is a special revenue fund used to account for and report direct federal grant funds received from the Edward Byrne Memorial Justice Assistance Grant Program. These funds are restricted for certain law enforcement programs.

The *visitors enhancement fund* is a special revenue fund used to account for and report 25% of the hotel and motel taxes collected in Kingsport from hotel and motel room rentals. This revenue is restricted in use for tourism purposes.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's production, storage and transportation of potable water.

The *sewer fund* accounts for the activities of the City's collection, transportation, treatment and disposal of wastewater.

The *aquatic center fund* accounts for the activities related to the City's operation of an aquatic facility offering indoor and outdoor recreational swimming for the region.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The *MeadowView Conference Resort and Convention Center fund* accounts for the activities of the City's outsourced operation (through Marriott) of the convention center.

The City reports the following non-major proprietary funds:

The *solid waste management fund* accounts for the activities of the City's collection of residential garbage, refuse collection, recycling, and demolition landfill activities.

The *storm water management fund* accounts for the activities of the City's management of storm water run-off, efforts to improve the water quality of rivers and streams and to reduce incidences of flooding.

The *Cattails at MeadowView Golf Course fund* accounts for the activities of the City's outsourced operation (through Marriott Golf) of the 18-hole championship golf course.

Additionally, the City reports the following fund types:

*Internal service funds* account for risk management, self-insured health insurance, retiree's health insurance and fleet maintenance services provided to other departments or agencies of the government on a cost reimbursement basis.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Internal service funds of a government, which traditionally provide services primarily to other funds of the government, are presented in summary form, as part of the proprietary fund financial statements. The City's governmental activities are the principal users of the internal services activities, therefore, financial statements of internal service funds are consolidated into the governmental column at the government-wide level. The costs of the services provided by internal service funds are allocated to the appropriate functional activity (police, fire, public works, etc.).

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, deferred outflows, liabilities, deferred inflows, and net position or fund equity**

**1. *Deposits and investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes impose various restrictions on the City's, IDBK's, and ECD's deposits and investments, including repurchase agreements. These restrictions are summarized as follows:

DEPOSITS - All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits.

INVESTMENTS - State statutes authorize the City to invest in treasury bonds, notes or bills of the United States of America; non-convertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States of America or any of its agencies; Certificates of Deposit and other evidences of deposit at State and Federal chartered banks and Savings and Loan Associations; obligations of the United States of America or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the State of Tennessee Local Government Investment Pool (LGIP); obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. In general, cash overdrafts are reflected in the financial statements as due to other funds. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments. Investments for the City, as well as for its component units, are reported at fair value based on quoted market prices.

**2. *Receivables and payables***

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable and trade receivables allowance accounts are based on prior years' collection experience.

All property values are assessed on January 1 of each year. Property taxes receivable are recorded at this lien date. All real and personal property taxes are due and payable on the levy date of November 1 of each year, at which time the receivable is recognized as revenue. All unpaid property taxes become delinquent on December 1 (30 days from date of levy). A penalty of 2% is imposed on unpaid property taxes as of December 1. A penalty of 2% is imposed for the next month and an additional penalty of 1% is imposed for each month thereafter until paid, or the property is sold as authorized by law.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**3. Inventories and prepaid items**

All inventories are valued at cost, utilizing the weighted average method of valuation. Inventories of governmental and proprietary funds are recorded as expenditures or expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Restricted assets**

Certain cash and investment balances of the City are classified as restricted assets at the government-wide and fund level because they are maintained in separate accounts and their use is limited by certain agreements and contracts with third parties. Restricted cash includes escrow for construction contractors established to fund retainage of outstanding construction projects upon their completion and working capital for outsourced operations of City facilities. Restricted investments include borrowed funds obligated for construction projects that have not been completed at the end of the fiscal year.

**5. Capital assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years for property, plant and equipment and assets with an initial, individual cost of more than \$100,000 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Debt service interest for business-type activities totaled \$3,704,129 with \$2,017,126 being expensed and \$1,687,003 being capitalized related to capital assets under construction as detailed in the respective funds as follows:

	Water Fund	Sewer Fund	Solid Waste Management Fund	Storm Water Management Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Cattails at MeadowView Golf Course Fund	Total Business - Type Activities
Interest Expensed	\$ 441,240	\$ 298,294	\$ 15,941	\$ 9,999	\$ 645,033	\$ 587,764	\$ 18,855	\$ 2,017,126
Capitalized Interest	215,439	1,367,656	41,992	61,916	0	0	0	1,687,003
Debt Service Interest	<u>\$ 656,679</u>	<u>\$ 1,665,950</u>	<u>\$ 57,933</u>	<u>\$ 71,915</u>	<u>\$ 645,033</u>	<u>\$ 587,764</u>	<u>\$ 18,855</u>	<u>\$ 3,704,129</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**5. *Capital assets (continued)***

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

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

**6. *Compensated absences***

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

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

Because of the City's policy limits on the amount of accumulated compensated absences an employee can carry forward and the fact that this benefit is available to be taken as soon as it is earned, the entire outstanding balance is considered a current liability and recorded as compensated absences payable on the statement of net position rather than as long term debt. Compensated absences accrued in proprietary or internal service funds are liquidated from the individual fund where they are accrued. Compensated absences accrued on the statement of net position as governmental activities will primarily be liquidated from the general fund.

Changes in compensated absences for the fiscal year ending June 30, 2014 are as follows:

Compensated Absences, Beginning of Year	\$ 3,571,600
Compensated Absences Earned in FY2014	3,845,931
Compensated Absences Used in FY2014	<u>(3,551,523)</u>
Compensated Absences, End of Year	<u>\$ 3,866,008</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**7. *Long-term obligations***

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

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

**8. *Net position***

The City's net position is classified as follows:

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

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

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

**9. *Fund equity***

Effective July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Governmental fund equity is classified as fund balance. As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

**Non-spendable Fund Balance** – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash (for example: inventories, prepaid amounts, and long-term notes receivable).

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**9. *Fund equity (continued)***

Restricted Fund Balance – includes amounts that are, (a) externally restricted by creditors, grantors, contributors, or laws or regulations of other governments, or (b) restricted by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision making authority. The Board of Mayor and Aldermen is the highest level of decision making authority for the City that can, by adoption of an ordinance, commit fund balance. Commitments of fund balance can be changed or lifted only by the City taking the same formal action through adoption of an ordinance.

Assigned Fund Balance – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as non-spendable, restricted, or committed. The Board of Mayor and Aldermen has not authorized a specific party at this time to assign fund balance. Intent to assign fund balance is expressed by formal action of the Board of Mayor and Aldermen through adoption of an ordinance.

Unassigned Fund Balance – is a residual classification for the general fund and includes all spendable amounts not contained in the other classifications. It is also used for any negative fund balances in other funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

**10. *Deferred outflows and inflows of resources***

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The City has one item that qualifies for reporting in this category, deferred charge on refunding, which is reported in the government-wide statement of net position and the statement of net position for proprietary funds. This item results from the differences in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and balance sheet report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of deferred inflows. One item occurs only under a modified accrual basis of accounting. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes in both the General Fund and General Purpose School



**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*10. Deferred outflows and inflows of resources (continued)*

Fund, as well as the Hall Income Tax in the General Fund and other receivables not collected within 60 days of year-end and property taxes collected in advance of their due date. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item relates to unearned property taxes recorded in advance of the year in which they are intended to fund operations. This item is a deferred inflow in both the governmental fund balance sheet and the entity wide statement of net position.

	Entity- Wide Statements <u>Governmental</u>	Governmental Funds <u>Statements</u>
Property Taxes Receivable - General Fund (unavailable)	\$ 0	\$ 1,278,049
Property Taxes Receivable - General Fund (unearned / unavailable)	37,137,131	37,137,131
Hall Income Taxes Receivable - General Fund (unearned / unavailable)	446,990	446,990
Property Taxes Receivable - School Fund (unearned / unavailable)	<u>16,408,400</u>	<u>16,408,400</u>
	<u>\$ 53,992,521</u>	<u>\$ 55,270,570</u>

*11. Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$320,782,094 difference are as follows:

Governmental funds capital assets	\$ 554,678,314
Less: accumulated depreciation	<u>(233,896,220)</u>
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 320,782,094</u></u>

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$(154,848,285) difference are as follows:

Bonds payable, net of premiums and discounts	\$ (106,683,823)
Notes payable	(8,367,827)
Inter-local cooperative agreements	(360,000)
Capital outlay notes payable	(812,000)
Compensated absences	(2,926,905)
OPEB liability	(34,342,309)
Accrued interest payable	<u>(1,355,421)</u>
Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (154,848,285)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures”. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of general capital assets in the current period, exceeded capital outlays. The details of this \$364,963 difference are as follows:

Capital outlays	\$ 14,160,334
Depreciation expense	<u>(13,795,371)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 364,963</u></u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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

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

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is a decrease to net position.” The details of this \$(733,426) difference are as follows:

Capital asset donations reported in statement of activities	\$ 950,474
Capital asset roads annexed reported in statement of activities	0
Forfeited vehicles reported in statement of activities	15,000
Capital project expenditures not meeting capitalization requirements	(1,242,874)
Asset disposals	<u>(456,026)</u>
Net adjustment to reduce <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (733,426)</u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(406,380) difference are as follows:

Unearned property taxes as of June 30, 2014	\$ 1,278,049
Prior years' unearned property taxes	<u>(1,684,429)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (406,380)</u>

Another element of that reconciliation states that “the net revenue of certain activities of internal service funds is reported with governmental activities.” The details of this \$649,773 difference are as follows:

Investment earnings	\$ 25,846
Gain on disposal of capital assets	249,855
Operating gain	<u>374,072</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 649,773</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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

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

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$(7,425,049) difference are as follows:

Principal payments	\$ 6,657,299
Inter-local cooperative agreement payments	120,000
Principal payments on HUD Loan	43,000
Issuance of general obligation bonds and notes payable	(13,406,845)
Premium on issuance of general obligation bonds	(866,390)
Amortization of premiums, discounts and refunding costs	<u>27,887</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (7,425,049)</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2014

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

**C. Fund Balance Classification**

As provided for in GASB Statement No. 54, governmental fund balances by classification, as of June 30, 2014 are as follows:

	Major Governmental Funds				Other	Total
	General Fund	General Purpose Schools Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds	Governmental Funds
<b>Fund Balances:</b>						
<i>Non-spendable:</i>						
Inventory	\$ 3,207	\$ 4,336	\$ 0	\$ 0	\$ 163,277	\$ 170,820
Prepays	31,153	1,370	0	0	0	32,523
Allandale Trust Principal	0	0	0	0	152,691	152,691
<b>Total Non-spendable</b>	<b>34,360</b>	<b>5,706</b>	<b>0</b>	<b>0</b>	<b>315,968</b>	<b>356,034</b>
<i>Restricted for:</i>						
Unspent Federal Forfeitures	0	0	0	0	95,260	95,260
Unspent Bond Proceeds	0	0	0	13,537,759	0	13,537,759
Unspent Hotel Tax	0	0	0	0	381,733	381,733
<b>Total Restricted</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,537,759</b>	<b>476,993</b>	<b>14,014,752</b>
<i>Committed to:</i>						
DB Track Maintenance Project	0	15,000	0	0	0	15,000
Veterans Memorial	0	0	0	0	3,510	3,510
<b>Total Committed</b>	<b>0</b>	<b>15,000</b>	<b>0</b>	<b>0</b>	<b>3,510</b>	<b>18,510</b>
<i>Assigned to:</i>						
Fund Balance Allocations	64,733	0	0	0	0	64,733
Future Industrial Park	20,927	0	0	0	0	20,927
Debt Service	0	0	51,311	0	0	51,311
Capital Projects	0	0	0	125,555	0	125,555
Other Projects	0	0	0	0	255,809	255,809
Community Development	0	0	0	0	16,471	16,471
Allandale Fund	0	0	0	0	38,731	38,731
<i>Education:</i>						
General Purpose School Fund	0	5,127,815	0	0	0	5,127,815
School Nutrition Fund	0	0	0	0	2,145,538	2,145,538
School Projects Fund	0	0	0	0	9,348	9,348
Palmer Center Fund	0	0	0	0	65,845	65,845
<i>Public Safety:</i>						
Criminal Forfeiture Fund	0	0	0	0	83,450	83,450
Drug Fund	0	0	0	0	325,841	325,841
Justice Assistance Grant Fund	0	0	0	0	0	0
<i>Transportation:</i>						
Federal Transit Fund	0	0	0	0	322,988	322,988
MPO Fund	0	0	0	0	371,270	371,270
State Street Aid Fund	0	0	0	0	2,212	2,212
<i>Culture and Recreation:</i>						
Regional Sales Tax Fund	0	0	0	0	35,865	35,865
Visitors Enhancement Fund	0	0	0	0	0	0
Steadman Cemetary Fund	0	0	0	0	16,279	16,279
Library Commission Fund	0	0	0	0	1,234	1,234
Bays Mountain Park Fund	0	0	0	0	129,836	129,836
Senior Citizens Fund	0	0	0	0	67,589	67,589
<b>Total Assigned</b>	<b>85,660</b>	<b>5,127,815</b>	<b>51,311</b>	<b>125,555</b>	<b>3,888,306</b>	<b>9,278,647</b>
<i>Unassigned:</i>	<b>11,648,737</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,648,737</b>
<b>Total Fund Balances</b>	<b>\$ 11,768,757</b>	<b>\$ 5,148,521</b>	<b>\$ 51,311</b>	<b>\$ 13,663,314</b>	<b>\$ 4,684,777</b>	<b>\$ 35,316,680</b>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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

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

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

**B. Excess of expenditures over appropriations**

For the fiscal year ended June 30, 2014, there were no instances of expenditures exceeding appropriations in any funds.

**C. Deficit fund equity**

For the fiscal year ended June 30 2014, there were no instances of deficit fund equity in any funds.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

Cash deposits on the statement of net position include demand deposits, certificates of deposit, savings accounts, cash on deposit with the State of Tennessee and cash deposited in escrow accounts.

***Custodial Credit Risk***

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, deposits may not be returned to the City. The policy for custodial credit risk on deposits is to follow state statutes. As of June 30, 2014, all deposits were insured through FDIC or collateralized as required by Tennessee Code Annotated (TCA) 9-1-118.

At year end, the City's carrying amount of deposits was \$70,760,313 and the bank balance was \$72,140,806. Total demand deposits and certificates of deposit for the City are held in financial institutions which are members of the Tennessee Bank Collateral Pool (the pool) administered by the State of Tennessee Treasurer. The pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the pool if the value of collateral is inadequate to cover a loss.

The carrying amount of deposits at June 30, 2014 for the IDBK, a discretely presented component unit, was \$913,012 and the bank balance was \$930,408. The IDBK's deposits in financial institutions were entirely insured through FDIC or collateralized through the Tennessee Bank Collateral Pool at June 30, 2014.

The carrying amount of deposits at June 30, 2014 for the ECD, also a discretely presented component unit, was \$1,893,713 and the deposits in financial institutions was \$1,895,755. The ECD's deposits in financial institutions were entirely insured through FDIC or collateralized through the Tennessee Bank Collateral Pool at June 30, 2014.

**Investments**

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

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

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 invest in time deposits, such as certificates of deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. By law, the LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares. The TN LGIP has not been rated by a nationally recognized statistical rating organization.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Deposits and investments (continued)**

At June 30, 2014, the City's carrying amount for investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in Years)</u>
Certificate of Deposit	\$ 1,280,691	1.50
Tennessee Local Government Investment Pool	<u>3,099,102</u>	0.30
Total	<u>\$ 4,379,793</u>	

The City does not have a policy for determining which investments will be recorded at amortized cost. No investments are recorded at amortized cost at June 30, 2014.

***Concentration of Credit Risk***

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



**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Receivables**

Receivables as of June 30, 2014 for the City's individual major funds, non-major funds, and internal service funds in the aggregate, and for the component units in total, including the applicable allowances for uncollectible accounts, are as follows:

	General	General Purpose School	Capital Projects	Water	Sewer	Aquatic Center	Meadow View Conference Resort and Convention Center	Non-Major Governmental	Non-Major Business-Type	Internal Service	Total Primary Government	Component Units
Receivables:												
Taxes	\$ 39,067,144	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,067,144	\$ 0
Accounts	809,139	105,217	0	2,061,143	2,233,046	87,256	0	39,379	473,440	4,273	5,812,893	59,447
Intergovernmental	5,230,070	18,675,835	22,790	68,003	171,799	0	0	3,619,926	0	0	27,788,423	20,896
Gross receivables	45,106,353	18,781,052	22,790	2,129,146	2,404,845	87,256	0	3,659,305	473,440	4,273	72,668,460	80,343
Less: Allowances for uncollectibles	(728,627)	(67,496)	0	(73,586)	(301,554)	0	0	0	(67,573)	(1,027)	(1,239,863)	0
Net total receivables	<u>\$ 44,377,726</u>	<u>\$ 18,713,556</u>	<u>\$ 22,790</u>	<u>\$ 2,055,560</u>	<u>\$ 2,103,291</u>	<u>\$ 87,256</u>	<u>\$ 0</u>	<u>\$ 3,659,305</u>	<u>\$ 405,867</u>	<u>\$ 3,246</u>	<u>\$ 71,428,597</u>	<u>\$ 80,343</u>

Revenues of the general, general purpose school, water, sewer, solid waste management and storm water management funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to property taxes	\$ (22,490)
Uncollectibles related to general activities	39,890
Uncollectibles related to school activities	5,627
Uncollectibles related to water sales	(3,338)
Uncollectibles related to sewer charges	5,476
Uncollectibles related to solid waste charges	19,115
Uncollectibles related to storm water management fees	(1,356)
Uncollectibles related to internal service funds activities	<u>1,027</u>
Total uncollectibles of the current fiscal year	<u>\$ 43,951</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital assets**

Capital asset activity for the year ended June 30, 2014, was as follows:

**Primary government**

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 24,063,235	\$ 1,889,972	\$ (431,372)	\$ 0	\$ 25,521,835
Construction in Progress	45,829,539	12,230,450	(19,601,400)	(219,875)	38,238,714
Total capital assets, not being depreciated	69,892,774	14,120,422	(20,032,772)	(219,875)	63,760,549
Capital assets, being depreciated:					
Buildings	154,803,058	8,666,418	0	0	163,469,476
Improvements other than buildings	22,510,543	692,685	(553,795)	0	22,649,433
Equipment	45,186,009	4,192,012	(1,939,649)	0	47,438,372
Software	678,544	31,602	(42,980)	0	667,166
Infrastructure	275,703,032	8,700,176	0	0	284,403,208
Total capital assets, being depreciated	498,881,186	22,282,893	(2,536,424)	0	518,627,655
Less accumulated depreciation for:					
Buildings	(72,099,288)	(5,036,640)	0	0	(77,135,928)
Improvements other than buildings	(12,076,182)	(1,130,239)	553,795	0	(12,652,626)
Equipment	(28,318,920)	(3,521,643)	1,858,738	0	(29,981,825)
Software	(360,125)	(94,608)	32,662	0	(422,071)
Infrastructure	(125,478,887)	(5,790,329)	0	0	(131,269,216)
Total accumulated depreciation	(238,333,402)	(15,573,459)	2,445,195	0	(251,461,666)
Total capital assets, being depreciated, net	260,547,784	6,709,434	(91,229)	0	267,165,989
Governmental activities capital assets, net	\$ 330,440,558	\$ 20,829,856	\$ (20,124,001)	\$ (219,875)	\$ 330,926,538

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital assets (continued)**

**Primary government (continued)**

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
<u>Water</u>					
Land	\$ 742,870	\$ 6,830	\$ (18,742)	\$ 0	\$ 730,958
Construction in Progress	9,228,491	3,337,666	(6,309,432)	0	6,256,725
<u>Sewer</u>					
Land	1,069,613	0	0	0	1,069,613
Construction in Progress	40,346,168	4,801,901	(6,274,793)	0	38,873,276
<u>Solid waste management</u>					
Land	1,308,121	408,188	0	0	1,716,309
Construction in Progress	1,435,352	175,272	(408,188)	0	1,202,436
<u>Storm Water</u>					
Land	712,168	265,595	0	0	977,763
Construction in Progress	666,686	512,641	(400,211)	0	779,116
<u>Aquatic Center</u>					
Land	0	845,711	0	0	845,711
Construction in Progress	19,317,038	620,746	(19,937,784)	0	0
<u>Meadowview Conference Resort     and Convention Center</u>					
Land	1,515,497	0	0	0	1,515,497
Construction in Progress	18,268,481	1,141	(18,269,622)	0	0
<u>Cattails at Meadowview Golf Course</u>					
Land	981,600	0	0	0	981,600
Construction in Progress	625,330	0	(625,330)	0	0
Total capital assets, not being depreciated	96,217,415	10,975,691	(52,244,102)	0	54,949,004
Capital assets, being depreciated:					
<u>Water</u>					
Buildings and system	102,851,110	7,484,323	(2,075,434)	0	108,259,999
Equipment and machinery	1,117,352	52,357	(168,133)	0	1,001,576
Software	66,400	0	0	0	66,400
<u>Sewer</u>					
Buildings and system	158,472,337	8,348,839	0	0	166,821,176
Equipment and machinery	833,088	69,607	(18,415)	0	884,280
<u>Solid waste management</u>					
Buildings and system	266,142	41,992	0	0	308,134
Improvements other than Buildings	1,177,265	0	0	(1)	1,177,264
Equipment and machinery	555,423	34,986	0	0	590,409
Software	0	6,750	0	0	6,750
<u>Storm Water</u>					
Buildings and system	87,038	61,916	0	0	148,954
Improvements other than Buildings	534,297	0	0	0	534,297
Equipment and machinery	0	125,000	0	0	125,000
Software	0	6,661	0	0	6,661
<u>Aquatic Center</u>					
Buildings and system	600,698	18,671,632	0	0	19,272,330
Equipment and machinery	0	75,400	0	0	75,400
<u>MeadowView Conference Resort     and Convention Center</u>					
Buildings	23,602,740	15,867,251	0	0	39,469,991
Improvements other than Buildings	396,388	2,402,371	0	0	2,798,759
Equipment	1,132,671	9,281	0	0	1,141,952
<u>Cattails at MeadowView Golf Course</u>					
Buildings	813,815	625,330	0	0	1,439,145
Improvements other than Buildings	6,040,112	0	(6,222)	0	6,033,890
Equipment	465,051	0	0	0	465,051
Total capital assets, being depreciated	299,011,927	53,883,696	(2,268,204)	(1)	350,627,418

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital assets (continued)**

**Primary government (continued)**

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Less accumulated depreciation for:					
<u>Water</u>					
Buildings and system	(39,090,557)	(2,709,076)	1,819,419	0	(39,980,214)
Equipment and machinery	(818,561)	(25,345)	117,024	0	(726,882)
Software	(54,227)	(12,173)	0	0	(66,400)
<u>Sewer</u>					
Buildings and system	(61,798,463)	(3,489,529)	0	0	(65,287,992)
Equipment and machinery	(589,678)	(56,424)	18,415	0	(627,687)
<u>Solid Waste Management</u>					
Buildings and system	(97,036)	(9,776)	0	0	(106,812)
Improvements other than Buildings	(1,153,418)	(23,846)	0	0	(1,177,264)
Equipment and machinery	(321,355)	(54,451)	0	0	(375,806)
Software	0	(113)	0	0	(113)
<u>Storm Water</u>					
Buildings and system	0	(870)	0	0	(870)
Improvements other than Buildings	(35,620)	(35,620)	0	0	(71,240)
Equipment and machinery	0	(1,485)	0	0	(1,485)
Software	0	(222)	0	0	(222)
<u>Aquatic Center</u>					
Buildings and system	0	(632,750)	0	0	(632,750)
Equipment and machinery	0	(6,574)	0	0	(6,574)
<u>MeadowView Conference Resort and Convention Center</u>					
Buildings	(8,350,326)	(1,102,141)	0	0	(9,452,467)
Improvements other than Buildings	(360,240)	(177,214)		0	(537,454)
Equipment	(988,639)	(46,633)	0	0	(1,035,272)
<u>Cattails at MeadowView Golf Course</u>					
Buildings	(306,848)	(41,026)	0	0	(347,874)
Improvements other than Buildings	(3,344,011)	(182,740)	6,222	0	(3,520,529)
Equipment	(408,773)	(20,870)	0	0	(429,643)
Total accumulated depreciation	(117,717,752)	(8,628,878)	1,961,080	0	(124,385,550)
Total capital assets, being depreciated, net	181,294,175	45,254,818	(307,124)	(1)	226,241,868
Business-type activities capital assets, net	\$ 277,511,590	\$ 56,230,509	\$ (52,551,226)	\$ (1)	\$ 281,190,872

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

Governmental activities:	
General government	\$ 908,789
Economic and physical development	518,307
Public safety	1,249,835
Public works	6,535,417
Culture and recreation	1,799,871
Education	4,561,240
Total depreciation expense - governmental activities	<u>\$ 15,573,459</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2014

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital assets (continued)**

**Primary government (continued)**

Business-type activities:

Water	\$ 2,746,594
Sewer	3,545,953
Solid waste management	88,186
Storm Water	38,197
Aquatic Center	639,324
MeadowView Conference Resort and Convention Center	1,325,988
Cattails at MeadowView Golf Course	<u>244,636</u>

Total depreciation expense - business-type activities	<u><u>\$ 8,628,878</u></u>
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**Construction commitments**

The City has active construction projects as of June 30, 2014. The governmental projects of the City are reflected in the capital projects fund and the City has provided funding for the future commitments in the amount of \$13,537,759 through bonded debt. In the proprietary funds, funding for construction projects has been provided and is in segregated deposit and investment accounts totaling \$16,040,447. Except for projects which are shared with counties or the State of Tennessee, the City could terminate any project at their discretion.

**Net Investment in Capital Assets**

The net investment in capital assets is composed of the following items at June 30, 2014:

	Business-Type						Total Business-Type
	Governmental	Water	Sewer	Aquatic Center	MeadowView Conference Center	Other Enterprise Funds	
Capital Assets	\$ 582,388,204	\$ 116,315,658	\$ 207,648,345	\$ 20,193,441	\$ 44,926,199	\$ 16,492,779	\$ 405,576,422
Less Accumulated Depreciation	(251,461,666)	(40,773,496)	(65,915,679)	(639,324)	(11,025,193)	(6,031,858)	(124,385,550)
Net Capital Assets	<u>330,926,538</u>	<u>75,542,162</u>	<u>141,732,666</u>	<u>19,554,117</u>	<u>33,901,006</u>	<u>10,460,921</u>	<u>281,190,872</u>
Total Debt	116,223,650	24,339,950	52,197,636	18,663,156	13,796,287	4,444,700	113,441,729
Less Debt not related to Capital Assets	(1,239,857)	0	0	0	0	0	0
Less Capital related unspent debt proceeds	(13,542,225)	(4,536,451)	(11,140,454)	(58,024)	0	(305,518)	(16,040,447)
Total Capital Debt	<u>101,441,568</u>	<u>19,803,499</u>	<u>41,057,182</u>	<u>18,605,132</u>	<u>13,796,287</u>	<u>4,139,182</u>	<u>97,401,282</u>
Net Investment in Capital Assets	<u><u>\$ 229,484,970</u></u>	<u><u>\$ 55,738,663</u></u>	<u><u>\$ 100,675,484</u></u>	<u><u>\$ 948,985</u></u>	<u><u>\$ 20,104,719</u></u>	<u><u>\$ 6,321,739</u></u>	<u><u>\$ 183,789,590</u></u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital assets (continued)**

**Discretely presented component units**

Activity for the IDBK for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 863,000	\$ 709,319	\$ 0	\$ 0	\$ 1,572,319
Total capital assets, not being depreciated	863,000	709,319	0	0	1,572,319
Capital assets, being depreciated:					
Buildings	2,537,000	1,794,319	0	0	4,331,319
Improvements other than buildings	262,506	0	0	0	262,506
Signs	55,422	0	0	0	55,422
Total capital assets, being depreciated	2,854,928	1,794,319	0	0	4,649,247
Less accumulated depreciation for:					
Buildings	(117,815)	(104,545)	0	0	(222,360)
Improvements other than buildings	(20,303)	(14,801)	0	0	(35,104)
Signs	(55,422)	0	0	0	(55,422)
Total accumulated depreciation	(193,540)	(119,346)	0	0	(312,886)
Total capital assets, being depreciated, net	2,661,388	1,674,973	0	0	4,336,361
IDBK capital assets, net	<u>\$ 3,524,388</u>	<u>\$ 2,384,292</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,908,680</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital assets (continued)**

**Discretely presented component units (continued)**

Activity for the ECD for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 0	\$ 242,010	\$ 0	\$ 0	\$ 242,010
Construction in Progress	0	459,710	0	0	459,710
Total capital assets, not being depreciated	0	701,720	0	0	701,720
Capital assets, being depreciated:					
Furniture and Fixtures	21,819	0	0	0	21,819
Office Equipment	64,693	5,232	0	0	69,925
Communications Equipment	1,076,206	13,587	0	0	1,089,793
Other Fixed Assets	28,780	0	0	0	28,780
Total capital assets, being depreciated	1,191,498	18,819	0	0	1,210,317
Less accumulated depreciation for:					
Furniture and Fixtures	(15,574)	(1,938)	0	0	(17,512)
Office Equipment	(63,112)	(1,204)	0	0	(64,316)
Communications Equipment	(605,394)	(105,839)	0	0	(711,233)
Other Fixed Assets	(28,780)	0	0	0	(28,780)
Total accumulated depreciation	(712,860)	(108,981)	0	0	(821,841)
Total capital assets, being depreciated, net	478,638	(90,162)	0	0	388,476
ECD capital assets, net	\$ 478,638	\$ 611,558	\$ 0	\$ 0	\$ 1,090,196

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Inter-fund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2014, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General (major)	State Street Aid (nonmajor)	\$ 59,284
	MPO Fund (nonmajor)	565,255
	Urban Mass Transit (nonmajor)	19,741
	Community Development (nonmajor)	13,674
	Regional Sales Tax Fund (nonmajor)	570,204
	General Projects Fund (major)	2,901,811
General Purpose School (major)	Public Law 93-380 (nonmajor)	826,679
	Special School Projects (nonmajor)	296,232
Sewer (major)	Solid Waste Management (nonmajor)	878,697
	Aquatics Center (major)	503,340
	Cattails at MeadowView Golf Course (nonmajor)	36,160
Total		<u><u>\$ 6,671,077</u></u>

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

**Advances to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Fleet Maintenance (major)	General (major)	\$ 387,028
Total		<u><u>\$ 387,028</u></u>

Advances to/from other funds represent interfund loans with established repayment schedules that span over one year and are subject to interest rates ranging from 1.0% to 3.0%. The amount due at June 30, 2014 includes principal, as well as accrued interest.



**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

**Advances to/from other funds (continued)**

Debt service requirements to maturity for an interfund loan issued in the amount of \$451,113 on January 31, 2009 by the Fleet Maintenance Fund to the General Fund at an interest rate of 3.0% are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 80,849	\$ 2,425	\$ 83,274
	<u>\$ 80,849</u>	<u>\$ 2,425</u>	<u>\$ 83,274</u>

Debt service requirements to maturity for an interfund loan issued in the amount of \$725,000 on February 28, 2011 by the Fleet Maintenance Fund to the General Fund at an interest rate of 2.5% are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 148,534	\$ 7,520	\$ 156,054
2016	152,248	3,806	156,054
	<u>\$ 300,782</u>	<u>\$ 11,326</u>	<u>\$ 312,108</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

**Due to/from primary government and component units:**

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government-General Fund	Component unit - IDBK	\$ 10,592
Primary government-Water Fund	Component unit - IDBK	10,715
Primary government-Sewer Fund	Component unit - IDBK	14,796
Component unit - IDBK	Primary government-General Fund	(34,642)
Component unit - IDBK	Primary government-MeadowView Fund	(246)
Component unit - IDBK	Primary government-General Project Fund	(14,645)
Total		<u>\$ (13,430)</u>

The City of Kingsport's primary government is also liable to their component unit Industrial Development Board for certain agreements that are reported as long term notes payable. The total amounts due under these agreements at June 30, 2014 are \$360,000. The amounts due in one year related to these agreements are \$120,000.

**Interfund transfers**

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

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

**Inter-fund transfers (continued)**

Transfers in:													
Transfers out:	General	General Purpose School	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental	Water	Solid Waste Management	Aquatic Center	Meadow View Conference Resort and Convention Center	Cattails at Meadow View	Total Proprietary	Total
General	\$ 0	\$ 13,613,972	\$ 5,890,768	\$ 599,883	\$ 1,562,856	\$ 21,667,479	\$ 0	\$ 3,413,900	\$ 0	\$ 0	\$ 0	\$ 3,413,900	\$ 25,081,379
General Purpose School	254,090	0	3,852,323	(370,587)	433,577	4,169,403	0	0	0	0	0	0	4,169,403
Capital Projects	0	0	666,863	0	0	666,863	0	0	0	0	0	0	666,863
Nonmajor Governmental	122,909	14,806	0	25,000	(22)	162,693	0	0	1,357,502	2,114,195	218,929	3,690,626	3,853,319
Total Governmental	376,999	13,628,778	10,409,954	254,296	1,996,411	26,666,438	0	3,413,900	1,357,502	2,114,195	218,929	7,104,526	33,770,964
Water	1,433,675	0	0	0	0	1,433,675	0	0	0	0	0	0	1,433,675
Sewer	1,220,901	0	0	0	0	1,220,901	117,247	0	0	0	0	117,247	1,338,148
Storm Water	76,620	0	0	0	0	76,620	16,514	0	0	0	0	16,514	93,134
Aquatic Center	42,200	0	0	0	0	42,200	0	0	0	0	0	0	42,200
Cattails at Meadow View	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Proprietary	2,773,396	0	0	0	0	2,773,396	133,761	0	0	0	0	133,761	2,907,157
Fleet Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0
Health Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Internal Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	\$ 3,150,395	\$ 13,628,778	\$ 10,409,954	\$ 254,296	\$ 1,996,411	\$ 29,439,834	\$ 133,761	\$ 3,413,900	\$ 1,357,502	\$ 2,114,195	\$ 218,929	\$ 7,238,287	\$ 36,678,121

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities**

The City routinely issues and retires long-term debt instruments each year for both general governmental activities and business-type activities. Long-term debt for general governmental activities is reported in the Government Wide Statement of Net Position and paid from the Debt Service Fund. Long-term debt for business-type activities is recorded in and paid from the applicable enterprise fund.

On October 21, 2013, the City issued General Obligation Bonds, Series 2013A with a par value of \$1,310,000 and an average interest rate of 3.78%. The proceeds were used to fund certain public works projects consisting of the acquisition of public art; the acquisition, construction, renovation, improvement and equipping of a municipal recreational center and related facilities, including a public swimming pool; the acquisition of all property real and personal, appurtenant thereto or connected with such work; to pay legal, fiscal, administrative, and engineering costs; to reimburse the Municipality for the costs of any of the above projects; to pay capitalized interest; and to pay costs incident to the issuance and sale of the bonds.

The net proceeds of \$1,314,712 consisted of the par amount of the General Obligation Bonds, plus a net premium of \$31,355 and city contribution of \$9,789, less an underwriter's discount and other issuance costs of \$36,432. With the implementation of GASB 65, bond issuance costs are expensed in the year incurred.

Also on October 21, 2013 the City issued General Obligation Public Improvement Bonds, Series 2013B with a par value of \$27,510,000 and an average interest rate of 4.12%. The proceeds were used to fund certain public works projects consisting of the acquisition of public art; the acquisition, construction, renovation of public school facilities; road, parking, and sidewalk construction, improvement and expansion; the acquisition, construction and improvement of a fire training ground and fire protection upgrades; the acquisition, construction, and improvement of public recreational facilities, including development and construction of a softball and baseball complex, the demolition of Legion pool and improvements to J. Fred Johnson stadium; the acquisition, construction, renovation, improvement and equipping of public buildings within the Municipality, including library improvements; the acquisition of public works equipment, including ladder trucks, dump trucks, garbage trucks, generators, and street lighting improvements; the construction, expansion and improvement of the Municipality's water system; the 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; to pay legal, fiscal, administrative, and engineering costs; to reimburse the Municipality for the costs of any of the above projects; to pay capitalized interest; and to pay costs incident to the issuance and sale of the bonds.

The net proceeds of \$28,947,311 consisted of the par amount of the General Obligation Public Improvement Bonds, plus a net premium of \$1,777,777 less an underwriter's discount and other issuance costs totaling \$340,466. With the implementation of GASB 65, bond issuance costs are expensed in the year incurred.

**Advance Refundings**

Previously, on June 22, 2012, the City issued General Obligation Refunding Bonds, Series 2012B at par value of \$9,970,000. The net proceeds were deposited in an irrevocable escrow with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, certain General Obligation, Series 2003; certain Water and Sewer System Revenue and Tax Bonds, Series 2003 and 2004; and certain General Obligation School Bonds, Series 2004 bonds are considered defeased and a portion of the liability for those bonds has been removed from the statement of net position. Given the call date provisions for the bonds, the City continues to directly pay principal and interest on the Series 2004 Bonds in FY14, with the liability remaining on the financial statements until such time payments are made.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

**Advance Refundings (continued)**

Previously, on February 8, 2013, the City issued General Obligation Refunding Bonds, Series 2013 at par value of \$43,095,000. Of the net proceeds, \$23,128,395 was paid to the State of Tennessee to pay off several State Revolving Fund loans, while \$22,749,944 was deposited in an irrevocable escrow with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, certain General Obligation Bonds, Series 2005; certain Water and Sewer System Revenue and Tax Bonds, Series 2005; certain General Obligation School and Public Improvement Bonds, Series 2006; and certain Water and Sewer System Revenue and Tax Bonds, Series 2006 are considered defeased and a portion of the liability for those bonds has been removed from the statement of net position. Given the call date provisions of the aforementioned refunded bonds, the City will continue to directly pay principal and interest on Series 2005 bonds in fiscal years 2014 through 2017 and the Series 2006 Bonds in fiscal years 2014 through 2016, with the liability for these portions of the bonds remaining on the financial statements until such time payments are made.

Governmental Activities:

**Inter-local Cooperative Agreements**

The City entered into an inter-local agreement effective June 30, 2011 to contribute \$720,000 to IDBK for financing incentives related to the former Quebecor property. This contribution will be paid in six installments of \$120,000 per year beginning August 2011. As of June 30, 2014, \$360,000 is outstanding.

**Notes Payable**

The City issued a loan with the State of Tennessee for Qualified Zone Academy Projects in November 2004 for \$3,524,680 with a maturity date of November 2020. Annual principal payments are \$220,293 and the interest rate is variable. As of June 30, 2014, \$1,542,047 is outstanding.

The City issued a loan with the State of Tennessee for the Qualified Zone Academy Bonds in December 2005 for \$1,549,000 with a maturity date of December 2020. Annual principal payments are \$103,267 and the interest rate is variable. As of June 30, 2014, \$722,867 is outstanding.

The City issued a General Obligation Capital Outlay Note, Series 2007 on May 2, 2007 for \$1,600,000 for energy management improvement projects. The note has an annual interest rate of 4.12% with a maturity date of May 2019. As of June 30, 2014, \$812,000 is outstanding.

The City issued a Local Government Energy Efficiency Note on May 25, 2007 for \$475,000 for energy efficiency improvement projects. The note is interest free with a maturity date of July 15, 2014. As of June 30, 2014, \$67,857 is outstanding.

In December 2009, the City issued a loan with the State of Tennessee for Qualified School Construction Bonds in the amount of \$1,240,000, with a variable interest rate and a maturity date of September 2026. As of June 30, 2014, \$936,952 is outstanding.

In July 2010, the City issued a loan with the U.S. Department of Housing and Urban Development in the amount of \$856,000 with a maturity date of August 2030. Annual principal payments are \$43,000 and the interest rate ranges from 4.00% to 5.00%. As of June 30, 2014, \$727,000 is outstanding.

In December 2010, the City issued a loan with the State of Tennessee Energy Efficient Schools Initiative in the amount of \$5,000,000 with an annual interest rate of .75%. Repayment began December 4, 2012. As of June 30, 2014, \$4,371,104 is outstanding.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

**Notes Payable (continued)**

Governmental Activities (continued):

Payments to maturity on notes payable are as follows:

Fiscal Year Ending June 30	2004 QZAB	2005 QZAB	2007 Capital Outlay Note	2007 Energy Efficiency Loan	2009 QSCB	2010 HUD 108 Loan	2010 School Energy Efficiency Loan
2015	\$ 220,293	\$ 103,266	\$ 150,000	\$ 67,857	\$ 77,374	\$ 43,000	\$ 408,376
2016	220,292	103,267	156,000	0	77,374	43,000	411,449
2017	220,293	103,266	162,000	0	77,374	43,000	414,536
2018	220,292	103,267	169,000	0	77,374	43,000	417,658
2019	220,293	103,267	175,000	0	77,374	43,000	420,804
2020	220,292	103,267	0	0	77,374	43,000	423,973
2021	220,292	103,267	0	0	77,374	43,000	427,156
2022	0	0	0	0	77,374	43,000	430,374
2023	0	0	0	0	77,374	43,000	433,616
2024	0	0	0	0	77,374	43,000	436,801
2025	0	0	0	0	77,374	43,000	146,361
2026	0	0	0	0	77,374	43,000	0
2027	0	0	0	0	8,464	43,000	0
2028	0	0	0	0	0	43,000	0
2029	0	0	0	0	0	43,000	0
2030	0	0	0	0	0	43,000	0
2031	0	0	0	0	0	39,000	0
2032	0	0	0	0	0	0	0
	<u>\$ 1,542,047</u>	<u>\$ 722,867</u>	<u>\$ 812,000</u>	<u>\$ 67,857</u>	<u>\$ 936,952</u>	<u>\$ 727,000</u>	<u>\$ 4,371,104</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Governmental Activities (continued):

**Bonds Payable**

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

As previously mentioned, during the fiscal year ended June 30, 2014, the City issued General Obligation Public Improvement Bonds, Series 2013B at par value of \$27,510,000. The portion of these bonds related to general governmental activities totals \$13,406,846 and carry an average coupon rate of 4.12%.

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

Debt Service Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2014
2005 General Obligation	02/01, 08/01	12/06/05	2,826,250	3.750%-5.000%	\$ 612,500
2006 General Obligation	02/01, 08/01	12/20/06	13,320,000	3.625%-4.100%	1,285,000
2007 General Obligation	08/01, 02/01	06/08/07	19,360,000	4.000%-5.000%	15,315,000
2008A General Obligation	03/01, 09/01	06/12/08	7,480,000	3.500%-4.375%	6,005,000
2008B General Obligation	03/01, 09/01	06/12/08	11,165,000	3.500%-4.375%	8,965,000
2009A General Obligation	03/01, 09/01	01/22/09	12,160,000	2.000%-5.000%	9,608,620
2009B General Obligation	03/01, 09/01	01/22/09	7,100,000	2.000%-5.000%	5,960,000
2009D BABS General Obligation	03/01, 09/01	12/08/09	14,982,043	2.000%-5.000%	12,544,388
2011 General Obligation Improvement	03/01, 09/01	12/16/11	11,298,193	2.000%-4.000%	10,742,778
2012B General Obligation Refunding	04/01, 10/01	06/22/12	4,357,887	3.00%	3,866,150
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	5,111,165	2.000%-5.000%	4,790,338
2013 General Obligation Refunding	02/01, 05/01	02/08/13	12,177,052	2.000%-5.000%	11,064,202
2013B General Obligation	03/01, 09/01	10/21/13	13,406,846	2.000%-5.000%	<u>13,406,846</u>
Total General Obligation Bonds (before net premiums and discounts of \$2,518,001 )					<u>\$ 104,165,822</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Governmental Activities (continued):

**Bonds Payable (continued)**

General Obligation Bonds, Series 2005, issued December 6, 2005, debt service requirements to maturity are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 192,500	\$ 26,250	\$ 218,750
2016	201,250	16,625	217,875
2017	218,750	6,563	225,313
	<u>\$ 612,500</u>	<u>\$ 49,438</u>	<u>\$ 661,938</u>

General Obligation Bonds, Series 2006, issued December 20, 2006, debt service requirements to maturity are

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 630,000	\$ 47,369	\$ 677,369
2016	655,000	23,744	678,744
	<u>\$ 1,285,000</u>	<u>\$ 71,113</u>	<u>\$ 1,356,113</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 910,000	\$ 650,587	\$ 1,560,587
2016	945,000	614,188	1,559,188
2017	1,000,000	566,937	1,566,937
2018	1,040,000	516,938	1,556,938
2019	1,075,000	475,337	1,550,337
2020	1,115,000	432,338	1,547,338
2021	1,160,000	387,738	1,547,738
2022	1,210,000	339,887	1,549,887
2023	1,260,000	289,975	1,549,975
2024	1,315,000	238,000	1,553,000
2025	1,370,000	182,113	1,552,113
2026	1,425,000	123,887	1,548,887
2027	1,490,000	63,325	1,553,325
	<u>\$ 15,315,000</u>	<u>\$ 4,881,250</u>	<u>\$ 20,196,250</u>



**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Governmental Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 330,000	\$ 246,012	\$ 576,012
2016	340,000	232,813	572,813
2017	355,000	219,212	574,212
2018	370,000	206,788	576,788
2019	380,000	191,987	571,987
2020	400,000	176,788	576,788
2021	415,000	160,787	575,787
2022	430,000	144,188	574,188
2023	450,000	126,987	576,987
2024	465,000	108,425	573,425
2025	485,000	88,663	573,663
2026	505,000	68,050	573,050
2027	530,000	46,587	576,587
2028	550,000	24,063	574,063
	<u>\$ 6,005,000</u>	<u>\$ 2,041,350</u>	<u>\$ 8,046,350</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 490,000	\$ 367,275	\$ 857,275
2016	510,000	347,675	857,675
2017	530,000	327,275	857,275
2018	550,000	308,725	858,725
2019	570,000	286,725	856,725
2020	595,000	263,925	858,925
2021	620,000	240,125	860,125
2022	645,000	215,325	860,325
2023	670,000	189,525	859,525
2024	695,000	161,887	856,887
2025	725,000	132,350	857,350
2026	755,000	101,538	856,538
2027	790,000	69,450	859,450
2028	820,000	35,875	855,875
	<u>\$ 8,965,000</u>	<u>\$ 3,047,675</u>	<u>\$ 12,012,675</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Governmental Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 489,611	\$ 397,778	\$ 887,389
2016	508,442	383,276	891,718
2017	522,566	368,215	890,781
2018	536,689	352,737	889,426
2019	555,520	336,840	892,360
2020	574,352	314,900	889,252
2021	597,891	292,217	890,108
2022	621,429	268,604	890,033
2023	644,969	244,061	889,030
2024	677,923	215,405	893,328
2025	706,170	185,284	891,454
2026	739,125	153,909	893,034
2027	772,079	120,157	892,236
2028	809,742	82,041	891,783
2029	852,112	42,066	894,178
	<u>\$ 9,608,620</u>	<u>\$ 3,757,490</u>	<u>\$ 13,366,110</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 305,000	\$ 249,681	\$ 554,681
2016	315,000	240,531	555,531
2017	325,000	231,081	556,081
2018	335,000	221,331	556,331
2019	345,000	210,444	555,444
2020	355,000	196,644	551,644
2021	370,000	182,444	552,444
2022	385,000	167,644	552,644
2023	400,000	152,244	552,244
2024	420,000	135,244	555,244
2025	440,000	116,344	556,344
2026	455,000	96,544	551,544
2027	480,000	75,500	555,500
2028	500,000	51,500	551,500
2029	530,000	26,500	556,500
	<u>\$ 5,960,000</u>	<u>\$ 2,353,676</u>	<u>\$ 8,313,676</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Governmental Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 651,419	\$ 611,998	\$ 1,263,417
2016	664,499	590,013	1,254,512
2017	682,812	565,094	1,247,906
2018	701,125	538,635	1,239,760
2019	698,509	507,084	1,205,593
2020	719,438	475,651	1,195,089
2021	742,984	442,377	1,185,361
2022	761,297	407,086	1,168,383
2023	784,842	369,972	1,154,814
2024	816,236	330,730	1,146,966
2025	816,236	289,918	1,106,154
2026	839,781	248,086	1,087,867
2027	868,558	203,997	1,072,555
2028	897,336	157,312	1,054,648
2029	931,345	106,837	1,038,182
2030	967,971	54,449	1,022,420
	<u>\$ 12,544,388</u>	<u>\$ 5,899,239</u>	<u>\$ 18,443,627</u>

The GOB, Series 2009D Build America Bonds (BABS) carry an interest rate of 2.000% to 5.625%. The Federal government pays 25% of the interest due. During fiscal year 2014 the City's Debt Service Fund paid \$631,225 and the Federal government paid \$203,365 in interest, respectively.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Governmental Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 472,576	\$ 330,931	\$ 803,507
2016	479,232	321,480	800,712
2017	489,216	311,895	801,111
2018	505,856	302,111	807,967
2019	512,512	291,994	804,506
2020	522,496	281,743	804,239
2021	535,808	266,068	801,876
2022	559,104	244,636	803,740
2023	575,744	227,863	803,607
2024	595,712	210,591	806,303
2025	612,352	192,719	805,071
2026	625,664	173,737	799,401
2027	652,287	153,402	805,689
2028	672,255	131,388	803,643
2029	692,223	107,859	800,082
2030	718,847	83,631	802,478
2031	745,472	57,034	802,506
2032	775,422	29,078	804,500
	<u>\$ 10,742,778</u>	<u>\$ 3,718,160</u>	<u>\$ 14,460,938</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 832,676	\$ 115,984	\$ 948,660
2016	867,643	91,004	958,647
2017	876,386	64,975	941,361
2018	911,353	38,683	950,036
2019	378,092	11,343	389,435
	<u>\$ 3,866,150</u>	<u>\$ 321,989</u>	<u>\$ 4,188,139</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Governmental Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 294,338	\$ 140,206	\$ 434,544
2016	299,504	134,319	433,823
2017	307,235	128,329	435,564
2018	315,001	119,112	434,113
2019	327,934	106,512	434,446
2020	338,229	96,674	434,903
2021	348,561	89,064	437,625
2022	358,892	78,607	437,499
2023	192,364	67,840	260,204
2024	197,494	62,069	259,563
2025	205,188	56,145	261,333
2026	210,318	49,989	260,307
2027	215,448	43,680	259,128
2028	223,142	37,216	260,358
2029	228,272	30,522	258,794
2030	235,966	23,674	259,640
2031	241,096	16,005	257,101
2032	251,356	8,169	259,525
	<u>\$ 4,790,338</u>	<u>\$ 1,288,132</u>	<u>\$ 6,078,470</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Governmental Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 588,574	\$ 357,262	\$ 945,836
2016	247,300	333,719	581,019
2017	697,386	323,827	1,021,213
2018	979,308	295,932	1,275,240
2019	1,018,876	256,759	1,275,635
2020	1,048,552	226,193	1,274,745
2021	1,073,282	194,736	1,268,018
2022	830,928	162,538	993,466
2023	865,550	129,301	994,851
2024	890,280	103,334	993,614
2025	915,010	76,626	991,636
2026	939,740	53,751	993,491
2027	969,416	29,082	998,498
	<u>\$ 11,064,202</u>	<u>\$ 2,543,060</u>	<u>\$ 13,607,262</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Governmental Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 482,471	\$ 542,009	\$ 1,024,480
2016	499,528	527,535	1,027,063
2017	514,148	507,553	1,021,701
2018	543,389	481,846	1,025,235
2019	550,699	470,978	1,021,677
2020	567,756	454,457	1,022,213
2021	596,997	426,069	1,023,066
2022	616,491	408,160	1,024,651
2023	640,858	383,500	1,024,358
2024	672,535	351,457	1,023,992
2025	638,421	317,830	956,251
2026	665,225	291,495	956,720
2027	692,029	263,223	955,252
2028	723,707	233,812	957,519
2029	752,947	204,864	957,811
2030	784,625	172,864	957,489
2031	816,302	139,517	955,819
2032	850,416	106,865	957,281
2033	882,094	72,848	954,942
2034	916,208	37,565	953,773
	<u>\$ 13,406,846</u>	<u>\$ 6,394,447</u>	<u>\$ 19,801,293</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Governmental Activities (continued):

**Bonds Payable (continued)**

Total annual debt service requirements for General Obligation Bonds are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 6,669,165	\$ 4,083,342	\$ 10,752,507
2016	6,532,398	3,856,922	10,389,320
2017	6,518,499	3,620,956	10,139,455
2018	6,787,721	3,382,838	10,170,559
2019	6,412,142	3,146,003	9,558,145
Next Five Years	32,343,994	12,136,023	44,480,017
Next Five Years	30,716,128	5,339,236	36,055,364
Next Five Years	8,185,775	801,699	8,987,474
	<u>\$ 104,165,822</u>	<u>\$ 36,367,019</u>	<u>\$ 140,532,841</u>

The total on the statement of net position has been adjusted by net premiums and discounts of \$2,518,001.



**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities:

Long-term debt issued by the City for capital improvement projects related to business-type activities is recorded and to be paid from the applicable enterprise fund. Maturities on July 1 are considered as maturing on the preceding June 30th.

**Bonds Payable**

As previously mentioned, during the fiscal year ended June 30, 2014, the City issued General Obligation Bonds, Series 2013A at par value of \$1,310,000 and an average coupon rate of 3.78%. The total amount of these bonds is related to business-type activities and more specifically, the City's Aquatic Center Fund. These bonds provided for the repayment of inter-fund loans made by the City's Water and Sewer Funds used to fund capital improvements to the City's Aquatic Center facility.

As previously mentioned, during the fiscal year ended June 30, 2014, the City issued General Obligation Public Improvement Bonds, Series 2013B at par value of \$27,510,000 and an average coupon rate of 4.12%. The amount of these bonds related to business-type activities totals \$14,103,154.

The Solid Waste Fund accounts for \$289,856 of the improvement bonds issued with an average coupon rate of approximately 4.12%.

The Water Fund accounts for \$4,262,308 of the improvement bonds issued with an average coupon rate of approximately 4.12%.

The Sewer Fund accounts for \$9,550,990 of the improvement bonds issued with an average coupon rate of approximately 4.12%.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2014
<u>Solid Waste Management Fund</u>					
2005 General Obligation	02/01, 08/01	12/06/05	\$ 403,750	3.000%-5.000%	\$ 87,500
2009D BABS General Obligation	03/01, 09/01	12/08/09	303,404	2.250%-5.625%	275,378
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	1,141,983	2.000%-3.750%	1,141,983
2013 General Obligation Refunding	05/01, 11/01	02/08/13	132,948	2.000%-3.750%	120,798
2013B General Obligation	03/01, 09/01	10/21/13	289,856	2.000%-5.000%	289,856
Total Solid Waste Management Fund ( before net premiums and discounts of \$60,933 )					<u>\$ 1,915,515</u>
<u>MeadowView Conference Resort and Convention Center Fund</u>					
2009C Local Option Sales Tax Revenue and Tax Bonds	03/01, 09/01	01/22/09	\$ 15,180,000	2.000%-5.000%	\$ 12,750,000
2009D BABS General Obligation	03/01, 09/01	12/08/09	1,016,085	2.250%-5.625%	<u>922,228</u>
Total MeadowView Conference Resort and Convention Center Fund ( before net premiums and discounts of \$124,059 )					<u>\$ 13,672,228</u>
<u>Cattails at MeadowView Golf Course Fund</u>					
1998 Golf Course-TMBF	Monthly	1998	\$ 1,450,000	Variable	\$ 390,000
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	517,721	2.000%-3.750%	<u>517,721</u>
Total Cattails at MeadowView Golf Course Fund ( before net premiums and discounts of \$6,163 )					<u>\$ 907,721</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2014
<u>Storm Water Fund</u>					
2009A General Obligation	03/01, 09/01	02/03/09	\$ 652,452	2.000%-5.000%	\$ 596,380
2009D BABS General Obligation	03/01, 09/01	12/08/09	606,808	2.250%-5.625%	550,756
2011 General Obligation Public Improvement	03/01, 09/01	12/06/11	395,414	2.000%-4.000%	<u>395,414</u>
Total Storm Water Fund ( before net premiums and discounts of \$11,818 )					<u><u>\$ 1,542,550</u></u>
<u>Aquatic Center Fund</u>					
2009D BABS General Obligation	03/01, 09/01	12/08/09	\$ 554,170	2.250%-5.625%	\$ 502,980
2009E General Obligation	03/01, 09/01	12/08/09	14,225,000	2.500%-5.000%	13,040,000
2011 General Obligation Public Improvement	03/01, 09/01	12/06/11	160,000	2.000%-4.000%	160,000
2012A General Obligation Public Improvement	04/01, 10/01	06/11/12	3,110,000	2.000%-5.000%	3,110,000
2013A General Obligation Public Improvement	03/01, 09/01	10/21/13	1,310,000	3.000%-4.000%	<u>1,310,000</u>
Total Aquatic Center Fund ( before net premiums and discounts of \$540,176 )					<u><u>\$ 18,122,980</u></u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

<u>Water Fund</u>	<u>Interest Payable Dates</u>	<u>Issue Date</u>	<u>Amount Authorized and Issued</u>	<u>Interest Rates</u>	<u>Outstanding June 30, 2014</u>
2005 Water and Sewer Revenue and Tax	02/01, 08/01	12/06/05	\$ 870,000	3.000%-5.000%	\$ 185,000
2006 Water and Sewer Revenue and Tax	02/01, 08/01	12/20/06	316,463	3.750%-5.000%	29,198
2008 Water and Sewer Revenue and Tax	03/01, 09/01	06/12/08	1,200,000	3.500%-4.250%	845,000
2008 Tennessee Municipal Bond Fund	Monthly	10/15/08	9,698,196	Variable	7,528,196
2009D BABS General Obligation	03/01, 09/01	12/08/09	4,045,387	2.250%-5.625%	3,671,708
2010 Water and Sewer Revenue and Tax Refunding	12/01, 06/01	04/19/10	1,515,000	2.000%-3.000%	670,000
2011 General Obligation Improvement	03/01, 09/01	12/16/11	2,430,991	2.000%-3.750%	2,430,991
2012B General Obligation Refunding	04/01, 10/01	06/22/12	1,194,406	3.000%	1,059,631
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	1,181,362	2.000%-3.750%	1,181,362
2013 General Obligation Refunding	05/01, 11/01	02/08/13	3,025,000	2.000%-3.750%	1,840,000
2013B General Obligation	03/01, 09/01	10/21/13	4,262,308	2.000%-5.000%	<u>4,262,308</u>
Total Water Fund ( before net premiums and discounts of \$636,556 )					<u>\$ 23,703,394</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

<u>Sewer Fund</u>	<u>Interest Payable Dates</u>	<u>Issue Date</u>	<u>Amount Authorized and Issued</u>	<u>Interest Rates</u>	<u>Outstanding June 30, 2014</u>
2005 Water and Sewer Revenue and Tax	02/01, 08/01	12/06/05	\$ 4,100,000	2.750%-4.125%	\$ 885,000
2006 Water and Sewer Revenue and Tax	02/01, 08/01	12/20/06	1,363,537	3.750%-5.000%	125,802
2009D BABS General Obligation	03/01, 09/01	12/08/09	6,068,081	2.250%-5.625%	5,507,562
2010 Water and Sewer Revenue and Tax Refunding	12/01, 06/01	04/19/10	2,940,000	2.000%-3.000%	1,305,000
2011 General Obligation Improvement	03/01, 09/01	12/16/11	2,410,816	2.000%-3.750%	2,410,816
2012B General Obligation Refunding	04/01, 10/01	06/22/12	4,417,707	3.000%	3,919,219
2012C General Obligation Public Improvement	04/01, 10/01	06/22/12	1,673,596	2.000%-3.750%	1,673,596
2013 General Obligation Refunding	05/01, 11/01	02/08/13	27,760,000	2.000%-5.000%	24,085,000
2013B General Obligation	03/01, 09/01	10/21/13	9,550,990	2.000%-5.000%	9,550,990
Total Sewer Fund ( before net premiums and discounts of \$2,734,651 )					<u>\$ 49,462,985</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

Solid Waste Management Fund issued 2005 Series General Obligation Bonds December 6, 2005, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 27,500	\$ 3,750	\$ 31,250
2016	28,750	2,375	31,125
2017	31,250	938	32,188
	<u>\$ 87,500</u>	<u>\$ 7,063</u>	<u>\$ 94,563</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 14,300	\$ 13,451	\$ 27,751
2016	14,587	12,968	27,555
2017	14,989	12,420	27,409
2018	15,392	11,839	27,231
2019	15,334	11,145	26,479
2020	15,794	10,454	26,248
2021	16,310	9,723	26,033
2022	16,712	8,947	25,659
2023	17,229	8,132	25,361
2024	17,918	7,269	25,187
2025	17,918	6,372	24,290
2026	18,435	5,453	23,888
2027	19,067	4,484	23,551
2028	19,699	3,458	23,157
2029	20,445	2,348	22,793
2030	21,249	1,196	22,445
	<u>\$ 275,378</u>	<u>\$ 129,659</u>	<u>\$ 405,037</u>

GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 25% of the interest due. During fiscal year 2014, the Solid Waste Management Fund paid \$13,865 while the Federal government paid \$4,467 in interest, respectively.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 129,553	\$ 31,920	\$ 161,473
2016	131,952	29,329	161,281
2017	134,351	26,690	161,041
2018	139,149	22,660	161,809
2019	146,346	17,094	163,440
2020	148,746	12,704	161,450
2021	153,544	9,357	162,901
2022	158,342	4,750	163,092
	<u>\$ 1,141,983</u>	<u>\$ 154,504</u>	<u>\$ 1,296,487</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 6,426	\$ 3,901	\$ 10,327
2016	2,700	3,643	6,343
2017	7,614	3,535	11,149
2018	10,692	3,231	13,923
2019	11,124	2,803	13,927
2020	11,448	2,470	13,918
2021	11,718	2,126	13,844
2022	9,072	1,775	10,847
2023	9,450	1,412	10,862
2024	9,720	1,128	10,848
2025	9,990	837	10,827
2026	10,260	587	10,847
2027	10,584	317	10,901
	<u>\$ 120,798</u>	<u>\$ 27,765</u>	<u>\$ 148,563</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 10,431	\$ 11,718	\$ 22,149
2016	10,800	11,405	22,205
2017	11,116	10,973	22,089
2018	11,748	10,418	22,166
2019	11,906	10,183	22,089
2020	12,275	9,825	22,100
2021	12,907	9,212	22,119
2022	13,329	8,824	22,153
2023	13,855	8,291	22,146
2024	14,540	7,599	22,139
2025	13,803	6,872	20,675
2026	14,382	6,302	20,684
2027	14,962	5,691	20,653
2028	15,646	5,055	20,701
2029	16,279	4,429	20,708
2030	16,964	3,737	20,701
2031	17,648	3,016	20,664
2032	18,386	2,311	20,697
2033	19,071	1,575	20,646
2034	19,808	812	20,620
	<u>\$ 289,856</u>	<u>\$ 138,248</u>	<u>\$ 428,104</u>



**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 645,000	\$ 537,663	\$ 1,182,663
2016	665,000	518,313	1,183,313
2017	685,000	498,363	1,183,363
2018	710,000	476,100	1,186,100
2019	735,000	447,700	1,182,700
2020	765,000	418,300	1,183,300
2021	800,000	387,700	1,187,700
2022	830,000	355,700	1,185,700
2023	865,000	322,500	1,187,500
2024	900,000	284,656	1,184,656
2025	940,000	245,281	1,185,281
2026	980,000	202,981	1,182,981
2027	1,025,000	157,656	1,182,656
2028	1,075,000	110,250	1,185,250
2029	1,130,000	56,500	1,186,500
	\$ 12,750,000	\$ 5,019,663	\$ 17,769,663

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 47,891	\$ 45,032	\$ 92,923
2016	48,852	43,414	92,266
2017	50,199	41,580	91,779
2018	51,545	39,634	91,179
2019	51,352	37,312	88,664
2020	52,891	34,999	87,890
2021	54,622	32,551	87,173
2022	55,968	29,954	85,922
2023	57,699	27,223	84,922
2024	60,007	24,336	84,343
2025	60,007	21,333	81,340
2026	61,738	18,255	79,993
2027	63,854	15,010	78,864
2028	65,970	11,575	77,545
2029	68,470	7,861	76,331
2030	71,163	4,006	75,169
	<u>\$ 922,228</u>	<u>\$ 434,075</u>	<u>\$ 1,356,303</u>

The GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 25% of the interest due. During fiscal year 2014, the MeadowView Conference Resort and Convention Center Fund paid \$46,426 while the Federal government paid \$14,957 in interest, respectively.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

Golf Course Bonds, series 1998 issued through the Tennessee Municipal Bond Fund (TMBF) totaling \$1,450,000, debt service requirements to maturity for the Cattails at MeadowView Golf Course Fund are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest *</u>	<u>Total</u>
2015	\$ 123,000	\$ 4,259	\$ 127,259
2016	130,000	2,916	132,916
2017	<u>137,000</u>	<u>1,420</u>	<u>138,420</u>
	<u>\$ 390,000</u>	<u>\$ 8,595</u>	<u>\$ 398,595</u>

Principal payments are made on an annual basis, while interest is paid monthly.

\* The interest rate on the TMBF Golf Course Bonds is a variable monthly rate, based on the average daily rate for the period, plus a 0.15% administrator's fee. The annual interest expense requirements to maturity are estimated using the monthly interest amount and other monthly loan expenses, as of June 30, 2014, to calculate an estimated annual effective interest rate of 1.092%.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

General Obligation Public Improvement Bonds, Series 2012C, issued June 22, 2012 debt service requirements to maturity for the Cattails at MeadowView Golf Course Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 22,428	\$ 15,391	\$ 37,819
2016	22,802	14,942	37,744
2017	23,550	14,486	38,036
2018	23,924	13,779	37,703
2019	24,671	12,822	37,493
2020	25,793	12,082	37,875
2021	26,540	11,502	38,042
2022	27,288	10,706	37,994
2023	28,035	9,887	37,922
2024	28,783	9,046	37,829
2025	29,904	8,183	38,087
2026	30,652	7,285	37,937
2027	31,400	6,366	37,766
2028	32,521	5,424	37,945
2029	33,269	4,448	37,717
2030	34,390	3,450	37,840
2031	35,138	2,333	37,471
2032	36,633	1,191	37,824
	<u>\$ 517,721</u>	<u>\$ 163,323</u>	<u>\$ 681,044</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 30,389	\$ 30,103	\$ 60,492
2016	31,558	29,006	60,564
2017	32,434	27,866	60,300
2018	33,311	26,695	60,006
2019	34,480	25,491	59,971
2020	35,648	23,831	59,479
2021	37,109	22,114	59,223
2022	38,570	20,328	58,898
2023	40,032	18,470	58,502
2024	42,077	16,301	58,378
2025	43,830	14,022	57,852
2026	45,875	11,648	57,523
2027	47,921	9,093	57,014
2028	50,258	6,209	56,467
2029	52,888	3,184	56,072
	<u>\$ 596,380</u>	<u>\$ 284,361</u>	<u>\$ 880,741</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 28,600	\$ 26,868	\$ 55,468
2016	29,175	25,903	55,078
2017	29,979	24,809	54,788
2018	30,783	23,647	54,430
2019	30,668	22,262	52,930
2020	31,587	20,882	52,469
2021	32,620	19,421	52,041
2022	33,425	17,872	51,297
2023	34,458	16,243	50,701
2024	35,836	14,520	50,356
2025	35,836	12,728	48,564
2026	36,870	10,891	47,761
2027	38,134	8,956	47,090
2028	39,397	6,906	46,303
2029	40,890	4,690	45,580
2030	42,498	2,390	44,888
	<u>\$ 550,756</u>	<u>\$ 258,988</u>	<u>\$ 809,744</u>

GOB, Series 2009D Build America Bonds (BABS) issued by the City carry an interest rate from 2.000% to 5.625%. The Federal government pays 25% of the interest due. During fiscal year 2014, the Storm Water Fund paid \$27,713 while the Federal government paid \$8,928 in interest, respectively.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 17,394	\$ 12,181	\$ 29,575
2016	17,639	11,833	29,472
2017	18,007	11,480	29,487
2018	18,619	11,120	29,739
2019	18,864	10,748	29,612
2020	19,232	10,370	29,602
2021	19,722	9,793	29,515
2022	20,579	9,005	29,584
2023	21,192	8,387	29,579
2024	21,927	7,751	29,678
2025	22,539	7,094	29,633
2026	23,029	6,395	29,424
2027	24,009	5,646	29,655
2028	24,744	4,836	29,580
2029	25,479	3,970	29,449
2030	26,459	3,078	29,537
2031	27,439	2,099	29,538
2032	28,541	1,070	29,611
	<u>\$ 395,414</u>	<u>\$ 136,856</u>	<u>\$ 532,270</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 26,119	\$ 24,563	\$ 50,682
2016	26,644	23,680	50,324
2017	27,378	22,680	50,058
2018	28,112	21,618	49,730
2019	28,007	20,352	48,359
2020	28,847	19,090	47,937
2021	29,791	17,755	47,546
2022	30,525	16,339	46,864
2023	31,469	14,849	46,318
2024	32,728	13,274	46,002
2025	32,728	11,636	44,364
2026	33,672	9,957	43,629
2027	34,826	8,188	43,014
2028	35,979	6,314	42,293
2029	37,343	4,288	41,631
2030	38,812	2,185	40,997
	<u>\$ 502,980</u>	<u>\$ 236,768</u>	<u>\$ 739,748</u>

GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 25% of the interest due. During fiscal year 2014, the Aquatic Center Fund paid \$25,322 while the Federal government paid \$8,158 in interest.



**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 620,000	\$ 503,550	\$ 1,123,550
2016	635,000	484,950	1,119,950
2017	655,000	465,900	1,120,900
2018	675,000	446,250	1,121,250
2019	695,000	424,313	1,119,313
2020	720,000	399,987	1,119,987
2021	760,000	363,988	1,123,988
2022	790,000	333,587	1,123,587
2023	815,000	305,938	1,120,938
2024	845,000	277,412	1,122,412
2025	875,000	243,613	1,118,613
2026	915,000	208,612	1,123,612
2027	950,000	172,013	1,122,013
2028	985,000	134,012	1,119,012
2029	1,030,000	92,150	1,122,150
2030	1,075,000	48,375	1,123,375
	<u>\$ 13,040,000</u>	<u>\$ 4,904,650</u>	<u>\$ 17,944,650</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 7,039	\$ 4,929	\$ 11,968
2016	7,138	4,788	11,926
2017	7,286	4,645	11,931
2018	7,534	4,500	12,034
2019	7,633	4,349	11,982
2020	7,782	4,196	11,978
2021	7,980	3,963	11,943
2022	8,327	3,643	11,970
2023	8,575	3,394	11,969
2024	8,872	3,136	12,008
2025	9,120	2,870	11,990
2026	9,319	2,588	11,907
2027	9,715	2,285	12,000
2028	10,012	1,957	11,969
2029	10,310	1,606	11,916
2030	10,706	1,246	11,952
2031	11,103	849	11,952
2032	11,549	433	11,982
	<u>\$ 160,000</u>	<u>\$ 55,377</u>	<u>\$ 215,377</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

General Obligation Improvement Bonds, Series 2012A, issued June 11, 2012 debt service requirements to maturity for the Aquatic Center Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 125,000	\$ 98,906	\$ 223,906
2016	135,000	92,656	227,656
2017	140,000	85,906	225,906
2018	145,000	78,906	223,906
2019	155,000	71,656	226,656
2020	160,000	68,556	228,556
2021	160,000	65,357	225,357
2022	165,000	61,756	226,756
2023	170,000	58,044	228,044
2024	175,000	53,794	228,794
2025	175,000	48,981	223,981
2026	185,000	43,731	228,731
2027	190,000	38,181	228,181
2028	195,000	32,482	227,482
2029	200,000	26,631	226,631
2030	205,000	20,382	225,382
2031	210,000	13,975	223,975
2032	220,000	7,150	227,150
	<u>\$ 3,110,000</u>	<u>\$ 967,050</u>	<u>\$ 4,077,050</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 45,000	\$ 47,512	\$ 92,512
2016	50,000	46,163	96,163
2017	50,000	44,662	94,662
2018	50,000	43,163	93,163
2019	55,000	41,662	96,662
2020	55,000	40,013	95,013
2021	55,000	37,812	92,812
2022	60,000	35,613	95,613
2023	60,000	33,212	93,212
2024	65,000	31,413	96,413
2025	65,000	29,463	94,463
2026	65,000	27,431	92,431
2027	70,000	25,400	95,400
2028	70,000	22,600	92,600
2029	75,000	19,800	94,800
2030	80,000	16,800	96,800
2031	80,000	13,600	93,600
2032	85,000	10,400	95,400
2033	85,000	7,000	92,000
2034	90,000	3,600	93,600
	<u>\$ 1,310,000</u>	<u>\$ 577,319</u>	<u>\$ 1,887,319</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

Water and Sewer Revenue and Tax Bonds, Series 2005, issued December 6, 2005, debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 55,000	\$ 7,850	\$ 62,850
2016	60,000	5,100	65,100
2017	70,000	2,100	72,100
	<u>\$ 185,000</u>	<u>\$ 15,050</u>	<u>\$ 200,050</u>

Water and Sewer Revenue and Tax Bonds, Series 2006, issued December 20, 2006, debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 14,128	\$ 1,314	\$ 15,442
2016	15,070	678	15,748
	<u>\$ 29,198</u>	<u>\$ 1,992</u>	<u>\$ 31,190</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 80,000	\$ 33,894	\$ 113,894
2016	85,000	30,894	115,894
2017	85,000	27,706	112,706
2018	90,000	24,306	114,306
2019	95,000	20,706	115,706
2020	95,000	16,906	111,906
2021	100,000	13,106	113,106
2022	105,000	9,007	114,007
2023	110,000	4,675	114,675
	<u>\$ 845,000</u>	<u>\$ 181,200</u>	<u>\$ 1,026,200</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest *	Total
2015	\$ 505,000	\$ 62,324	\$ 567,324
2016	530,000	58,143	588,143
2017	555,000	53,756	608,756
2018	555,000	49,161	604,161
2019	605,000	44,566	649,566
2020	630,000	39,558	669,558
2021	655,000	34,342	689,342
2022	655,000	28,919	683,919
2023	710,000	23,497	733,497
2024	735,000	17,619	752,619
2025	735,000	11,534	746,534
2026	658,196	5,449	663,645
	<u>\$ 7,528,196</u>	<u>\$ 428,868</u>	<u>\$ 7,957,064</u>

Principal payments are made on an annual basis, while interest is paid monthly.

\* The interest rate on the TMBF Water Bonds is a variable monthly rate, based on the average daily rate for the period, plus a 0.15% administrator's fee. The annual interest expense requirements to maturity are estimated using the monthly interest amount and other monthly loan expenses, as of June 30, 2014, to calculate an estimated annual effective interest rate of 0.828%.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 190,668	\$ 179,074	\$ 369,742
2016	194,497	172,641	367,138
2017	199,857	165,350	365,207
2018	205,217	157,608	362,825
2019	204,452	148,376	352,828
2020	210,578	139,178	349,756
2021	217,469	129,442	346,911
2022	222,829	119,116	341,945
2023	229,721	108,256	337,977
2024	238,910	96,774	335,684
2025	238,910	84,832	323,742
2026	245,802	72,591	318,393
2027	254,225	59,691	313,916
2028	262,648	46,031	308,679
2029	272,602	31,261	303,863
2030	283,323	15,932	299,255
	<u>\$ 3,671,708</u>	<u>\$ 1,726,153</u>	<u>\$ 5,397,861</u>

GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 25% of the interest due. During fiscal year 2014, the Water Fund paid \$184,729 while the Federal government paid \$59,515 in interest, respectively.

Water and Sewer Revenue & Tax Refunding Bonds, Series 2010, issued April 19, 2010 debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 215,000	\$ 19,000	\$ 234,000
2016	225,000	13,088	238,088
2017	230,000	6,900	236,900
	<u>\$ 670,000</u>	<u>\$ 38,988</u>	<u>\$ 708,988</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 106,940	\$ 74,887	\$ 181,827
2016	108,446	72,748	181,194
2017	110,705	70,579	181,284
2018	114,470	68,365	182,835
2019	115,977	66,075	182,052
2020	118,236	63,756	181,992
2021	121,248	60,209	181,457
2022	126,520	55,359	181,879
2023	130,285	51,563	181,848
2024	134,804	47,655	182,459
2025	138,569	43,611	182,180
2026	141,582	39,315	180,897
2027	147,607	34,713	182,320
2028	152,125	29,732	181,857
2029	156,644	24,407	181,051
2030	162,669	18,925	181,594
2031	168,693	12,906	181,599
2032	175,471	6,580	182,051
	<u>\$ 2,430,991</u>	<u>\$ 841,385</u>	<u>\$ 3,272,376</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 228,219	\$ 31,789	\$ 260,008
2016	237,803	24,943	262,746
2017	240,199	17,808	258,007
2018	249,783	10,602	260,385
2019	103,627	3,109	106,736
	<u>\$ 1,059,631</u>	<u>\$ 88,251</u>	<u>\$ 1,147,882</u>



**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 51,178	\$ 35,119	\$ 86,297
2016	52,031	34,095	86,126
2017	53,737	33,055	86,792
2018	54,590	31,443	86,033
2019	56,296	29,259	85,555
2020	58,855	27,570	86,425
2021	60,561	26,246	86,807
2022	62,267	24,429	86,696
2023	63,973	22,561	86,534
2024	65,679	20,642	86,321
2025	68,238	18,671	86,909
2026	69,943	16,624	86,567
2027	71,649	14,526	86,175
2028	74,208	12,377	86,585
2029	75,914	10,150	86,064
2030	78,473	7,873	86,346
2031	80,179	5,322	85,501
2032	83,591	2,717	86,308
	<u>\$ 1,181,362</u>	<u>\$ 372,679</u>	<u>\$ 1,554,041</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 885,000	\$ 70,512	\$ 955,512
2016	335,000	35,113	370,113
2017	170,000	21,712	191,712
2018	140,000	14,913	154,913
2019	85,000	9,312	94,312
2020	80,000	6,763	86,763
2021	85,000	4,362	89,362
2022	10,000	1,813	11,813
2023	10,000	1,412	11,412
2024	10,000	1,113	11,113
2025	10,000	812	10,812
2026	10,000	563	10,563
2027	10,000	300	10,300
	<u>\$ 1,840,000</u>	<u>\$ 168,700</u>	<u>\$ 2,008,700</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 153,387	\$ 172,316	\$ 325,703
2016	158,810	167,714	326,524
2017	163,458	161,362	324,820
2018	172,754	153,189	325,943
2019	175,078	149,734	324,812
2020	180,501	144,481	324,982
2021	189,798	135,456	325,254
2022	195,995	129,762	325,757
2023	203,742	121,922	325,664
2024	213,813	111,735	325,548
2025	202,967	101,045	304,012
2026	211,489	92,672	304,161
2027	220,010	83,684	303,694
2028	230,081	74,334	304,415
2029	239,377	65,130	304,507
2030	249,448	54,957	304,405
2031	259,519	44,355	303,874
2032	270,365	33,974	304,339
2033	280,435	23,160	303,595
2034	291,281	11,942	303,223
	<u>\$ 4,262,308</u>	<u>\$ 2,032,924</u>	<u>\$ 6,295,232</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

Water and Sewer Revenue and Tax Bonds, Series 2005, issued December 6, 2005, debt service requirements to maturity for the Sewer Fund portion are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 285,000	\$ 38,150	\$ 323,150
2016	295,000	23,900	318,900
2017	<u>305,000</u>	<u>9,150</u>	<u>314,150</u>
	<u>\$ 885,000</u>	<u>\$ 71,200</u>	<u>\$ 956,200</u>

Water and Sewer Revenue and Tax Bonds, Series 2006, issued December 20, 2006, debt service requirements to maturity for the Sewer Fund portion are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 60,872	\$ 5,661	\$ 66,533
2016	<u>64,930</u>	<u>2,922</u>	<u>67,852</u>
	<u>\$ 125,802</u>	<u>\$ 8,583</u>	<u>\$ 134,385</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 286,003	\$ 268,670	\$ 554,673
2016	291,746	259,018	550,764
2017	299,786	248,079	547,865
2018	307,826	236,463	544,289
2019	306,678	222,612	529,290
2020	315,866	208,813	524,679
2021	326,204	194,206	520,410
2022	334,244	178,712	512,956
2023	344,581	162,420	507,001
2024	358,365	145,192	503,557
2025	358,365	127,275	485,640
2026	368,702	108,911	477,613
2027	381,337	89,556	470,893
2028	393,972	69,061	463,033
2029	408,903	46,902	455,805
2030	424,984	23,903	448,887
	<u>\$ 5,507,562</u>	<u>\$ 2,589,793</u>	<u>\$ 8,097,355</u>

GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 25% of the interest due. During fiscal year 2014, the Sewer Fund paid \$277,124 while the Federal government paid \$89,283 in interest, respectively.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

Water and Sewer Revenue & Tax Refunding Bonds, Series 2010, issued April 19, 2010 debt service requirements to maturity for the Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 420,000	\$ 37,000	\$ 457,000
2016	440,000	25,450	465,450
2017	445,000	13,350	458,350
	<u>\$ 1,305,000</u>	<u>\$ 75,800</u>	<u>\$ 1,380,800</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 106,052	\$ 74,265	\$ 180,317
2016	107,546	72,144	179,690
2017	109,786	69,993	179,779
2018	113,520	67,798	181,318
2019	115,014	65,527	180,541
2020	117,255	63,227	180,482
2021	120,242	59,709	179,951
2022	125,470	54,899	180,369
2023	129,204	51,135	180,339
2024	133,685	47,259	180,944
2025	137,420	43,249	180,669
2026	140,407	38,989	179,396
2027	146,382	34,425	180,807
2028	150,863	29,485	180,348
2029	155,344	24,205	179,549
2030	161,319	18,768	180,087
2031	167,293	12,799	180,092
2032	174,014	6,526	180,540
	<u>\$ 2,410,816</u>	<u>\$ 834,402</u>	<u>\$ 3,245,218</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 844,105	\$ 117,577	\$ 961,682
2016	879,554	92,253	971,807
2017	888,415	65,867	954,282
2018	923,864	39,214	963,078
2019	383,281	11,499	394,780
	<u>\$ 3,919,219</u>	<u>\$ 326,410</u>	<u>\$ 4,245,629</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 72,502	\$ 49,752	\$ 122,254
2016	73,711	48,302	122,013
2017	76,127	46,827	122,954
2018	77,336	44,544	121,880
2019	79,753	41,450	121,203
2020	83,378	39,058	122,436
2021	85,794	37,182	122,976
2022	88,211	34,608	122,819
2023	90,628	31,961	122,589
2024	93,045	29,243	122,288
2025	96,670	26,451	123,121
2026	99,087	23,551	122,638
2027	101,503	20,579	122,082
2028	105,128	17,533	122,661
2029	107,545	14,380	121,925
2030	111,170	11,153	122,323
2031	113,587	7,540	121,127
2032	118,421	3,848	122,269
	<u>\$ 1,673,596</u>	<u>\$ 527,962</u>	<u>\$ 2,201,558</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 2,925,000	\$ 798,531	\$ 3,723,531
2016	1,970,000	681,531	2,651,531
2017	1,330,000	602,731	1,932,731
2018	1,635,000	549,531	2,184,531
2019	1,350,000	484,131	1,834,131
2020	1,375,000	443,631	1,818,631
2021	1,410,000	402,382	1,812,382
2022	1,085,000	360,081	1,445,081
2023	1,125,000	316,681	1,441,681
2024	1,155,000	282,931	1,437,931
2025	1,185,000	248,282	1,433,282
2026	1,215,000	218,656	1,433,656
2027	1,240,000	186,763	1,426,763
2028	1,195,000	149,563	1,344,563
2029	1,230,000	116,700	1,346,700
2030	1,265,000	79,800	1,344,800
2031	1,230,000	41,850	1,271,850
2032	165,000	4,950	169,950
	<u>\$ 24,085,000</u>	<u>\$ 5,968,725</u>	<u>\$ 30,053,725</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 343,711	\$ 386,125	\$ 729,836
2016	355,862	375,814	731,676
2017	366,278	361,579	727,857
2018	387,108	343,266	730,374
2019	392,316	335,523	727,839
2020	404,468	323,754	728,222
2021	425,299	303,530	728,829
2022	439,186	290,772	729,958
2023	456,545	273,204	729,749
2024	479,112	250,377	729,489
2025	454,809	226,421	681,230
2026	473,904	207,660	681,564
2027	492,999	187,519	680,518
2028	515,566	166,567	682,133
2029	536,397	145,944	682,341
2030	558,964	123,147	682,111
2031	581,531	99,392	680,923
2032	605,833	76,130	681,963
2033	628,400	51,897	680,297
2034	652,702	26,761	679,463
	<u>\$ 9,550,990</u>	<u>\$ 4,555,382</u>	<u>\$ 14,106,372</u>



**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

Business-type Activities (continued):

**Bonds Payable (continued)**

Total annual debt service requirements for enterprise funds bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 9,753,835	\$ 3,879,507	\$ 13,633,342
2016	8,467,603	3,554,775	12,022,378
2017	7,753,501	3,276,257	11,029,758
2018	6,977,277	3,023,963	10,001,240
2019	6,087,857	2,791,771	8,879,628
Next Five Years	29,091,011	11,020,720	40,111,731
Next Five Years	29,237,067	5,806,352	35,043,419
Next Five Years	11,959,222	1,005,366	12,964,588
	<u>\$ 109,327,373</u>	<u>\$ 34,358,711</u>	<u>\$ 143,686,084</u>

The total on the statement of net position has been adjusted by net premiums and discounts of \$4,114,356.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Governmental activities:</b>					
General Obligation Debt	\$ 96,398,159	\$ 13,406,846	\$ (5,639,183)	\$ 104,165,822	\$ 6,669,165
Plus: Net Premiums and discounts	1,834,847	866,390	(183,236)	2,518,001	0
Total Bonds Payable	98,233,006	14,273,236	(5,822,419)	106,683,823	6,669,165
Interlocal Cooperative Agreement	480,000		(120,000)	360,000	120,000
Capital Outlay Note	956,000		(144,000)	812,000	150,000
Energy Efficiency Note	135,714		(67,857)	67,857	67,857
Notes Payable-State	3,602,799		(400,933)	3,201,866	400,933
School Energy Efficiency Note	4,776,430		(405,326)	4,371,104	408,376
Hud 108 Note	770,000		(43,000)	727,000	43,000
Total Governmental Activities	<u>\$ 108,953,949</u>	<u>\$ 14,273,236</u>	<u>\$ (7,003,535)</u>	<u>\$ 116,223,650</u>	<u>\$ 7,859,331</u>
<b>Business-type activities:</b>					
General Obligation Debt	\$ 83,747,036	\$ 15,413,154	\$ (6,627,817)	\$ 92,532,373	\$ 7,978,835
Local Option Sales Tax Revenue and Tax Bonds	13,380,000	0	(630,000)	12,750,000	645,000
Water and Sewer Revenue and Tax Bonds	5,725,000	0	(1,680,000)	4,045,000	1,130,000
Plus: Net Premiums and discounts	3,466,190	942,741	(294,575)	4,114,356	0
Total Bonds Payable	<u>106,318,226</u>	<u>16,355,895</u>	<u>(9,232,392)</u>	<u>113,441,729</u>	<u>9,753,835</u>
Total Business-type Activities	<u>\$ 106,318,226</u>	<u>\$ 16,355,895</u>	<u>\$ (9,232,392)</u>	<u>\$ 113,441,729</u>	<u>\$ 9,753,835</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-term liabilities (continued)**

**Discretely presented component units**

**Industrial Development Board (IDBK)**

The IDBK, a discretely presented component unit of the City, reports the following long-term liabilities at June 30, 2014.

In August 2011, a bank loan known as the C & F Loan, was issued in the amount of \$3,500,000, with a 20 year maturity. The annual rate of interest is 4.68%, compounded monthly, with monthly principal and interest payments of \$22,616. At June 30, 2014, the outstanding principal balance on the loan was \$3,191,911.

In October 2011, an interest-free loan agreement known as the KCVB Winery Loan, was issued in the amount of \$240,000. At June 30, 2014, the outstanding principal balance on the loan is \$240,000. Repayment of the loan will be made at \$2,325 per month beginning August 1, 2015 through revenue received as lease payments from Reedy Creek Winery.

In October 2012, a bank loan known as the Bray Property Loan, was issued in the amount of \$1,785,000, with a 5 year maturity. The annual rate of interest is 2.9% and currently only accrued interest is being paid on the loan. At June 30, 2014, the outstanding principal balance on the loan was \$1,785,000.

In December 2013, a bank line of credit loan known as the General Shale Property Loan was established in the amount of \$4,000,000, with a 7 year maturity. The annual rate of interest is 3% and currently only accrued interest is being paid on the loan draw amount of \$2,807,566 on a semi-annual basis. At June 30, 2014, the outstanding principal balance on the loan was \$2,807,566.

In May 2014, a bank loan known as the Heritage Glass Property Loan, was issued in the amount of \$2,600,000, with a 15 year maturity. The annual rate of interest is 3.95%, compounded monthly, with monthly principal and interest payments of \$19,542. At June 30, 2014, the outstanding principal balance on the loan was \$2,476,172.

**Emergency Communications District (ECD)**

The ECD, a discretely presented component unit of the City, reports no long-term liabilities at June 30, 2014.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**4. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Closure and post closure costs**

The City currently operates a demolition landfill located on Brookside Drive which was permitted by the State of Tennessee in 1986 with an estimated useful life of 60 years. At June 30, 2014 the estimated remaining useful life is 32 years. Upon closure, the City is required to continue a period of monitoring and conduct any necessary post-closure activities in compliance with applicable state and federal laws.

In June, 1996, the City entered into a *Contract in Lieu of Performance Bond* with the State of Tennessee Department of Environment and Conservation to provide financial assurance in the amount of \$1,390,095, for proper operation, closure and/or post-closure activities related to the City's demolition landfill. This financial assurance pledges any revenue due to the City from the State of Tennessee as collateral to fund estimated costs associated with the proper operation and closure, and/or post closure of the Kingsport Demolition Landfill.

This agreement is subsequently amended on an annual basis by the State of Tennessee Department of Environment and Conservation for inflation. The year 2013 financial assurance amount of \$1,926,899 was adjusted for inflation by 1.5%, resulting in an amended amount of \$1,955,801 at June 30, 2014.

The City's actual closure costs for the 28 year period through June 30, 2014 exceeded the liability amount by \$402,929. The City has recorded this \$402,929 in pre-paid landfill closing costs as of June 30, 2014, which will be offset as future closure costs are accrued.

	<u>Ending June 30, 2014</u>	<u>Ending June 30, 2013</u>	<u>Ending June 30, 2012</u>	<u>Ending June 30, 2011</u>
Landfill closure costs paid	\$ 1,384,655	\$ 1,349,663	\$ 1,210,795	\$ 1,023,438
Landfill closure costs accrued	<u>981,726</u>	<u>922,385</u>	<u>856,017</u>	<u>781,259</u>
Pre-paid landfill closure costs	<u>\$ 402,929</u>	<u>\$ 427,278</u>	<u>\$ 354,778</u>	<u>\$ 242,179</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**5. OTHER INFORMATION**

**A. Risk management**

The City carries insurance coverage through the Tennessee Municipal League (TML) Risk Management Pool for general liability, automobile, and errors and omissions coverage. Although TML is a risk management pool and the policy contains an assessment clause, no assessment has been levied during the time the City has participated in this program.

The City's workers' compensation coverage is self-funded and administered by Tri-State Claims Service. The City carries a specific excess workers' compensation reinsurance agreement through Safety National Casualty Corporation.

An actuarial study for workers compensation and public liability was conducted for the period ended June 30, 2014. The estimated reserve requirements were as follows:

**ESTIMATED REQUIRED RESERVES**

	<u>Low</u>	<u>Expected</u>	<u>High</u>
Workers Compensation *	\$ 1,873,428	\$ 2,211,677	\$ 2,549,926
Public Liability *	892,793	1,111,388	1,329,983

\* Calculation utilizes U.S. Treasury yields as of June 30, 2014

Liabilities have been accrued to reflect the discounted expected claims of \$2,211,677 for workers compensation and \$1,111,388 for public liability, at June 30, 2014. The Insurance Reserve Fund has total assets of \$4,837,698 at June 30, 2014. Estimated claims are budgeted and charged to the various departments on an annual basis.

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

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
Claims Accrued, Beginning	\$ 2,557,398	\$ 2,380,000	\$ 2,320,000
Claims Incurred	425,333	1,146,686	1,245,507
Claims Paid	<u>(771,054)</u>	<u>(969,288)</u>	<u>(1,185,507)</u>
Claims Accrued, Ending	<u>\$ 2,211,677</u>	<u>\$ 2,557,398</u>	<u>\$ 2,380,000</u>

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

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**5. OTHER INFORMATION (CONTINUED)**

**A. Risk management (continued)**

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

	Year Ended <u>June 30, 2014</u>	Year Ended <u>June 30, 2013</u>	Year Ended <u>June 30, 2012</u>
Claims Accrued, Beginning	\$ 1,067,117	\$ 1,000,000	\$ 980,000
Claims Incurred	256,711	265,775	340,878
Claims Paid	<u>(212,440)</u>	<u>(198,658)</u>	<u>(320,878)</u>
Claims Accrued, Ending	<u><u>\$ 1,111,388</u></u>	<u><u>\$ 1,067,117</u></u>	<u><u>\$ 1,000,000</u></u>

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

The City carries additional coverage for public officials and other employees through St. Paul / U.S. Fidelity and Guarantee, Travelers and Western Surety insurance companies and property insurance through FCCI, Travelers, Continental Casualty, and Montgomery, insurance companies. There has been no significant reduction in insurance coverage from the prior year, and the City has not had any settlements in the last five years, which were not covered by insurance.

Effective January 1, 2003, health insurance for government employees has been provided through a self-funded insurance program. The program is currently administered by Humana, Inc. Premiums are evaluated annually based on historical expenditures and expected cost increase trends. Premium equivalents for participation in the self-funded program are established annually based on quotations from the third-party administrator for projected expenses. The City carries its own stop-loss insurance.

Health insurance coverage for school system employees is provided through the State of Tennessee Local Education Program.

**B. Contingencies**

**Primary government**

The City hires an independent arbitrage compliance firm to calculate arbitrage rebates due the IRS, for each applicable debt issue's reporting computation period. The City has recorded an estimated arbitrage rebate liability in the water and sewer funds. At June 30, 2014, the water fund and sewer fund had arbitrage rebate liabilities recorded of \$40,037 and \$97,473, respectively. These arbitrage rebate liabilities are not directly related to any bond issue, however are recorded in anticipation of future liabilities.

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

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**5. OTHER INFORMATION (CONTINUED)**

**B. Contingencies (continued)**

**Primary government (continued)**

In April 2005, the Sullivan County Economic Development Partnership (SCEDP) issued \$1,995,000 in capital outlay notes, of which, the City is contingently liable for 31%. In February 2006, SCEDP issued an additional \$505,000 in capital outlay notes, of which the City is contingently liable for 31%. During July 2007, SCEDP issued \$6,500,000 in revenue bonds, of which the City is contingently liable for 31%. Proceeds from the capital outlay notes and the bonds were used for the acquisition of considerable acreage near Tri-Cities Regional Airport for the purpose of establishing a new industrial park. The bonds are secured by the assignment of the revenue from property sales in the industrial park. The related liabilities are on the books of Sullivan County. The SCEDP is responsible for making the bond payments, however in the event of their default the City is responsible for a 31% portion of the debt. During fiscal year 2014, revenue from property sales in the industrial park was not sufficient for the SCEDP to make the related debt service payments. The City recorded an expenditure of \$237,890 for the repayment of debt principal and interest associated with the SCEDP. As of June 30, 2014, a total of \$6,750,000 of principal debt was outstanding, with \$2,092,500 representing the City's 31% contingent share.

Sullivan County, Tennessee and The Sullivan County Board of Education as Plaintiffs ("Plaintiffs") filed Civil Action No. K0039409(c) on May 5, 2014 against the Municipality as Defendant in the Chancery Court for Sullivan County, Tennessee. The lawsuit concerns the interpretation and application of Tennessee Code Annotated Section 57-4-306, which requires that a portion of the proceeds from the liquor by the drink tax paid to the 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 to the Plaintiffs 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 and 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. It is impossible to predict the outcome of this litigation at this time.

The City Attorney advises that although there are possible unasserted legal claims against the City there are no known legal cases pending against the City which would not be covered by insurance, with the exception of the previously mentioned suit by the Sullivan County Board of Education.

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

**Component Unit – Industrial Development Board**

In July 2011 the Industrial Development Board of the City of Kingsport (IDBK) entered into a loan agreement with a local bank in the amount of \$3,500,000. The loan was used to purchase an industrial use facility near the Tri-Cities Regional Airport. The property was leased to C & F Manufacturing. In the event the manufacturing company fails to make lease payments, IDBK would be required to fund the loan payments from other resources. The City of Kingsport, as well as Sullivan County, has entered into agreements to support this economic development project and share in a contingent liability, should the IDBK default on the loan.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**5. OTHER INFORMATION (CONTINUED)**

**B. Contingencies (continued)**

**Component Unit – Industrial Development Board (continued)**

In October 2011, the IDBK entered into an interest-free loan agreement with the Kingsport Convention and Visitors Bureau in the principal amount of \$240,000. The proceeds from this loan were used to facilitate the development and recruitment of a winery manufacturing facility located at the MeadowView Conference Resort and Convention Center. The facility was leased to the new industry, Reedy Creek Winery. Monthly lease payments of \$2,325 will be used to repay the principal on the loan beginning August 1, 2015. The City is contingently liable for the loan amount in the event the new industry defaults on the lease.

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%. The net rental income derived from existing leases and rental agreements currently on the property is sufficient to pay accrued interest on the loan and IDBK will use such income to service the loan. 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 \$51,765. A contingent liability exists should the IDBK default on the loan.

On December 6, 2012, the IDBK entered into an agreement with a developer, Stewart Taylor, for the purpose of developing property known as the Heritage Point Property to attract an extraordinary retail facility to locate on the property. The property is part of a 400 acre area located within the City's Border Region Retail Tourism Development District. The terms of the agreement grant the IDBK the exclusive right and option to purchase a specific section of the property for an option price of \$1 and a purchase price for the property of \$5,950,000. Upon receiving a firm written commitment from a "trigger tenant" retailer, the IDBK shall exercise its option to purchase the property contingent on the developer performing and advancing the funds necessary to prepare the property for development.

The IDBK would then issue in the form of a bond or note to the developer, the purchase price and site development costs, payable within 4 years from the date of conveyance of the property at an interest rate of 4% per annum. The purchase price, site development costs, and interest shall be paid from the State sales and use tax incremental proceeds generated by the "trigger tenant" and any other retail facilities located within the district, and distributed to the City. The maximum site preparation costs for the entire Heritage Point Property development, payable to the developer by the IDBK, shall not exceed \$24,873,207, nor shall the IDBK be obligated to repay the developer for site preparation costs in the event the incremental increase in State sales and use tax proceeds distributed to the City, are not sufficient for this purpose. The City, by resolution number 2013-095 dated December 7, 2012, delegated the IDBK the statutory authority to carry out the project in the Border Region Retail Tourism Development District.

On December 27, 2013, the IDBK obtained a \$4,000,000 loan to purchase and develop approximately 98 acres of land known as the General Shale property. Accrued interest is due semi-annually and the principal amount is due within 7 years. The City has agreed to provide semi-annual economic development contributions of \$60,000 to the IDBK for 7 years. Proceeds from sales of the property will be used to pay the principal on the loan, however the City is contingently liable for the repayment of the loan in the event sales within the development are not sufficient to re-pay the loan. The City has also entered into an agreement with the IDBK to lease a portion of the land for 20 years for the construction and development of a baseball and softball field complex.



**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

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**5. OTHER INFORMATION (CONTINUED)**

**B. Contingencies (continued)**

**Component Unit – Industrial Development Board (continued)**

In May 2014, the IDBK obtained a \$2,600,000 loan to purchase a glass manufacturing facility. The loan is at 3.95% interest. Principal and interest are payable monthly over 15 years. The facility has been leased to a new glass manufacturer, Heritage Glass. Monthly lease payments cover the principal and interest on the loan. The City is contingently liable for the loan payments in the event the new manufacturer defaults on the lease.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**5. OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans**

**Defined Benefit Plan – City of Kingsport**

**Plan description**

Employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. The City has authorized Mandatory Retirement for Public Safety Officers. Public Safety Officers can retire at age 55 with five years of service or at any age with 25 years of service and receive a supplemental bridge payment between the mandatory retirement age and age 62. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The City withdrew from TCRS effective July 1, 2012. Employees hired after the date of withdrawal are not eligible to participate in TCRS. Employees active as of the withdrawal date will continue to accrue salary and service credit in TCRS. The City remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the City.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 15<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

**Funding policy**

The City previously adopted a non-contributory provision for the defined benefit pension plan, assuming employee contributions up to 5.0 percent of annual covered payroll. The City elected to discontinue the non-contributory provision for new hires between October 1, 2010 and June 30, 2012. Employees hired during this time frame are required to contribute 5.0 percent of compensation into the defined benefit plan. Employees hired prior to October 1, 2010 continue as non-contributory plan members.

The City is required to contribute to the defined benefit plan at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 17.11% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

**Annual cost**

For the fiscal year ending June 30, 2014, the City's annual pension cost of \$6,099,494 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50% a year compounded annually, (b) projected 3.00% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**5. OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (continued)**

**Defined Benefit Plan – City of Kingsport (continued)**

**Annual cost (continued)**

to the effects of inflation on salaries), (d) projected 3.50% annual increase in the Social Security wage base and (e) projected post retirement increases of 2.5% annually.

The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 15 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 6,099,494	100.00%	\$ 0
June 30, 2013	\$ 6,335,112	100.00%	\$ 0
June 30, 2012	\$ 6,099,950	100.00%	\$ 0

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the plan was 72.50% funded. The actuarial accrued liability for benefits was \$211.73 million, and the actuarial value of assets was \$153.51 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$58.22 million. The covered payroll (annual payroll of active employees covered by the plan) was \$35.66 million, and the ratio of UAAL to covered payroll was 163.27%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	\$ 153,511,000	\$ 211,727,000	\$ 58,216,000	72.50%	\$ 35,658,000	163.27%
July 1, 2011	\$ 141,716,000	\$ 168,059,000	\$ 26,343,000	84.33%	\$ 35,364,000	74.49%
July 1, 2009	\$ 121,255,000	\$ 153,266,000	\$ 32,011,000	79.11%	\$ 34,897,000	91.73%

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**5. OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (continued)**

**Defined Contribution Plan – City of Kingsport**

**Plan Description**

Employees of the City hired on or after July 1, 2012 are participants in a Governmental Money Purchase Plan and Trust known as the City of Kingsport Defined Contribution Retirement Plan. The qualified plan is established under Internal Revenue Codes 401(a) and 457(b) and is administered by the International City/County Management Association Retirement Corporation (ICMA-RC). Investment decisions on contributions to the plan are controlled by the employee participant. In-service distributions are not permitted under the plan at any age. Employee contributions are immediately 100% vested to the participant. Employer contributions made by the City are subject to a graduated vesting schedule based upon the employee's completed years of service with the City as follows: 1 year – 0% vested; 2 years – 20% vested; 3 years – 40% vested; 4 years – 60% vested; 5 years – 80% vested; 6 years – 100% vested. The plan's provisions may be amended at the discretion of the City's BMA, by resolution and subject to applicable federal laws governing such plans.

**Funding Policy**

A mandatory employee contribution equal to 5% of compensation is required from each participant. An employer matching contribution equal to 5% of the employee's compensation is currently made by the City. Employees may make voluntary contributions to the plan up to the Internal Revenue Service code annual maximum. Voluntary contributions made by the employee receive an equal matching contribution made by the City, which is currently up to a maximum of 3%. Funding requirements may be amended at the discretion of the City's BMA, by resolution and subject to applicable federal laws governing such plans. Total contributions for the year ended June 30, 2014 were \$ 368,549 which consisted of \$ 181,086 made by the City and \$ 187,463 made by employees.

**Defined Benefit Plan – Kingsport City Schools**

**Plan description**

The Kingsport City Schools contribute to the State Employees, Teachers, and Higher Education Employees' Pension Plan (SETHEEPP), a cost-sharing, multiple employer, defined benefit pension plan administered by the TCRS. TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 15<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230, or can be accessed at [www.tn.gov/treasury/tcrs/Schools](http://www.tn.gov/treasury/tcrs/Schools).

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**5. OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (continued)**

**Defined Benefit Plan – Kingsport City Schools (continued)**

**Funding policy**

Most teachers are required by state statute to contribute 5.00% of salary to the plan. The employer contribution rate for Kingsport City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2014 was 8.88% of annual covered payroll. The employer contribution requirement for Kingsport City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2014, 2013, and 2012 were \$2,895,779, \$2,812,755, and \$2,795,181 respectively, equal to the required contributions for each year.

**D. Other Postemployment Benefits (OPEB)**

**Postemployment Healthcare Plan – City of Kingsport**

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

**Plan description**

The City of Kingsport provides continuation of medical insurance coverage to eligible employees that retire under the Tennessee Consolidated Retirement System at the same time they end their services to the City. Employees hired prior to June 1, 2007 are eligible to continue coverage if they had been enrolled in the City's offered health insurance plan as an active full time employee at the date of retirement. Employees hired on or after June 1, 2007, must have a minimum of 25 years of service with the City, be at least 55 years old, and must have been enrolled in the health insurance provided by the City for three full consecutive years immediately prior to retirement or have 30 years of service with the City and have been enrolled in the health insurance provided by the City for one full year immediately prior to retirement. Employees who retired before June 30, 2010 and continued on the City's health insurance as listed above are eligible for the City funded Medicare supplement plan when they reach 65 years of age. Employees retiring after June 30, 2010 are no longer eligible for the City funded Medicare supplement plan.

The number of participants as of July 1, 2014, the effective date of the OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

Active employees - medical & death benefits	606
Active employees - death benefit only	1,060
Retired employees - medical & death benefits	58
Retired employees spouse - medical benefit only	9
Retired employees - death benefit only	801
Total	<u>2,534</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**5. OTHER INFORMATION (CONTINUED)**

**D. Other Postemployment Benefits (OPEB) (continued)**

**Postemployment Healthcare Plan – City of Kingsport (continued)**

**Funding policy**

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

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>City of Kingsport Retiree Plan</u>
Annual Required Contribution (ARC)	\$ 1,844,327
Interest on the Net OPEB Obligation (NOO)	562,718
Adjustment to the Annual Required Contribution (ARC)	<u>(450,984)</u>
Annual OPEB Cost	1,956,061
Amount of Contribution	<u>(821,471)</u>
Increase/Decrease in Net OPEB Obligation (NOO)	1,134,590
Net OPEB Obligation - Beginning of Year	<u>11,254,354</u>
Net OPEB Obligation - Ending of Year	<u><u>\$ 12,388,944</u></u>

<u>Year End*</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
06/30/14	City Retiree	\$ 1,956,061	42%	\$ 12,388,944
06/30/13	City Retiree	\$ 2,029,501	35%	\$ 11,254,354
06/30/12	City Retiree	\$ 2,562,314	32%	\$ 9,936,937
06/30/11	City Retiree	\$ 2,422,409	20%	\$ 8,203,478
06/30/10	City Retiree	\$ 2,581,342	47%	\$ 6,272,246
06/30/09	City Retiree	\$ 3,292,208	27%	\$ 4,906,010
06/30/08	City Retiree	\$ 3,166,263	20%	\$ 2,518,897

\*Data not available for the 2007 year.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**5. OTHER INFORMATION (CONTINUED)**

**D. Other Postemployment Benefits (OPEB) (continued)**

**Postemployment Healthcare Plan – City of Kingsport (continued)**

**Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2013, the date of the latest actuarial year valuation, was as follows:

	<u>City of Kingsport Retiree Plan</u>
Actuarial valuation date	07/01/13
Actuarial accrued liability (AAL)	\$ 23,012,654
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 23,012,654
Actuarial Value of Assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 30,020,389
UAAL as a percentage of covered payroll	77%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions**

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2013 actuarial year valuation, the Projected Unit Credit actuarial cost method was used with linear proration to decrement. The actuarial assumptions included a 5 percent investment rate of return, annual inflation rate of 3 percent and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. Total payroll growth is estimated at 4 percent per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls over a 30 year period based on open group, beginning with July 1, 2008.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**5. OTHER INFORMATION (CONTINUED)**

**D. Other Postemployment Benefits (OPEB) (continued)**

**Postemployment Healthcare Plan – Kingsport City Schools**

**Plan description**

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

**Special Funding Situation**

The state is legally responsible for contributions to the Teacher Group and Medicare Supplements Plans that cover the retirees of other governmental entities. The state provides a subsidy for retired higher education and local education agency (LEA) teachers in the plans. The state is not the sole employer for the LEA employees since some of these agencies provide additional direct subsidies and all provide implicit subsidies.

**Funding policy**

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. Retired employees who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent. Retired employees who are 65 years of age or older have flat rate premium subsidies based on years of service. Retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25.

During the year ended June 30, 2014, Kingsport City Schools contributed \$373,586 for the Teacher Group plan and \$308,897 for the Medicare Supplement plan. For the year ended June 30, 2014, the State of Tennessee contributed \$305,835 on behalf of retirees for the teacher group plan and \$89,358 for the Medicare supplement plan.



**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2014

**5. OTHER INFORMATION (CONTINUED)**

**D. Other Postemployment Benefits (OPEB) (continued)**

**Postemployment Healthcare Plan – Kingsport City Schools (continued)**

**Funding policy (continued)**

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>Teacher Group Plan</u>	<u>Medicare Supplement Plan</u>
Annual Required Contribution (ARC)	\$ 1,502,000	\$ 2,805,000
Interest on the Net Pension Obligation (NPO)	386,419	443,777
Adjustment to the Annual Required Contribution (ARC)	<u>(376,465)</u>	<u>(432,346)</u>
Annual OPEB Cost	1,511,954	2,816,431
Amount of Contribution	<u>(373,586)</u>	<u>(308,897)</u>
Increase/Decrease in Net Pension Obligation (NPO)	1,138,368	2,507,534
Net OPEB Obligation - Beginning of Year	<u>9,660,477</u>	<u>11,094,436</u>
Net OPEB Obligation - Ending of Year	<u><u>\$ 10,798,845</u></u>	<u><u>\$ 13,601,970</u></u>

<u>Year End*</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
06/30/14	Teacher Group	\$ 1,511,954	25%	\$ 10,798,845
06/30/13	Teacher Group	\$ 1,912,941	21%	\$ 9,660,477
06/30/12	Teacher Group	\$ 2,021,793	19%	\$ 8,156,792
06/30/11	Teacher Group	\$ 1,992,215	20%	\$ 6,527,534
06/30/10	Teacher Group	\$ 2,055,663	17%	\$ 4,932,899
06/30/09	Teacher Group	\$ 1,992,895	17%	\$ 3,233,246
06/30/08	Teacher Group	\$ 1,900,000	17%	\$ 1,575,446
06/30/14	Medicare Supp	\$ 2,816,431	11%	\$ 13,601,970
06/30/13	Medicare Supp	\$ 2,085,190	13%	\$ 11,094,436
06/30/12	Medicare Supp	\$ 2,206,865	11%	\$ 9,275,049
06/30/11	Medicare Supp	\$ 2,013,969	11%	\$ 7,311,881
06/30/10	Medicare Supp	\$ 2,079,538	10%	\$ 5,518,188
06/30/09	Medicare Supp	\$ 2,033,125	10%	\$ 3,650,763
06/30/08	Medicare Supp	\$ 1,928,000	6%	\$ 1,815,000

\*Data not available for the 2007 year.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**5. OTHER INFORMATION (CONTINUED)**

**D. Other Postemployment Benefits (OPEB) (continued)**

**Postemployment Healthcare Plan – Kingsport City Schools (continued)**

**Funded Status and Funding Process**

The funded status of the plan as of July 1, 2013, was as follows:

	Teacher Group Plan	Medicare Supplement Plan
Actuarial valuation date	07/01/13	07/01/13
Actuarial accrued liability (AAL)	\$ 13,210,000	\$ 25,653,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 13,210,000	\$ 25,653,000
Actuarial Value of Assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 25,898,037	N/A
UAAL as a percentage of covered payroll	51%	N/A

Covered payroll for the Medicare Supplement Plan is N/A as this plan only has retirees enrolled.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions**

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2013 actuarial valuation for each plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5 percent initially for the Teacher Group plan. The rate decreases to 7 percent in fiscal year 2015 and then will reduce by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. The annual healthcare premium trend rate for the Medicare Supplement plan was 6.50 percent initially. All rates include a 2.5 percent inflation assumption. The cost trend in the Medicare Supplement plan is 2 percent initially. The rate increases to 6 percent in fiscal year 2015 and decreases incrementally to 4.2 percent in fiscal year 2044. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3 percent.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**5. OTHER INFORMATION (CONTINUED)**

**E. On-Behalf Payments**

As required by GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the following on-behalf payments have been recorded.

**Teacher Group Insurance Plan**

The State of Tennessee makes a contribution (on-behalf payment) for retired teachers who participate in the State-administered Teacher Group Insurance plan through TCRS as described in Note 5. D. The on-behalf payment for 2014 was \$305,835 and has been recorded as revenue and expenditure in the general purpose school fund.

**Medicare Supplement Plan**

Since Teachers are considered state employees per state statutes, the State of Tennessee makes a contribution (on-behalf payment) for retired teachers to the Medicare Supplement plan through the TCRS. The on-behalf payment for 2014 was \$89,358 and has been recorded as revenue and expenditure in the general purpose school fund.

**F. Economic dependency**

A material portion of the City's property tax revenue is derived from one taxpayer, the loss of which would have a material effect on the City. During the tax years ended December 31, 2013 and 2012, the taxes assessed on the above mentioned taxpayer accounted for approximately 24% of total property taxes assessed for each tax year.

**G. Joint Ventures**

**Phipps Bend Joint Venture**

The IDBK entered into a joint venture with the Hawkins County Industrial Development Board (HCIDB) to purchase and develop land known as Phipps Bend for industrial purposes.

According to the Joint Venture Agreement, HCIDB shall have an 80% interest and IDBK shall have a 20% interest in the profit and losses of the Joint Venture. However, each venturer shall have an equal 50% right to control, manage, operate and otherwise deal with the Joint Venture in all matters and respects. A separate capital account is maintained for each venturer. No venturer shall withdraw any part of its original or additional capital account without the express written agreement of both parties respectively. IDBK's investment in the Phipps Bend Joint Venture is valued as follows:

Note Receivable from Phipps Bend Venture	\$ 499,216
20% interest in capital of Phipps Bend Joint Venture	<u>328,246</u>
Total Investment	<u><u>\$ 827,462</u></u>

Complete financial statements for the joint venture may be obtained at the administrative offices of:

Phipps Bend Joint Venture  
C/o Lynn Lawson  
107 East Main Street, Suite 221  
Rogersville, TN 37857

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**5. OTHER INFORMATION (CONTINUED)**

**G. Joint Ventures (continued)**

Audited information for the Phipps Bend joint venture as of June 30, 2014 is as follows:

	<u>Phipps Bend Joint Venture</u>
Operating Revenues	\$ 16,121
Operating Expenses	(39,366)
Non Operating Revenues	1,340
Non Operating Expenses	(16,256)
Capital Contributions	0
Special Items:	
Principal and interest payments on loan by Hawkins County as guarantor	<u>54,920</u>
Change in Net Position	16,759
Net Position, July 1	<u>1,702,574</u>
Net Postion, June 30	<u><u>\$ 1,719,333</u></u>
 Total Assets	 \$ 3,811,524
Total Liabilities	<u>(2,092,191)</u>
 Total Net Position	 <u><u>\$ 1,719,333</u></u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**5. OTHER INFORMATION (CONTINUED)**

**H. Jointly Governed Organization**

**Tri-Cities Regional Airport Authority**

The Tri-Cities Regional Airport Authority, TN/VA (the Airport) is jointly governed by representatives of Johnson City; Kingsport; Bristol, Tennessee; Bristol, Virginia and Washington and Sullivan Counties, Tennessee. The City initially contributed 20 percent of the start-up costs of the Airport in 1934 and has not contributed further since 1967. The City is represented by two of the Airport's twelve commissioners. The Airport prepares its own separate financial statements. The participating governments do not record any balances for the Airport. If the Airport ceased operations, disposition of its assets would be controlled by the Federal Aviation Administration. The City would not be guaranteed a return of its initial investments or subsequent retained earnings.

Complete financial statements for the jointly governed organization may be obtained at the administrative offices of:

Tri-Cities Regional Airport Authority  
P.O. Box 1055  
Blountville, TN 37617

Audited information for the Tri-Cities Regional Airport Authority jointly governed organization as of June 30, 2014 is presented below:

	<u>Tri-Cities Regional Airport Authority</u>
Operating Revenues	\$ 6,281,012
Operating Expenses	(5,804,594)
Depreciation	(3,643,867)
Non Operating Revenues	1,255,009
Non Operating Expenses	(287,442)
Capital Contributions	<u>18,148,327</u>
 Change in Net Position	 15,948,445
 Net Position, July 1	 <u>72,116,237</u>
 Net Position, June 30	 <u><u>\$ 88,064,682</u></u>
  Total Assets	  \$ 93,574,566
Total Liabilities	<u>(5,509,884)</u>
 Total Net Position	 <u><u>\$ 88,064,682</u></u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**5. OTHER INFORMATION (CONTINUED)**

**I. Subsequent Events**

In August 2014, the IDBK obtained a \$650,000 loan to purchase the former National Guard Amory from the State of Tennessee to be used for economic or industrial development. The loan term is 10 years. Interest for the first 5 years is 2.85%. The City of Kingsport has agreed to pay the interest on the loan until the property can be developed and sold. The City of Kingsport is contingently liable for the principal if it becomes due before the property can be sold.

Subsequent to fiscal year 2014, the City's bond ratings were reviewed. On October 2, 2014, Moody's Investor Service reconfirmed the City's Aa2 assigned bond rating. On October 16, 2014, Standard & Poor's rating Services reconfirmed the City's AA assigned bond rating.

On October 31, 2014, the City issued General Obligation Public Improvement Bonds, Series 2014A at a par value of \$15,605,000. After considering a premium on the sale of the bonds and bond issuance costs, the total available for the intended projects was \$17,026,696. These bonds were issued to finance governmental type activity projects including: \$4,000,000 for the construction of a softball / baseball field complex; \$348,600 for improvements to Centennial Hill Park; \$1,871,400 for improvements to the Sullivan Street roadway; \$300,000 for local roads and sidewalks improvements; \$1,166,000 for the purchase of a fire ladder truck and related fire equipment; \$200,000 for road improvements in the Border Regions area; \$1,180,000 for street resurfacing and sidewalk improvements; \$150,000 for City Hall facility improvements; \$250,000 for HVAC replacements; \$100,000 for improvements to the City's fleet fueling equipment; \$2,200,000 for a variety of parks and recreation capital improvements and land acquisition; \$74,381 for bridge repairs and improvements; \$1,265,619 in school improvements and school land acquisition; \$500,000 for the engineering department building renovations; \$600,000 for Main Street, Tranbarger Drive and Chadwick Drive road improvements; \$300,000 for fire training ground improvements; \$500,000 for Model City Coalition improvements; \$334,701 for various equipment purchases for the traffic, police, public works and parks and recreation departments; \$1,100,000 for construction of a new landfill cell and solid waste collection equipment; and \$585,995 for capitalized interest.

On October 31, 2014, the City issued General Obligation Public Improvement Bonds, Series 2014B at a par value of \$9,300,000. After considering a premium on the sale of the bonds and bond issuance costs, the total available for the intended projects was \$9,341,408. These bonds were issued to finance business type activity projects including: \$2,730,000 for water treatment plant and water master plan improvements; \$5,301,408 for sewer line extensions and improvements; \$810,000 for sewer treatment plant equalization basin improvements; and \$500,000 for motor control center replacement.

Kingsport City Schools through the Kingsport Board of Education, elected to begin a self-insured health benefits program for eligible school employees and retirees, with an effective date of January 1, 2015. The self-insured health benefits program will replace the previous health benefits program administered through the State of Tennessee for school employees and retirees. The City, through the BMA has approved two additional internal service funds for fiscal year 2015: The School Employee Insurance Fund and the School Retirees Insurance Fund. The fiscal year 2015 City budget has been amended to include budgeted revenues and expenditures for both funds, approved by ordinance through the BMA.

**CITY OF KINGSPORT, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS - DEFINED BENEFIT RETIREMENT PLAN**  
**For the Fiscal Year Ended June 30, 2014**

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**City of Kingsport, Tennessee Schedule of Funding Progress - Defined Benefit Retirement Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	\$ 153,511,000	\$ 211,727,000	\$ 58,216,000	72.50%	\$ 35,658,000	163.27%
July 1, 2011	\$ 141,716,000	\$ 168,059,000	\$ 26,343,000	84.33%	\$ 35,364,000	74.49%
July 1, 2009	\$ 121,255,000	\$ 153,266,000	\$ 32,011,000	79.11%	\$ 34,897,000	91.73%
July 1, 2007	\$ 117,466,000	\$ 140,590,000	\$ 23,124,000	83.55%	\$ 31,672,000	73.01%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the Entry Age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the four most recent valuations are presented.

**CITY OF KINGSPORT, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT HEALTHCARE PLANS**  
**For the Fiscal Year Ended June 30, 2014**

**City of Kingsport - Schedule of Funding Progress - Postemployment Health Care Plan**

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	City Retiree	\$ 0	\$ 23,012,654	\$ 23,012,654	0.00%	\$ 30,020,389	77%
July 1, 2012	City Retiree	\$ 0	\$ 24,569,633	\$ 24,569,633	0.00%	\$ 28,865,759	85%
July 1, 2011	City Retiree	\$ 0	\$ 31,010,598	\$ 31,010,598	0.00%	\$ 27,872,345	111%
July 1, 2010	City Retiree	\$ 0	\$ 29,469,147	\$ 29,469,147	0.00%	\$ 26,800,332	110%
July 1, 2009	City Retiree	\$ 0	\$ 32,019,362	\$ 32,019,362	0.00%	\$ 23,721,000	134%
July 1, 2007	City Retiree	\$ 0	\$ 30,541,000	\$ 30,541,000	0.00%	\$ 21,931,000	139%

**Kingsport City Schools - Schedule of Funding Progress - Postemployment Health Care Plan**

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	Teacher Group	\$ 0	\$ 13,210,000	\$ 13,210,000	0.00%	\$ 25,898,037	51%
July 1, 2013	Medicare	0	25,653,000	25,653,000	0.00%	N/A	N/A
July 1, 2011	Teacher Group	\$ 0	\$ 16,816,000	\$ 16,816,000	0.00%	\$ 23,523,443	71%
July 1, 2011	Medicare	0	19,371,000	19,371,000	0.00%	N/A	N/A
July 1, 2010	Teacher Group	\$ 0	\$ 17,243,000	\$ 17,243,000	0.00%	\$ 23,571,575	73%
July 1, 2010	Medicare	0	18,481,000	18,481,000	0.00%	N/A	N/A
July 1, 2009	Teacher Group	\$ 0	\$ 17,196,000	\$ 17,196,000	0.00%	\$ 23,629,947	73%
July 1, 2009	Medicare	0	18,481,000	18,481,000	0.00%	N/A	N/A
July 1, 2007	Teacher Group	\$ 0	\$ 17,503,000	\$ 17,503,000	0.00%	\$ 22,277,957	70%
July 1, 2007	Medicare	0	18,268,000	18,268,000	0.00%	N/A	N/A

\* An additional year will be reported as data becomes available.





## **C. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

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**CITY OF KINGSPORT, TENNESSEE**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Investment Earnings	\$ 143,200	\$ 143,200	\$ 136,614	\$ (6,586)
Federal Interest Subsidy	245,000	245,000	203,365	(41,635)
Total Revenues	<u>388,200</u>	<u>388,200</u>	<u>339,979</u>	<u>(48,221)</u>
EXPENDITURES:				
Principal	6,981,200	6,752,242	6,657,299	94,943
Interest	4,074,200	4,076,097	4,032,477	43,620
Miscellaneous	26,200	78,368	29,895	48,473
Total Expenditures	<u>11,081,600</u>	<u>10,906,707</u>	<u>10,719,671</u>	<u>187,036</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,693,400)</u>	<u>(10,518,507)</u>	<u>(10,379,692)</u>	<u>138,815</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	10,693,400	10,466,339	10,409,954	(56,385)
Total Other Financing Sources (Uses)	<u>10,693,400</u>	<u>10,466,339</u>	<u>10,409,954</u>	<u>(56,385)</u>
Net Change in Fund Balances	0	(52,168)	30,262	82,430
Fund Balances, July 1, 2013	<u>0</u>	<u>52,168</u>	<u>21,049</u>	<u>(31,119)</u>
Fund Balances, June 30, 2014	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 51,311</u>	<u>\$ 51,311</u>

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2014**

	Special Revenue Funds						Permanent Fund		
	Community Development Fund	Special Revenue General Projects Fund	Public Safety Funds	Transportation Funds	Culture & Recreation Funds	Education Funds	Total Special Revenue Funds	Allandale Trust Fund	Total Nonmajor Governmental Funds
<b>ASSETS:</b>									
Cash	\$ 0	\$ 0	\$ 28,151	\$ 100	\$ 0	\$ 1,884,980	\$ 1,913,231	\$ 0	\$ 1,913,231
Equity in Pooled Cash & Investments	0	257,857	384,811	0	391,020	173,988	1,207,676	8,169	1,215,845
Long Term Certificates of Deposit	0	0	0	0	0	98,000	98,000	152,691	250,691
Investments	0	0	0	0	207,431	65,845	273,276	30,486	303,762
Accounts Receivable	0	0	0	0	38,531	848	39,379	0	39,379
Accrued Interest Receivable	0	0	0	0	0	0	0	76	76
Due from Other Governments	42,717	17,683	0	1,586,084	602,950	1,370,492	3,619,926	0	3,619,926
Due from Other Funds	0	0	0	0	0	0	0	0	0
Inventories	0	0	0	0	0	163,277	163,277	0	163,277
Restricted Cash	0	0	0	0	0	0	0	0	0
Restricted Investments	0	0	95,260	0	0	0	95,260	0	95,260
<b>Total Assets</b>	<b>\$ 42,717</b>	<b>\$ 275,540</b>	<b>\$ 508,222</b>	<b>\$ 1,586,184</b>	<b>\$ 1,239,932</b>	<b>\$ 3,757,430</b>	<b>\$ 7,410,025</b>	<b>\$ 191,422</b>	<b>\$ 7,601,447</b>
<b>LIABILITIES AND FUND BALANCES:</b>									
<b>Liabilities:</b>									
Accounts Payable	\$ 12,572	\$ 19,731	\$ 3,671	\$ 245,434	\$ 33,672	\$ 111,378	\$ 426,458	\$ 0	\$ 426,458
Other Liabilities	0	0	0	0	0	18,593	18,593	0	18,593
Due to Other Funds	13,674	0	0	644,280	570,204	1,122,911	2,351,069	0	2,351,069
Due to Other Governments	0	0	0	0	10	0	10	0	10
Unearned Revenue	0	0	0	0	0	120,540	120,540	0	120,540
<b>Total Liabilities</b>	<b>26,246</b>	<b>19,731</b>	<b>3,671</b>	<b>889,714</b>	<b>603,886</b>	<b>1,373,422</b>	<b>2,916,670</b>	<b>0</b>	<b>2,916,670</b>
<b>Fund Balances:</b>									
<b>Nonspendable:</b>									
Inventory	0	0	0	0	0	163,277	163,277	0	163,277
Allandale Trust Principal	0	0	0	0	0	0	0	152,691	152,691
<b>Restricted for:</b>									
Unspent Federal Forfeitures	0	0	95,260	0	0	0	95,260	0	95,260
Unspent Hotel Tax	0	0	0	0	381,733	0	381,733	0	381,733
<b>Committed to:</b>									
Veterans Memorial	0	0	0	0	3,510	0	3,510	0	3,510
Assigned	16,471	255,809	409,291	696,470	250,803	2,220,731	3,849,575	38,731	3,888,306
<b>Total Fund Balances</b>	<b>16,471</b>	<b>255,809</b>	<b>504,551</b>	<b>696,470</b>	<b>636,046</b>	<b>2,384,008</b>	<b>4,493,355</b>	<b>191,422</b>	<b>4,684,777</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 42,717</b>	<b>\$ 275,540</b>	<b>\$ 508,222</b>	<b>\$ 1,586,184</b>	<b>\$ 1,239,932</b>	<b>\$ 3,757,430</b>	<b>\$ 7,410,025</b>	<b>\$ 191,422</b>	<b>\$ 7,601,447</b>

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

	Special Revenue Funds						Permanent Fund		
	Community Development Fund	Special Revenue General Projects Fund	Public Safety Funds	Transportation Funds	Culture & Recreation Funds	Education Funds	Total Special Revenue Funds	Allandale Trust Fund	Total Nonmajor Governmental Funds
REVENUES:									
Local Option Sales Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,489,178	\$ 0	\$ 3,489,178	\$ 0	\$ 3,489,178
Hotel/Motel Tax Allocation	0	0	0	0	410,077	0	410,077	0	410,077
Federal Government	438,634	0	72,104	1,710,979	0	6,767,081	8,988,798	0	8,988,798
State Government	0	26,401	0	1,634,778	0	1,120,583	2,781,762	0	2,781,762
Charges for Services	0	0	0	130,945	39,686	1,119,026	1,289,657	0	1,289,657
Fines and Forfeitures	0	0	170,632	0	0	0	170,632	0	170,632
Investment Earnings	0	0	39	0	203	395	637	3,836	4,473
Contributions and Donations	0	24,939	0	8,900	83,377	127,438	244,654	0	244,654
Other	0	0	0	0	3,510	0	3,510	0	3,510
Total Revenues	438,634	51,340	242,775	3,485,602	4,026,031	9,134,523	17,378,905	3,836	17,382,741
EXPENDITURES:									
General & Administrative	0	157,341	0	0	0	0	157,341	0	157,341
School Food Service	0	0	0	0	0	3,166,893	3,166,893	0	3,166,893
School Federal Projects	0	0	0	0	0	4,184,623	4,184,623	0	4,184,623
Economic & Physical Development	438,634	0	0	0	0	0	438,634	0	438,634
Public Safety	0	0	236,325	0	0	0	236,325	0	236,325
Transportation	0	0	0	4,876,627	0	0	4,876,627	0	4,876,627
Culture and Recreation	0	0	0	0	121,963	0	121,963	0	121,963
Education	0	0	0	0	0	1,134,866	1,134,866	0	1,134,866
Capital Outlay	0	402,489	48,512	169,242	28,460	682,830	1,331,533	0	1,331,533
Total Expenditures	438,634	559,830	284,837	5,045,869	150,423	9,169,212	15,648,805	0	15,648,805
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(508,490)	(42,062)	(1,560,267)	3,875,608	(34,689)	1,730,100	3,836	1,733,936
OTHER FINANCING SOURCES (USES):									
Transfers In	0	530,135	0	1,403,238	0	63,038	1,996,411	0	1,996,411
Transfers Out	0	0	(24,978)	0	(3,813,535)	(14,806)	(3,853,319)	0	(3,853,319)
Total Other Financing Sources (Uses)	0	530,135	(24,978)	1,403,238	(3,813,535)	48,232	(1,856,908)	0	(1,856,908)
Net Change in Fund Balances	0	21,645	(67,040)	(157,029)	62,073	13,543	(126,808)	3,836	(122,972)
Fund Balances, July 1, 2013	16,471	234,164	571,591	853,499	573,973	2,370,465	4,620,163	187,586	4,807,749
Fund Balances, June 30, 2014	\$ 16,471	\$ 255,809	\$ 504,551	\$ 696,470	\$ 636,046	\$ 2,384,008	\$ 4,493,355	\$ 191,422	\$ 4,684,777

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS - PUBLIC SAFETY**  
**June 30, 2014**

	<b>Criminal Forfeiture Fund</b>	<b>Drug Fund</b>	<b>Justice Assistance Grant Fund</b>	<b>Total Public Safety Funds</b>
<b>ASSETS:</b>				
Cash	\$ 0	\$ 28,151	\$ 0	\$ 28,151
Equity in Pooled Cash and Investments	83,450	301,361	0	384,811
Due from Other Governments	0	0	0	0
Restricted Investments	95,260	0	0	95,260
<b>Total Assets</b>	<b>\$ 178,710</b>	<b>\$ 329,512</b>	<b>\$ 0</b>	<b>\$ 508,222</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 0	\$ 3,671	\$ 0	\$ 3,671
Due to Other Funds	0	0	0	0
Unearned Revenue	0	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>3,671</b>	<b>0</b>	<b>3,671</b>
<b>Fund Balances:</b>				
<b>Restricted:</b>				
Unspent Federal Forfeitures	95,260	0	0	95,260
Assigned	83,450	325,841	0	409,291
<b>Total Fund Balances</b>	<b>178,710</b>	<b>325,841</b>	<b>0</b>	<b>504,551</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 178,710</b>	<b>\$ 329,512</b>	<b>\$ 0</b>	<b>\$ 508,222</b>

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - PUBLIC SAFETY**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Criminal Forfeiture Fund</b>	<b>Drug Fund</b>	<b>Justice Assistance Grant Fund</b>	<b>Total Public Safety Funds</b>
REVENUES:				
Federal Government	\$ 0	\$ 4,653	\$ 67,451	\$ 72,104
State Government	0	0	0	0
Fines and Forfeitures	40,775	129,857	0	170,632
Miscellaneous	0	0	0	0
Investment Earnings	39	0	0	39
Total Revenues	40,814	134,510	67,451	242,775
EXPENDITURES:				
Public Safety	0	168,871	67,454	236,325
Capital Outlay	0	48,512	0	48,512
Total Expenditures	0	217,383	67,454	284,837
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,814	(82,873)	(3)	(42,062)
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	(24,978)	0	(24,978)
Total Other Financing Sources (Uses)	0	(24,978)	0	(24,978)
Net Change in Fund Balances	40,814	(107,851)	(3)	(67,040)
Fund Balances, July 1, 2013	137,896	433,692	3	571,591
Fund Balances, June 30, 2014	\$ 178,710	\$ 325,841	\$ 0	\$ 504,551

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS - TRANSPORTATION**  
**June 30, 2014**

	<b>Federal Transit Administration Fund</b>	<b>Metropolitan Planning Office Fund</b>	<b>State Street Aid Fund</b>	<b>Total Transportation Funds</b>
<b>ASSETS:</b>				
Cash	\$ 100	\$ 0	\$ 0	\$ 100
Equity in Pooled Cash and Investments	0	0	0	0
Due from Other Governments	359,026	986,651	240,407	1,586,084
<b>Total Assets</b>	<b>\$ 359,126</b>	<b>\$ 986,651</b>	<b>\$ 240,407</b>	<b>\$ 1,586,184</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 16,397	\$ 50,126	\$ 178,911	\$ 245,434
Due to Other Governments	0	0	0	0
Due to Other Funds	19,741	565,255	59,284	644,280
<b>Total Liabilities</b>	<b>36,138</b>	<b>615,381</b>	<b>238,195</b>	<b>889,714</b>
<b>Fund Balances:</b>				
Assigned	322,988	371,270	2,212	696,470
<b>Total Fund Balances</b>	<b>322,988</b>	<b>371,270</b>	<b>2,212</b>	<b>696,470</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 359,126</b>	<b>\$ 986,651</b>	<b>\$ 240,407</b>	<b>\$ 1,586,184</b>

See Independent Auditors' Report.

**CITY OF KINGSFORT, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - TRANSPORTATION**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Federal Transit Administration Fund</b>	<b>Metropolitan Planning Office Fund</b>	<b>State Street Aid Fund</b>	<b>Total Transportation Funds</b>
REVENUES:				
Federal Government	\$ 610,227	\$ 1,100,752	\$ 0	\$ 1,710,979
State Government	302,714	5,735	1,326,329	1,634,778
Charges for Services	130,945	0	0	130,945
Contributions	0	7,900	1,000	8,900
Investment Earnings	0	0	0	0
Total Revenues	<u>1,043,886</u>	<u>1,114,387</u>	<u>1,327,329</u>	<u>3,485,602</u>
EXPENDITURES:				
Transportation	1,356,860	1,186,364	2,333,403	4,876,627
Capital Outlay	<u>0</u>	<u>149,374</u>	<u>19,868</u>	<u>169,242</u>
Total Expenditures	<u>1,356,860</u>	<u>1,335,738</u>	<u>2,353,271</u>	<u>5,045,869</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(312,974)</u>	<u>(221,351)</u>	<u>(1,025,942)</u>	<u>(1,560,267)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	321,125	61,174	1,020,939	1,403,238
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>321,125</u>	<u>61,174</u>	<u>1,020,939</u>	<u>1,403,238</u>
Net Change in Fund Balances	8,151	(160,177)	(5,003)	(157,029)
Fund Balances, July 1, 2013	<u>314,837</u>	<u>531,447</u>	<u>7,215</u>	<u>853,499</u>
Fund Balances, June 30, 2014	<u>\$ 322,988</u>	<u>\$ 371,270</u>	<u>\$ 2,212</u>	<u>\$ 696,470</u>

See Independent Auditors' Report.



**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS - CULTURE AND RECREATION**  
**June 30, 2014**

	<b>Regional Sales Tax Revenue Fund</b>	<b>Visitors Enhancement Fund</b>	<b>Steadman Cemetery Fund</b>	<b>Public Library Commission Fund</b>	<b>Bays Mountain Park Fund</b>	<b>Senior Citizens Advisory Board Fund</b>	<b>Total Culture &amp; Recreation Funds</b>
<b>ASSETS:</b>							
Equity in Pooled Cash & Investments	\$ 0	\$ 375,172	\$ 680	\$ 82	\$ 13,741	\$ 1,345	\$ 391,020
Investments	3,119	0	15,919	1,152	116,226	71,015	207,431
Accounts Receivable	0	38,531	0	0	0	0	38,531
Due from Other Governments	602,950	0	0	0	0	0	602,950
Due from Other Funds	0	0	0	0	0	0	0
<b>Total Assets</b>	<b>\$ 606,069</b>	<b>\$ 413,703</b>	<b>\$ 16,599</b>	<b>\$ 1,234</b>	<b>\$ 129,967</b>	<b>\$ 72,360</b>	<b>\$ 1,239,932</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>Liabilities:</b>							
Accounts Payable	\$ 0	\$ 28,460	\$ 320	\$ 0	\$ 131	\$ 4,761	\$ 33,672
Due to Other Governments	0	0	0	0	0	10	10
Due to Other Funds	570,204	0	0	0	0	0	570,204
<b>Total Liabilities</b>	<b>570,204</b>	<b>28,460</b>	<b>320</b>	<b>0</b>	<b>131</b>	<b>4,771</b>	<b>603,886</b>
<b>Fund Balances:</b>							
<b>Restricted for:</b>							
Unspent Hotel Tax	0	381,733	0	0	0	0	381,733
<b>Committed to:</b>							
Veterans Memorial	0	3,510	0	0	0	0	3,510
Assigned	35,865	0	16,279	1,234	129,836	67,589	250,803
<b>Total Fund Balances</b>	<b>35,865</b>	<b>385,243</b>	<b>16,279</b>	<b>1,234</b>	<b>129,836</b>	<b>67,589</b>	<b>636,046</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 606,069</b>	<b>\$ 413,703</b>	<b>\$ 16,599</b>	<b>\$ 1,234</b>	<b>\$ 129,967</b>	<b>\$ 72,360</b>	<b>\$ 1,239,932</b>

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - CULTURE AND RECREATION**  
For the Fiscal Year Ended June 30, 2014

	<b>Regional Sales Tax Revenue Fund</b>	<b>Visitors Enhancement Fund</b>	<b>Steadman Cemetery Fund</b>	<b>Public Library Commission Fund</b>	<b>Bays Mountain Park Fund</b>	<b>Senior Citizens Advisory Board Fund</b>	<b>Total Culture &amp; Recreation Funds</b>
<b>REVENUES:</b>							
Local Option Sales Tax	\$ 3,489,178	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,489,178
Hotel/Motel Tax Allocation	0	410,077	0	0	0	0	410,077
Charges for Services	0	0	0	0	0	39,686	39,686
Investment Earnings	28	0	17	1	97	60	203
Contributions and Donations	0	0	0	0	27,476	55,901	83,377
Other	0	3,510	0	0	0	0	3,510
<b>Total Revenues</b>	<b>3,489,206</b>	<b>413,587</b>	<b>17</b>	<b>1</b>	<b>27,573</b>	<b>95,647</b>	<b>4,026,031</b>
<b>EXPENDITURES:</b>							
Culture and Recreation	0	21,787	2,320	0	7,266	90,590	121,963
Capital Outlay	0	28,460	0	0	0	0	28,460
<b>Total Expenditures</b>	<b>0</b>	<b>50,247</b>	<b>2,320</b>	<b>0</b>	<b>7,266</b>	<b>90,590</b>	<b>150,423</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,489,206	363,340	(2,303)	1	20,307	5,057	3,875,608
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers In	0	0	0	0	0	0	0
Transfers Out	(3,581,819)	(231,716)	0	0	0	0	(3,813,535)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,581,819)</b>	<b>(231,716)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,813,535)</b>
<b>Net Change in Fund Balances</b>	<b>(92,613)</b>	<b>131,624</b>	<b>(2,303)</b>	<b>1</b>	<b>20,307</b>	<b>5,057</b>	<b>62,073</b>
Fund Balances, July 1, 2013	128,478	253,619	18,582	1,233	109,529	62,532	573,973
Fund Balances, June 30, 2014	\$ 35,865	\$ 385,243	\$ 16,279	\$ 1,234	\$ 129,836	\$ 67,589	\$ 636,046

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS - EDUCATION**  
**June 30, 2014**

	<b>School Nutrition Services Fund</b>	<b>Special School Projects Fund</b>	<b>Public Law 93-380 Fund</b>	<b>Palmer Center Fund</b>	<b>Total Education Funds</b>
<b>ASSETS:</b>					
Cash	\$ 1,884,980	\$ 0	\$ 0	\$ 0	\$ 1,884,980
Equity in Pooled Cash and Investments	173,988	0	0	0	173,988
Long Term Certificates of Deposit	98,000	0	0	0	98,000
Investments	0	0	0	65,845	65,845
Accounts Receivable	848	0	0	0	848
Due from Other Governments	64,481	400,910	905,101	0	1,370,492
Inventories	163,277	0	0	0	163,277
<b>Total Assets</b>	<b>\$ 2,385,574</b>	<b>\$ 400,910</b>	<b>\$ 905,101</b>	<b>\$ 65,845</b>	<b>\$ 3,757,430</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 344	\$ 32,612	\$ 78,422	\$ 0	\$ 111,378
Other Liabilities	1,483	17,110	0	0	18,593
Due to Other Funds	0	296,232	826,679	0	1,122,911
Due to Other Governments	0	0	0	0	0
Unearned Revenue	74,932	45,608	0	0	120,540
<b>Total Liabilities</b>	<b>76,759</b>	<b>391,562</b>	<b>905,101</b>	<b>0</b>	<b>1,373,422</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	163,277	0	0	0	163,277
Assigned	2,145,538	9,348	0	65,845	2,220,731
<b>Total Fund Balances</b>	<b>2,308,815</b>	<b>9,348</b>	<b>0</b>	<b>65,845</b>	<b>2,384,008</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,385,574</b>	<b>\$ 400,910</b>	<b>\$ 905,101</b>	<b>\$ 65,845</b>	<b>\$ 3,757,430</b>

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - EDUCATION**  
**For the Fiscal Year Ended June 30, 2014**

	<b>School Nutrition Services Fund</b>	<b>Special School Projects Fund</b>	<b>Public Law 93-380 Fund</b>	<b>Palmer Center Fund</b>	<b>Total Education Funds</b>
<b>REVENUES:</b>					
Federal Government	\$ 2,141,534	\$ 5,000	\$ 4,620,547	\$ 0	\$ 6,767,081
State Government	28,790	1,091,793	0	0	1,120,583
Charges for Services	1,084,414	34,612	0	0	1,119,026
Investment Earnings	336	0	0	59	395
Contributions and Donations	127,438	0	0	0	127,438
<b>Total Revenues</b>	<b>3,382,512</b>	<b>1,131,405</b>	<b>4,620,547</b>	<b>59</b>	<b>9,134,523</b>
<b>EXPENDITURES:</b>					
School Food Service	3,166,893	0	0	0	3,166,893
School Federal Projects	0	0	4,184,623	0	4,184,623
Education	0	1,134,866	0	0	1,134,866
Capital Outlay	203,345	58,367	421,118	0	682,830
<b>Total Expenditures</b>	<b>3,370,238</b>	<b>1,193,233</b>	<b>4,605,741</b>	<b>0</b>	<b>9,169,212</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,274	(61,828)	14,806	59	(34,689)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	0	63,038	0	0	63,038
Transfers Out	0	0	(14,806)	0	(14,806)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>63,038</b>	<b>(14,806)</b>	<b>0</b>	<b>48,232</b>
<b>Net Change in Fund Balances</b>	<b>12,274</b>	<b>1,210</b>	<b>0</b>	<b>59</b>	<b>13,543</b>
Fund Balances, July 1, 2013	2,296,541	8,138	0	65,786	2,370,465
Fund Balances, June 30, 2014	<u>\$ 2,308,815</u>	<u>\$ 9,348</u>	<u>\$ 0</u>	<u>\$ 65,845</u>	<u>\$ 2,384,008</u>

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**CRIMINAL FORFEITURE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES:</b>				
Fines and Forfeitures	\$ 6,000	\$ 6,000	\$ 40,775	\$ 34,775
Investment Earnings	0	0	39	39
Contributions and Donations	0	0	0	0
Total Revenues	6,000	6,000	40,814	34,814
<b>EXPENDITURES:</b>				
Public Safety	6,000	6,000	0	6,000
Capital Outlay	0	0	0	0
Total Expenditures	6,000	6,000	0	6,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	40,814	40,814
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	0	0	40,814	40,814
Fund Balances, July 1, 2013	0	0	137,896	137,896
Fund Balances, June 30, 2014	\$ 0	\$ 0	\$ 178,710	\$ 178,710

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**DRUG FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES:</b>				
Federal Government	\$ 0	\$ 4,653	\$ 4,653	\$ 0
Fines and Forfeitures	106,200	106,200	129,857	23,657
Miscellaneous	0	0	0	0
Total Revenues	106,200	110,853	134,510	23,657
<b>EXPENDITURES:</b>				
General and Administrative	25,000	18,700	0	18,700
Public Safety	102,800	178,027	168,871	9,156
Capital Outlay	135,000	124,018	48,512	75,506
Total Expenditures	262,800	320,745	217,383	103,362
Excess (Deficiency) of Revenues Over (Under) Expenditures	(156,600)	(209,892)	(82,873)	127,019
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	0	0	0	0
Transfers Out	0	(25,000)	(24,978)	22
Total Other Financing Sources (Uses)	0	(25,000)	(24,978)	22
Net Change in Fund Balances	(156,600)	(234,892)	(107,851)	127,041
Fund Balances, July 1, 2013	156,600	234,892	433,692	198,800
Fund Balances, June 30, 2014	\$ 0	\$ 0	\$ 325,841	\$ 325,841

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**STATE STREET AID FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES:</b>				
State Government	\$ 1,311,000	\$ 1,324,231	\$ 1,326,329	\$ 2,098
Investment Earnings	0	0	0	0
Contributions	0	1,000	1,000	0
Miscellaneous	0	0	0	0
<b>Total Revenues</b>	<b>1,311,000</b>	<b>1,325,231</b>	<b>1,327,329</b>	<b>2,098</b>
<b>EXPENDITURES:</b>				
Highways and Streets	2,376,700	2,366,203	2,333,403	32,800
Capital Outlay	0	19,869	19,868	1
<b>Total Expenditures</b>	<b>2,376,700</b>	<b>2,386,072</b>	<b>2,353,271</b>	<b>32,801</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,065,700)	(1,060,841)	(1,025,942)	34,899
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,065,700	1,051,300	1,020,939	(30,361)
Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>1,065,700</b>	<b>1,051,300</b>	<b>1,020,939</b>	<b>(30,361)</b>
<b>Net Change in Fund Balances</b>	<b>0</b>	<b>(9,541)</b>	<b>(5,003)</b>	<b>4,538</b>
<b>Fund Balances, July 1, 2013</b>	<b>0</b>	<b>9,541</b>	<b>7,215</b>	<b>(2,326)</b>
<b>Fund Balances, June 30, 2014</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,212</b>	<b>\$ 2,212</b>

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**REGIONAL SALES TAX REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Local Option Sales Tax	\$ 3,440,300	\$ 3,457,300	\$ 3,489,178	\$ 31,878
Investment Earnings	0	0	28	28
Total Revenues	<u>3,440,300</u>	<u>3,457,300</u>	<u>3,489,206</u>	<u>31,906</u>
EXPENDITURES:				
Culture and Recreation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,440,300</u>	<u>3,457,300</u>	<u>3,489,206</u>	<u>31,906</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	<u>(3,440,300)</u>	<u>(3,589,758)</u>	<u>(3,581,819)</u>	<u>7,939</u>
Total Other Financing Sources (Uses)	<u>(3,440,300)</u>	<u>(3,589,758)</u>	<u>(3,581,819)</u>	<u>7,939</u>
Net Change in Fund Balances	0	(132,458)	(92,613)	39,845
Fund Balances, July 1, 2013	<u>0</u>	<u>132,458</u>	<u>128,478</u>	<u>(3,980)</u>
Fund Balances, June 30, 2014	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,865</u>	<u>\$ 35,865</u>

See Independent Auditors' Report.



**CITY OF KINGSFORT, TENNESSEE**  
**VISITORS ENHANCEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ 340,000	\$ 340,000	\$ 410,077	\$ 70,077
Other	0	3,510	3,510	0
Total Revenues	340,000	343,510	413,587	70,077
EXPENDITURES:				
Culture and Recreation	62,300	32,141	21,787	10,354
Capital Outlay	60,000	28,460	28,460	0
Total Expenditures	122,300	60,601	50,247	10,354
Excess (Deficiency) of Revenues Over (Under) Expenditures	217,700	282,909	363,340	80,431
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	(217,700)	(282,909)	(231,716)	51,193
Total Other Financing Sources (Uses)	(217,700)	(282,909)	(231,716)	51,193
Net Change in Fund Balances	0	0	131,624	131,624
Fund Balances, July 1, 2013	0	0	253,619	253,619
Fund Balances, June 30, 2014	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 385,243</u>	<u>\$ 385,243</u>

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**STEADMAN CEMETERY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
REVENUES:				
Investment Earnings	\$ 50	\$ 50	\$ 17	\$ (33)
Total Revenues	50	50	17	(33)
EXPENDITURES:				
Culture and Recreation	2,550	2,550	2,320	230
Total Expenditures	2,550	2,550	2,320	230
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,500)	(2,500)	(2,303)	197
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(2,500)	(2,500)	(2,303)	197
Fund Balances, July 1, 2013	2,500	2,500	18,582	16,082
Fund Balances, June 30, 2014	\$ 0	\$ 0	\$ 16,279	\$ 16,279

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**PUBLIC LIBRARY COMMISSION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Investment Earnings	\$ 10	\$ 10	\$ 1	\$ (9)
Contributions and Donations	0	0	0	0
Total Revenues	10	10	1	(9)
EXPENDITURES:				
Culture and Recreation	10	10	0	10
Total Expenditures	10	10	0	10
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	1	1
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	0	0	1	1
Fund Balances, July 1, 2013	0	0	1,233	1,233
Fund Balances, June 30, 2014	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,234</u>	<u>\$ 1,234</u>

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**BAYS MOUNTAIN PARK FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Investment Earnings	\$ 100	\$ 100	\$ 97	\$ (3)
Contributions and Donations	<u>15,000</u>	<u>15,000</u>	<u>27,476</u>	<u>12,476</u>
Total Revenues	<u>15,100</u>	<u>15,100</u>	<u>27,573</u>	<u>12,473</u>
EXPENDITURES:				
Culture and Recreation	<u>56,500</u>	<u>56,500</u>	<u>7,266</u>	<u>49,234</u>
Total Expenditures	<u>56,500</u>	<u>56,500</u>	<u>7,266</u>	<u>49,234</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(41,400)</u>	<u>(41,400)</u>	<u>20,307</u>	<u>61,707</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(41,400)	(41,400)	20,307	61,707
Fund Balances, July 1, 2013	<u>41,400</u>	<u>41,400</u>	<u>109,529</u>	<u>68,129</u>
Fund Balances, June 30, 2014	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 129,836</u>	<u>\$ 129,836</u>

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**SENIOR CITIZENS ADVISORY BOARD FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES:</b>				
Charges for Services	\$ 134,000	\$ 134,000	\$ 39,686	\$ (94,314)
Investment Earnings	100	100	60	(40)
Contributions and Donations	9,800	9,800	55,901	46,101
Other	3,000	3,000	0	(3,000)
Total Revenues	146,900	146,900	95,647	(51,253)
<b>EXPENDITURES:</b>				
Culture and Recreation	164,100	164,100	90,590	73,510
Total Expenditures	164,100	164,100	90,590	73,510
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,200)	(17,200)	5,057	22,257
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(17,200)	(17,200)	5,057	22,257
Fund Balances, July 1, 2013	17,200	17,200	62,532	45,332
Fund Balances, June 30, 2014	\$ 0	\$ 0	\$ 67,589	\$ 67,589

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**SCHOOL NUTRITION SERVICES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES:</b>				
Federal Government	\$ 1,810,900	\$ 1,810,900	\$ 2,141,534	\$ 330,634
State Government	28,500	28,500	28,790	290
Charges for Services	1,268,000	1,268,000	1,084,414	(183,586)
Investment Earnings	2,700	2,700	336	(2,364)
Contributions and Donations	171,900	171,900	127,438	(44,462)
<b>Total Revenues</b>	<b>3,282,000</b>	<b>3,282,000</b>	<b>3,382,512</b>	<b>100,512</b>
<b>EXPENDITURES:</b>				
School Food Service	3,152,000	3,262,000	3,166,893	95,107
Capital Outlay	130,000	211,293	203,345	7,948
<b>Total Expenditures</b>	<b>3,282,000</b>	<b>3,473,293</b>	<b>3,370,238</b>	<b>103,055</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(191,293)	12,274	203,567
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>0</b>	<b>(191,293)</b>	<b>12,274</b>	<b>203,567</b>
<b>Fund Balances, July 1, 2013</b>	<b>0</b>	<b>191,293</b>	<b>2,296,541</b>	<b>2,105,248</b>
<b>Fund Balances, June 30, 2014</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,308,815</b>	<b>\$ 2,308,815</b>

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**PALMER CENTER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
REVENUES:				
Investment Earnings	\$ 100	\$ 100	\$ 59	\$ (41)
Total Revenues	100	100	59	(41)
EXPENDITURES:				
Capital Outlay	100	100	0	100
Total Expenditures	100	100	0	100
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	59	59
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	0	0	59	59
Fund Balances, July 1, 2013	0	0	65,786	65,786
Fund Balances, June 30, 2014	\$ 0	\$ 0	\$ 65,845	\$ 65,845

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**ALLANDALE TRUST FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
REVENUES:				
Investment Earnings	\$ 7,500	\$ 7,500	\$ 3,836	(3,664)
Total Revenues	7,500	7,500	3,836	(3,664)
EXPENDITURES:				
Culture and Recreation	37,700	37,700	0	37,700
Total Expenditures	37,700	37,700	0	37,700
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,200)	(30,200)	3,836	34,036
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(30,200)	(30,200)	3,836	34,036
Fund Balances, July 1, 2013	30,200	30,200	187,586	157,386
Fund Balances, June 30, 2014	\$ 0	\$ 0	\$ 191,422	\$ 191,422

See Independent Auditors' Report.



**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**June 30, 2014**

	<b>Solid Waste Management Fund</b>	<b>Storm Water Management Fund</b>	<b>Cattails at MeadowView Golf Course Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Equity in Pooled Cash and Investments	\$ 0	\$ 493,372	\$ 0	\$ 493,372
Accounts Receivable, Net	83,645	262,071	60,151	405,867
Accrued Interest Receivable	475	0	0	475
Inventories	0	0	117,405	117,405
Prepays	0	7,233	0	7,233
<b>Total Current Assets</b>	<b>84,120</b>	<b>762,676</b>	<b>177,556</b>	<b>1,024,352</b>
<b>Noncurrent Assets:</b>				
<b>Restricted Assets:</b>				
Cash	0	0	83,000	83,000
Cash from Unspent Bonds	280,890	24,180	448	305,518
Investments	99	0	2,627	2,726
<b>Total Restricted Assets</b>	<b>280,989</b>	<b>24,180</b>	<b>86,075</b>	<b>391,244</b>
<b>Capital Assets:</b>				
Land	1,716,309	977,763	981,600	3,675,672
Buildings and Systems	308,134	148,954	1,439,145	1,896,233
Improvements Other Than Buildings	1,177,264	534,297	6,033,890	7,745,451
Software	6,750	6,661	0	13,411
Machinery and Equipment	590,409	125,000	465,051	1,180,460
Construction in Progress	1,202,436	779,116	0	1,981,552
Less: Accumulated Depreciation	(1,659,995)	(73,817)	(4,298,046)	(6,031,858)
<b>Total Capital Assets</b>	<b>3,341,307</b>	<b>2,497,974</b>	<b>4,621,640</b>	<b>10,460,921</b>
<b>Other Assets:</b>				
Prepaid Landfill Closure Costs	402,929	0	0	402,929
<b>Total Other Assets</b>	<b>402,929</b>	<b>0</b>	<b>0</b>	<b>402,929</b>
<b>Total Noncurrent Assets</b>	<b>4,025,225</b>	<b>2,522,154</b>	<b>4,707,715</b>	<b>11,255,094</b>
<b>Total Assets</b>	<b>4,109,345</b>	<b>3,284,830</b>	<b>4,885,271</b>	<b>12,279,446</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred Charge on Refunding	12,131	0	0	12,131
<b>Total Deferred Outflows of Resources</b>	<b>12,131</b>	<b>0</b>	<b>0</b>	<b>12,131</b>

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**June 30, 2014**

	<b>Solid Waste Management Fund</b>	<b>Storm Water Management Fund</b>	<b>Cattails at MeadowView Golf Course Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	52,185	71,123	79,223	202,531
Due to Other Funds	878,697	0	36,160	914,857
Compensated Absences Payable	95,025	38,971	0	133,996
Accrued Interest Payable	18,582	23,051	3,848	45,481
General Obligation Bonds - Current	188,210	76,383	145,428	410,021
Other Payables	0	0	0	0
Total Current Liabilities	<u>1,232,699</u>	<u>209,528</u>	<u>264,659</u>	<u>1,706,886</u>
Noncurrent Liabilities:				
General Obligation Bonds Payable (Net of Discounts and Premiums)	1,788,238	1,477,985	768,456	4,034,679
Advances from Other Funds	0	0	0	0
OPEB Liability	479,472	60,196	0	539,668
Total Noncurrent Liabilities	<u>2,267,710</u>	<u>1,538,181</u>	<u>768,456</u>	<u>4,574,347</u>
Total Liabilities	<u>3,500,409</u>	<u>1,747,709</u>	<u>1,033,115</u>	<u>6,281,233</u>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	1,645,749	967,786	3,708,204	6,321,739
Restricted for Debt Service	99	0	0	99
Restricted for Capital Improvements	0	0	88,828	88,828
Unrestricted	(1,024,781)	569,335	55,124	(400,322)
Total Net Position	<u>\$ 621,067</u>	<u>\$ 1,537,121</u>	<u>\$ 3,852,156</u>	<u>\$ 6,010,344</u>

See accompanying notes to the basic financial statements.

**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Solid Waste Management Fund</b>	<b>Storm Water Management Fund</b>	<b>Cattails at MeadowView Golf Course Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
OPERATING REVENUES:				
Charges and Fees	\$ 827,675	\$ 1,838,965	\$ 948,586	\$ 3,615,226
Penalties and Fines	0	0	0	0
Miscellaneous	4,378	1,900	0	6,278
Total Operating Revenue	<u>832,053</u>	<u>1,840,865</u>	<u>948,586</u>	<u>3,621,504</u>
OPERATING EXPENSES:				
Operating Costs	4,271,289	1,181,809	1,072,472	6,525,570
Depreciation	88,186	38,197	244,636	371,019
Total Operating Expenses	<u>4,359,475</u>	<u>1,220,006</u>	<u>1,317,108</u>	<u>6,896,589</u>
Operating Income (Loss)	<u>(3,527,422)</u>	<u>620,859</u>	<u>(368,522)</u>	<u>(3,275,085)</u>
NONOPERATING REVENUES:				
Investment Earnings	725	423	12	1,160
Federal Interest Subsidy	4,467	8,928	0	13,395
Interest Expense	(15,941)	(9,999)	(18,855)	(44,795)
Bond Issue Cost	(3,587)	0	0	(3,587)
Total Nonoperating Revenues	<u>(14,336)</u>	<u>(648)</u>	<u>(18,843)</u>	<u>(33,827)</u>
Income (Loss) Before Capital Contributions and Transfers	(3,541,758)	620,211	(387,365)	(3,308,912)
Transfers In	3,413,900	0	218,929	3,632,829
Transfers Out	<u>0</u>	<u>(93,134)</u>	<u>0</u>	<u>(93,134)</u>
Change in Net Position	(127,858)	527,077	(168,436)	230,783
Net Position, July 1, 2013	774,170	1,037,904	4,026,642	5,838,716
Cumulative Effect of Change in Accounting Principle	<u>(25,245)</u>	<u>(27,860)</u>	<u>(6,050)</u>	<u>(59,155)</u>
Net Position, July 1, 2013 (as restated)	<u>748,925</u>	<u>1,010,044</u>	<u>4,020,592</u>	<u>5,779,561</u>
Net Position, June 30, 2014	<u>\$ 621,067</u>	<u>\$ 1,537,121</u>	<u>\$ 3,852,156</u>	<u>\$ 6,010,344</u>

See accompanying notes to the basic financial statements.

**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
For the Fiscal Year Ended June 30, 2014

	<b>Solid Waste Management Fund</b>	<b>Storm Water Management Fund</b>	<b>Cattails at MeadowView Golf Course Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers and Users	\$ 782,054	\$ 1,770,391	\$ 908,869	\$ 3,461,314
Receipts from Interfund Services Provided	49,496	75,560	0	125,056
Payments to Suppliers	(2,959,085)	(463,632)	(991,911)	(4,414,628)
Payments to Employees	(1,879,765)	(774,104)	0	(2,653,869)
Net Cash Provided (Used) by Operating Activities	<u>(4,007,300)</u>	<u>608,215</u>	<u>(83,042)</u>	<u>(3,482,127)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers from Other Funds	3,413,900	0	218,929	3,632,829
Transfers to Other Funds	0	(93,134)	0	(93,134)
Due To or From Other Funds	165,608	0	(45,585)	120,023
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,579,508</u>	<u>(93,134)</u>	<u>173,344</u>	<u>3,659,718</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from Capital Debt	305,000	0	0	305,000
Acquisition and Construction of Capital Assets	(258,999)	(571,602)	0	(830,601)
Principal Paid on Capital Debt	(52,470)	(57,653)	(117,000)	(227,123)
Interest Paid on Capital Debt	(13,007)	(3,574)	(19,201)	(35,782)
Net Cash Used by Capital and Related Financing Activities	<u>(19,476)</u>	<u>(632,829)</u>	<u>(136,201)</u>	<u>(788,506)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investments	(46)	0	(2,357)	(2,403)
Interest Received	260	423	12	695
Net Cash Provided (Used) by Investing Activities	<u>214</u>	<u>423</u>	<u>(2,345)</u>	<u>(1,708)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(447,054)	(117,325)	(48,244)	(612,623)
Cash and Cash Equivalents, July 1, 2013	<u>727,944</u>	<u>634,877</u>	<u>131,692</u>	<u>1,494,513</u>
Cash and Cash Equivalents, June 30, 2014	<u>\$ 280,890</u>	<u>\$ 517,552</u>	<u>\$ 83,448</u>	<u>\$ 881,890</u>

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
For the Fiscal Year Ended June 30, 2014

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (3,527,422)	\$ 620,859	\$ (368,522)	\$ (3,275,085)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	88,186	38,197	244,636	371,019
(Increase) Decrease in Assets:				
Accounts Receivable	(503)	5,086	(39,717)	(35,134)
Inventory	0	0	15,299	15,299
Prepays	24,349	(7,233)	0	17,116
Increase (Decrease) in Liabilities:				
Accounts Payable	(628,780)	(75,742)	65,262	(639,260)
Compensated Absences Payable	(8,361)	6,824	0	(1,537)
OPEB Liability	45,231	20,224	0	65,455
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,007,300)</u>	<u>\$ 608,215</u>	<u>\$ (83,042)</u>	<u>\$ (3,482,127)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:				
Equity in Pooled Cash and Investments	\$ 0	\$ 493,372	\$ 0	\$ 493,372
Restricted Cash from Unspent Bonds	280,890	24,180	448	305,518
Restricted Cash	<u>0</u>	<u>0</u>	<u>83,000</u>	<u>83,000</u>
Cash and Cash Equivalents, June 30, 2014	<u>\$ 280,890</u>	<u>\$ 517,552</u>	<u>\$ 83,448</u>	<u>\$ 881,890</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Federal Interest Subsidy Paid Directly to Bank	<u>\$ 4,467</u>	<u>\$ 8,928</u>	<u>\$ 0</u>	<u>\$ 13,395</u>

See accompanying notes to the basic financial statements.

**CITY OF KINGSPORT, TENNESSEE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2014**

	<b>Fleet Operations &amp; Maintenance Fund</b>	<b>Insurance Reserve Fund</b>	<b>Health Insurance Fund</b>	<b>Retirees Health Insurance Fund</b>	<b>Total Internal Service Funds</b>
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Equity in Pooled Cash and Investments	\$ 218,342	\$ 4,110,679	\$ 1,670,152	\$ 427,183	\$ 6,426,356
Accounts Receivable	400	132	0	2,714	3,246
Accrued Interest Receivable	50	0	0	0	50
Inventories	406,110	0	14,601	0	420,711
Prepays	0	196,887	3,069	1,111	201,067
<b>Total Current Assets</b>	<b>624,902</b>	<b>4,307,698</b>	<b>1,687,822</b>	<b>431,008</b>	<b>7,051,430</b>
<b>Capital Assets:</b>					
Land	14,695	0	0	0	14,695
Buildings and Improvements	0	0	14,897	0	14,897
Machinery and Equipment	27,680,298	0	0	0	27,680,298
Less: Accumulated Depreciation	(17,563,832)	0	(1,614)	0	(17,565,446)
<b>Net Capital Assets</b>	<b>10,131,161</b>	<b>0</b>	<b>13,283</b>	<b>0</b>	<b>10,144,444</b>
<b>Other Assets:</b>					
Advances to Other Funds	387,028	0	0	0	387,028
Deposits	0	30,000	134,400	33,600	198,000
<b>Total Other Assets</b>	<b>387,028</b>	<b>30,000</b>	<b>134,400</b>	<b>33,600</b>	<b>585,028</b>
<b>Restricted Assets:</b>					
Long Term Certificates of Deposit	500,000	500,000	0	0	1,000,000
Investments	2,339,245	0	0	0	2,339,245
<b>Total Restricted Assets</b>	<b>2,839,245</b>	<b>500,000</b>	<b>0</b>	<b>0</b>	<b>3,339,245</b>
<b>Total Assets</b>	<b>13,982,336</b>	<b>4,837,698</b>	<b>1,835,505</b>	<b>464,608</b>	<b>21,120,147</b>
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts Payable	667,982	53,512	200,376	0	921,870
Claims Payable	0	1,111,388	0	0	1,111,388
Benefits Payable	0	2,211,677	468,950	96,050	2,776,677
Compensated Absences Payable	74,954	18,508	6,837	0	100,299
<b>Total Current Liabilities</b>	<b>742,936</b>	<b>3,395,085</b>	<b>676,163</b>	<b>96,050</b>	<b>4,910,234</b>
<b>Total Liabilities</b>	<b>742,936</b>	<b>3,395,085</b>	<b>676,163</b>	<b>96,050</b>	<b>4,910,234</b>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	10,131,161	0	13,283	0	10,144,444
Unrestricted	3,108,239	1,442,613	1,146,059	368,558	6,065,469
<b>Total Net Position</b>	<b>\$ 13,239,400</b>	<b>\$ 1,442,613</b>	<b>\$ 1,159,342</b>	<b>\$ 368,558</b>	<b>\$ 16,209,913</b>

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Fleet Operations &amp; Maintenance Fund</b>	<b>Insurance Reserve Fund</b>	<b>Health Insurance Fund</b>	<b>Retirees Health Insurance Fund</b>	<b>Total Internal Service Funds</b>
<b>OPERATING REVENUE:</b>					
Charges for Sales and Services	\$ 6,730,625	\$ 2,371,325	\$ 7,035,148	\$ 1,011,990	\$ 17,149,088
Miscellaneous	28,058	8,231	72,289	162,911	271,489
<b>Total Operating Revenue</b>	<b>6,758,683</b>	<b>2,379,556</b>	<b>7,107,437</b>	<b>1,174,901</b>	<b>17,420,577</b>
<b>OPERATING EXPENSES:</b>					
Personnel Services and Benefits	1,213,162	245,274	66,754	0	1,525,190
Materials and Supplies	3,697,011	1,548	79,697	0	3,778,256
Contractual Services	74,871	42,099	380,306	1,100	498,376
Insurance	4,475	493,174	441,644	48,191	987,484
Insurance Claims	0	743,066	5,636,239	1,157,198	7,536,503
Depreciation	1,776,598	0	1,490	0	1,778,088
Miscellaneous	94,530	25,200	786,235	36,643	942,608
<b>Total Operating Expenses</b>	<b>6,860,647</b>	<b>1,550,361</b>	<b>7,392,365</b>	<b>1,243,132</b>	<b>17,046,505</b>
<b>Operating Income (Loss)</b>	<b>(101,964)</b>	<b>829,195</b>	<b>(284,928)</b>	<b>(68,231)</b>	<b>374,072</b>
<b>NONOPERATING REVENUES:</b>					
Gain on Disposal of Fixed Assets	249,855	0	0	0	249,855
Investment Earnings	17,397	6,933	1,165	351	25,846
<b>Total Nonoperating Revenues</b>	<b>267,252</b>	<b>6,933</b>	<b>1,165</b>	<b>351</b>	<b>275,701</b>
<b>Income (Loss) Before Transfers</b>	<b>165,288</b>	<b>836,128</b>	<b>(283,763)</b>	<b>(67,880)</b>	<b>649,773</b>
<b>Transfers In</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Change in Net Position</b>	<b>165,288</b>	<b>836,128</b>	<b>(283,763)</b>	<b>(67,880)</b>	<b>649,773</b>
<b>Net Position, July 1, 2013</b>	<b>13,074,112</b>	<b>606,485</b>	<b>1,443,105</b>	<b>436,438</b>	<b>15,560,140</b>
<b>Net Position, June 30, 2014</b>	<b>\$ 13,239,400</b>	<b>\$ 1,442,613</b>	<b>\$ 1,159,342</b>	<b>\$ 368,558</b>	<b>\$ 16,209,913</b>

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Fleet Operations &amp; Maintenance Fund</b>	<b>Insurance Reserve Fund</b>	<b>Health Insurance Fund</b>	<b>Retirees Health Insurance Fund</b>	<b>Total Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from Interfund Services Provided	\$ 6,796,757	\$ 2,379,556	\$ 7,107,437	\$ 1,183,169	\$ 17,466,919
Payments to Suppliers	(3,375,201)	(1,688,705)	(7,109,905)	(1,226,254)	(13,400,065)
Payments to Employees	(1,213,458)	(242,244)	(66,863)	0	(1,522,565)
Net Cash Provided (Used) by Operating Activities	<u>2,208,098</u>	<u>448,607</u>	<u>(69,331)</u>	<u>(43,085)</u>	<u>2,544,289</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers (to) from Other Funds	0	0	0	0	0
Advances (to) from Other Funds	226,500	0	0	0	226,500
Net Cash Provided (Used) by Noncapital Financing Activities	<u>226,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>226,500</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Purchase of Capital Assets	(2,632,530)	0	0	0	(2,632,530)
Proceeds from Sales of Capital Assets	249,855	0	0	0	249,855
Net Cash Used by Capital and Related Financing Activities	<u>(2,382,675)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,382,675)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Maturity of Investments	52,543	0	0	0	52,543
Interest Received	17,427	6,957	1,165	351	25,900
Net Cash Provided (Used) by Investing Activities	<u>69,970</u>	<u>6,957</u>	<u>1,165</u>	<u>351</u>	<u>78,443</u>
Net Increase (Decrease) In Cash and Cash Equivalents	121,893	455,564	(68,166)	(42,734)	466,557
Cash and Cash Equivalents, July 1, 2013	<u>96,449</u>	<u>3,655,115</u>	<u>1,738,318</u>	<u>469,917</u>	<u>5,959,799</u>
Cash and Cash Equivalents, June 30, 2014	<u>\$ 218,342</u>	<u>\$ 4,110,679</u>	<u>\$ 1,670,152</u>	<u>\$ 427,183</u>	<u>\$ 6,426,356</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ (101,964)	\$ 829,195	\$ (284,928)	\$ (68,231)	\$ 374,072
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	1,776,598	0	1,490	0	1,778,088
(Increase) Decrease in Assets:					
Accounts Receivable	3,120	0	0	8,269	11,389
Due From Other Governments	34,954	0	0	0	34,954
Inventory	4,021	0	(5,184)	0	(1,163)
Prepays and Deposits	0	(21,300)	(32,400)	(8,100)	(61,800)
Increase (Decrease) in Liabilities:					
Accounts Payable	491,665	(60,868)	161,777	0	592,574
Claims Payable	0	44,271	0	0	44,271
Benefits Payable	0	(345,721)	90,023	24,977	(230,721)
Compensated Absences Payable	(296)	3,030	(109)	0	2,625
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,208,098</u>	<u>\$ 448,607</u>	<u>\$ (69,331)</u>	<u>\$ (43,085)</u>	<u>\$ 2,544,289</u>
<b>STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:</b>					
Equity in Pooled Cash and Investments	\$ 218,342	\$ 4,110,679	\$ 1,670,152	\$ 427,183	\$ 6,426,356
Restricted Assets Cash in Bank	0	0	0	0	0
Cash and Cash Equivalents, June 30, 2014	<u>\$ 218,342</u>	<u>\$ 4,110,679</u>	<u>\$ 1,670,152</u>	<u>\$ 427,183</u>	<u>\$ 6,426,356</u>

See Independent Auditors' Report.



**CITY OF KINGSPORT, TENNESSEE**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Industrial Development Board</b>	<b>Emergency Communications District</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Customers and Users	\$ 951,289	\$ 504,132
Payments to Suppliers	(3,159,102)	(456,250)
Net Cash Provided (Used) by Operating Activities	<u>(2,207,813)</u>	<u>47,882</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Noncapital Grants	0	195,813
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>195,813</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Note Proceeds	5,283,738	0
Purchases of Capital Assets	(2,503,638)	(533,432)
Capital Grants	0	0
Principal Paid on Capital Debt	(116,715)	0
Interest Paid on Capital Debt	(246,596)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>2,416,789</u>	<u>(533,432)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Maturities of Investments	0	827,729
Interest Received	2,311	143
Net Cash Provided by Investing Activities	<u>2,311</u>	<u>827,872</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 211,287	 538,135
Cash and Cash Equivalents, July 1, 2013	<u>770,529</u>	<u>1,355,578</u>
Cash and Cash Equivalents, June 30, 2014	<u><u>\$ 981,816</u></u>	<u><u>\$ 1,893,713</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ (663,121)	\$ (87,443)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	119,346	108,981
(Increase) Decrease in Assets:		
Accounts Receivable	(32,617)	3,400
Due from Other Governments	0	(456)
Due from Primary Government	112,054	0
Land Held for Sale or Development	(1,408,586)	0
Prepaid Items	(9,944)	16,195
Increase (Decrease) in Liabilities:		
Accounts Payable	28,272	7,205
Deferred Income	(353,217)	0
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (2,207,813)</u></u>	<u><u>\$ 47,882</u></u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:</b>		
Cash	\$ 981,816	\$ 1,893,713
Restricted Assets Cash in Bank	0	0
Cash and Cash Equivalents, June 30, 2014	<u><u>\$ 981,816</u></u>	<u><u>\$ 1,893,713</u></u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>		
Decrease in Investment in Joint Venture	<u><u>\$ 9,051</u></u>	<u><u>\$ 0</u></u>

See Independent Auditors' Report.



## D. SUPPLEMENTAL INFORMATION

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**CITY OF KINGSPORT, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULES BY SOURCE**  
**June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>		
Land	\$ 25,507,140	\$ 24,048,540
Buildings	163,454,579	154,788,161
Improvements Other Than Buildings	22,649,433	22,510,543
Equipment	19,758,074	18,366,878
Software	667,166	678,544
Infrastructure	284,403,208	275,703,032
Construction in Progress	38,238,714	45,829,539
<b>Total Governmental Funds Fixed Assets</b>	<b>\$ 554,678,314</b>	<b>\$ 541,925,237</b>
<b>INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:</b>		
General Obligation Bonds	\$ 384,016,237	\$ 368,727,242
Contributions from Municipalities	517,978	576,947
Federal Grants	7,784,711	7,523,648
State Grants	97,844	97,844
County Grants	19,817	19,817
Federal Revenue Sharing	247,612	247,612
General Fund Revenue	14,723,199	14,024,541
Gifts	25,640,641	25,071,481
Annexed Roads	14,297,831	14,297,831
Forfeitures	144,580	156,565
Special Revenue Funds	63,856,005	60,248,149
Operating Revenue	2,330,159	2,341,035
Notes Payable	2,762,986	2,762,986
Construction in Progress	38,238,714	45,829,539
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 554,678,314</b>	<b>\$ 541,925,237</b>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**JUNE 30, 2014**

<b>Function and Activity</b>	<b>Land</b>	<b>Buildings</b>	<b>Improvements other than Buildings</b>	<b>Equipment</b>	<b>Software</b>	<b>Infrastructure</b>	<b>Construction in Progress</b>	<b>Total</b>
General Government:								
General Government	\$ 7,672,222	\$ 12,061,810	\$ 2,077,154	\$ 868,617	\$ 26,173	\$ 0	\$ 17,519,944	\$ 40,225,920
Finance	0	0	5,797	19,251	180,748	0	0	205,796
Information Services	0	0	0	460,186	15,979	0	0	476,165
Geographic Information	0	0	0	96,979	0	0	0	96,979
Total General Government	7,672,222	12,061,810	2,082,951	1,445,033	222,900	0	17,519,944	41,004,860
Economic and Physical Development:								
Development Services	0	650,519	45,984	34,575	0	0	0	731,078
Transportation	0	975,014	107,423	1,965,418	152,390	0	223,921	3,424,166
Engineering	0	0	0	45,335	0	0	0	45,335
Total Economic and Physical Development	0	1,625,533	153,407	2,045,328	152,390	0	223,921	4,200,579
Public Safety:								
Police	90,588	4,677,342	67,225	1,876,292	87,248	0	0	6,798,695
Fire	1,173,230	5,286,126	208,179	1,609,248	11,665	0	495,220	8,783,668
Communication	0	66,535	0	66,972	0	0	0	133,507
Central Dispatch	0	0	0	2,046,631	0	0	0	2,046,631
Total Public Safety	1,263,818	10,030,003	275,404	5,599,143	98,913	0	495,220	17,762,501
Public Works:								
General and Administrative	0	340,217	44,744	0	0	344,469	0	729,430
Sanitation	0	0	0	5,000	0	0	0	5,000
Streets	0	0	1,123,214	440,161	0	31,627,952	8,879,996	42,071,323
Maintenance	0	136,572	0	278,968	0	0	10,779	426,319
Bridges System	0	0	0	0	0	8,348,531	0	8,348,531
Highways System	0	0	0	0	0	243,605,639	91,376	243,697,015
Total Public Works	0	476,789	1,167,958	724,129	0	283,926,591	8,982,151	295,277,618

**CITY OF KINGSPORT, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**JUNE 30, 2014**

<b>Function and Activity</b>	<b>Land</b>	<b>Buildings</b>	<b>Improvements other than Buildings</b>	<b>Equipment</b>	<b>Software</b>	<b>Infrastructure</b>	<b>Construction in Progress</b>	<b>Total</b>
Culture and Recreation:								
Senior Citizens	0	3,871,547	29,040	0	13,550	0	0	3,914,137
Recreation	10,485,109	17,365,283	8,941,808	678,213	0	0	5,034,919	42,505,332
Cultural Arts	140,000	0	120,600	0	0	0	0	260,600
Bays Mountain	980,962	886,158	315,641	1,138,057	0	0	70,525	3,391,343
Allandale	306,018	344,930	663,561	192,686	0	0	0	1,507,195
Library	133,000	3,620,618	0	141,261	0	476,617	0	4,371,496
Total Culture and Recreation	12,045,089	26,088,536	10,070,650	2,150,217	13,550	476,617	5,105,444	55,950,103
Education	4,526,011	113,171,908	8,899,063	7,794,224	179,413	0	5,912,034	140,482,653
Total Governmental Funds Capital Assets	<u>\$ 25,507,140</u>	<u>\$ 163,454,579</u>	<u>\$ 22,649,433</u>	<u>\$ 19,758,074</u>	<u>\$ 667,166</u>	<u>\$ 284,403,208</u>	<u>\$ 38,238,714</u>	<u>\$ 554,678,314</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

**CITY OF KINGSPORT, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**For the Fiscal Year Ended June 30, 2014**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets June 30, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Adjustments</b>	<b>Governmental Funds Capital Assets June 30, 2014</b>
General Government:					
General Government	\$ 38,086,725	\$ 8,291,220	\$ (6,152,025)	\$ 0	\$ 40,225,920
Finance	199,425	19,251	(12,880)	0	205,796
Information Services	435,470	40,695	0	0	476,165
Geographic Information	109,060	0	(12,081)	0	96,979
<b>Total General Government</b>	<b>38,830,680</b>	<b>8,351,166</b>	<b>(6,176,986)</b>	<b>0</b>	<b>41,004,860</b>
Economic and Physical Development:					
Development Services	731,078	0	0	0	731,078
Transportation	3,213,450	243,789	(33,073)	0	3,424,166
Engineering	45,335	0	0	0	45,335
<b>Total Economic and Physical Development</b>	<b>3,989,863</b>	<b>243,789</b>	<b>(33,073)</b>	<b>0</b>	<b>4,200,579</b>
Public Safety:					
Police	6,739,988	85,692	(26,985)	0	6,798,695
Fire	8,326,883	413,932	0	42,853	8,783,668
Communication	133,507	0	0	0	133,507
Central Dispatch	2,046,631	0	0	0	2,046,631
<b>Total Public Safety</b>	<b>17,247,009</b>	<b>499,624</b>	<b>(26,985)</b>	<b>42,853</b>	<b>17,762,501</b>
Public Works:					
General and Administrative	700,970	28,460	0	0	729,430
Sanitation	5,000	0	0	0	5,000
Streets	37,897,189	13,602,655	(9,319,402)	(109,119)	42,071,323
Maintenance	369,808	56,511	0	0	426,319
Bridges System	8,178,403	170,128	0	0	8,348,531
Highways System	243,696,365	650	0	0	243,697,015
<b>Total Public Works</b>	<b>290,847,735</b>	<b>13,858,404</b>	<b>(9,319,402)</b>	<b>(109,119)</b>	<b>295,277,618</b>
Culture and Recreation:					
Senior Citizens	3,885,096	0	0	29,041	3,914,137
Recreation	42,244,539	1,875,125	(1,300,648)	(313,684)	42,505,332
Cultural Arts	0	146,400	0	114,200	260,600
Bays Mountain	3,385,857	10,892	(5,406)	0	3,391,343
Allandale	1,205,460	301,735	0	0	1,507,195
Library	4,371,496	0	0	0	4,371,496
<b>Total Culture and Recreation</b>	<b>55,092,448</b>	<b>2,334,152</b>	<b>(1,306,054)</b>	<b>(170,443)</b>	<b>55,950,103</b>
Education	135,917,502	8,417,075	(3,868,759)	16,835	140,482,653
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 541,925,237</b>	<b>\$ 33,704,210</b>	<b>\$ (20,731,259)</b>	<b>\$ (219,874)</b>	<b>\$ 554,678,314</b>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**ENTERPRISE FUNDS**  
**SCHEDULE OF OPERATING COSTS**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Aquatic Center Fund</b>	<b>MeadowView Conference Resort and Convention Center Fund</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
General and Administrative:						
Personnel Services	\$ 447,093	\$ 418,078	\$ 7,857	\$ 0	\$ 65,455	\$ 938,483
Contractual Services	164,513	160,814	26,121	29,345	251,471	632,264
Supplies	202,313	4,629	4,693	170,623	32,148	414,406
Insurance	44,350	56,000	21,456	34,448	29,335	185,589
Subsidies and Contributions	0	0	0	493,143	0	493,143
Base Management Fee	0	0	0	129,994	27,629	157,623
Other	179,457	61,573	4,875	183,063	62,854	491,822
<b>Total General and Administrative</b>	<b>1,037,726</b>	<b>701,094</b>	<b>65,002</b>	<b>1,040,616</b>	<b>468,892</b>	<b>3,313,330</b>
Operations:						
Water Plant Operations	2,961,922	0	0	0	0	2,961,922
Sewer Plant Operations	0	2,831,257	0	0	0	2,831,257
Water Distribution System Maintenance	2,710,142	0	0	0	0	2,710,142
Sewer Collection System Maintenance	0	1,417,202	0	0	0	1,417,202
Reading, Service and Maintenance of Meters	594,710	0	0	0	0	594,710
Landfill Operations and Services	0	0	0	0	735,405	735,405
Solid Waste Collection Services	0	0	0	0	763,890	763,890
Organic Refuse Services	0	0	0	0	1,976,334	1,976,334
Recycling Services	0	0	0	0	702,655	702,655
Storm Water Maintenance	0	0	0	0	1,116,384	1,116,384
Aquatic Center Operations	0	0	1,834,852	0	0	1,834,852
Golf Grounds Maintenance	0	0	0	0	330,700	330,700
Golf Pro Shop	0	0	0	0	373,113	373,113
Golf Shop Food and Beverage	0	0	0	0	58,197	58,197
<b>Total Operations</b>	<b>6,266,774</b>	<b>4,248,459</b>	<b>1,834,852</b>	<b>0</b>	<b>6,056,678</b>	<b>18,406,763</b>
<b>Total Operating Costs</b>	<b>\$ 7,304,500</b>	<b>\$ 4,949,553</b>	<b>\$ 1,899,854</b>	<b>\$ 1,040,616</b>	<b>\$ 6,525,570</b>	<b>\$ 21,720,093</b>

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**NONMAJOR ENTERPRISE FUNDS**  
**SCHEDULE OF OPERATING COSTS**  
For the Fiscal Year Ended June 30, 2014

	<b>Solid Waste Management Fund</b>	<b>Storm Water Management Fund</b>	<b>Cattails at MeadowView Golf Course Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
General and Administrative:				
Personnel Services	\$ 45,231	\$ 20,224	\$ 0	\$ 65,455
Contractual Services	5,500	43,573	202,398	251,471
Supplies	0	1,595	30,553	32,148
Insurance	25,000	0	4,335	29,335
Subsidies and Contributions	0	0	0	0
Base Management Fee	0	0	27,629	27,629
Other	17,274	33	45,547	62,854
Total General and Administrative	93,005	65,425	310,462	468,892
Operations:				
Landfill Operations and Services	735,405	0	0	735,405
Solid Waste Collection Services	763,890	0	0	763,890
Organic Refuse Services	1,976,334	0	0	1,976,334
Recycling Services	702,655	0	0	702,655
Storm Water Maintenance	0	1,116,384	0	1,116,384
Golf Grounds Maintenance	0	0	330,700	330,700
Golf Pro Shop	0	0	373,113	373,113
Golf Shop Food and Beverage	0	0	58,197	58,197
Total Operations	4,178,284	1,116,384	762,010	6,056,678
Total Operating Costs	<u>\$ 4,271,289</u>	<u>\$ 1,181,809</u>	<u>\$ 1,072,472</u>	<u>\$ 6,525,570</u>

See Independent Auditors' Report.



**CITY OF KINGSFORT, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2014

CFDA Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2013	Cash Receipts	Expend- itures	Balance June 30, 2014
<u>SCHOOL NUTRITION SERVICES FUND:</u>						
Pass Through Tennessee Department of Education:						
10.555	National School Lunch Program	U.S. Department of Agriculture	\$ (11,346)	\$ 1,557,063	\$ 1,545,717	\$ 0
10.553	School Breakfast Program	U.S. Department of Agriculture	0	499,446	499,446	0
10.559	Summer Feeding Program	U.S. Department of Agriculture	(51,053)	69,625	83,053	(64,481) *
10.582	Fresh Fruit and Vegetable Program	U.S. Department of Agriculture	0	13,318	13,318	0
Pass Through Tennessee Department of Agriculture:						
10.569	Commodity Supplemental Feeding	U.S. Department of Agriculture	201,664	127,438	231,255	97,847 ***
Total School Nutrition Services Fund			139,265	2,266,890	2,372,789	33,366
<u>PUBLIC LAW 93-380 FUND:</u>						
Pass Through Tennessee Department of Education:						
84.010	Title I, Project 13-01	U.S. Department of Education	(417,040)	417,040	0	0
84.010	Title I, School Improvement 2013	U.S. Department of Education	(107,722)	122,662	14,940	0
84.010	Title I, Project 2013-21	U.S. Department of Education	0	224,794	224,794	0
84.010	Title I, Project 14-01	U.S. Department of Education	0	1,173,213	1,544,217	(371,004) *
84.027	IDEA Part B, 13-01	U.S. Department of Education	(242,758)	242,758	0	0
84.027	IDEA Part B, 2013-21	U.S. Department of Education	0	161,816	161,816	0
84.027	IDEA Part B, 14-01	U.S. Department of Education	0	1,079,521	1,290,973	(211,452) *
84.048	Carl Perkins, 2013	U.S. Department of Education	(5,398)	5,398	0	0
84.048	Carl Perkins, 2014	U.S. Department of Education	0	103,159	109,531	(6,372) *
84.173	Pre School 13-01	U.S. Department of Education	(2,139)	2,139	0	0
84.173	Pre School 14-01	U.S. Department of Education	0	35,605	42,523	(6,918) *
84.173	IDEA Discretionary	U.S. Department of Education	0	38,694	38,694	0
84.367	Title II, 2013, 2013-01	U.S. Department of Education	(44,173)	44,173	0	0
84.367	Title II, 2013, 2013-21	U.S. Department of Education	0	126,147	126,147	0
84.367	Title II, 2014, 2014-01	U.S. Department of Education	0	84,639	209,662	(125,023) *
ARRA 84.395	Race To The Top, 2013, ARRA	U.S. Department of Education	(109,534)	109,534	0	0
ARRA 84.395	Race To The Top 2013-21, ARRA	U.S. Department of Education	0	114,856	114,856	0
ARRA 84.395	Race To The Top, 2014, ARRA	U.S. Department of Education	0	193,730	331,876	(138,146) *
ARRA 84.395	First To The Top Focus Schools, ARRA	U.S. Department of Education	0	352,907	396,274	(43,367) *
Pass Through Cocke County:						
84.365	Title III, 2013-01	U.S. Department of Education	(3,276)	3,276	0	0
84.365	Title III, 2013-21	U.S. Department of Education	0	1,079	1,079	0
84.365	Title III, 2014-01	U.S. Department of Education	0	10,346	13,166	(2,820) *
Total Public Law 93-380 Fund			(932,040)	4,647,486	4,620,548	(905,102)
<u>SPECIAL SCHOOL PROJECTS FUND:</u>						
Pass-Through Tennessee Department of Education:						
84.196	Homeless Assistance Grant	U.S. Department of Education	(12,923)	36,717	45,771	(21,977) *
84.184	Safe and Supportive School Grant (S3)	U.S. Department of Education	(7,319)	67,284	69,264	(9,299) *
Total Special School Projects Fund			(20,242)	104,001	115,035	(31,276)

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2014**

<b>CFDA Number</b>	<b>Program Name / Grant Number</b>	<b>Grantor Agency</b>	<b>Balance June 30, 2013</b>	<b>Cash Receipts</b>	<b>Expend- itures</b>	<b>Balance June 30, 2014</b>
<b><u>SPECIAL REVENUE GENERAL PROJECTS FUND:</u></b>						
Direct Programs:						
16.607	Bulletproof Vest Partnership Program 10054361	U.S. Department of Justice	(2,651)	2,651	0	0
97.044	Dual Sensor Smoke Alarms EMW-2011-FP-01111	U.S. Dept. of Homeland Security	(14,848)	14,848	0	0
Pass Through Tennessee Department of Transportation						
20.607	DUI Offender Countermeasures Z12GHS159	U. S. Dept. of Transportation	(8,499)	10,678	2,179	0
20.607	Crash Reduction Campaign	U. S. Dept. of Transportation	0	13,090	24,222	(11,132) *
Total Special Revenue General Projects Fund			(25,998)	41,267	26,401	(11,132)
<b><u>COMMUNITY DEVELOPMENT FUND:</u></b>						
Direct Programs:						
14.218	Community Development Block Grants	U.S. Department of HUD	(54,104)	372,566	361,179	(42,717) *
Pass-Through Tennessee Department of Health & Human Services:						
14.231	Emergency Shelter Grant Program	U.S. Department of HUD	(45,262)	122,717	77,455	0
Total Community Development Fund			(99,366)	495,283	438,634	(42,717)
<b><u>FEDERAL TRANSIT ADMINISTRATION FUND:</u></b>						
Direct Programs:						
20.507	FTA Capital/Operating/Planning TN-90-X334	U.S. Department of Transportation	(146,369)	151,109	11,138	(6,398) *
20.507	FTA Capital/Operating/Planning TN-90-X353	U.S. Department of Transportation	(158)	410,895	599,089	(188,352) *
Total Federal Transit Administration Fund			(146,527)	562,004	610,227	(194,750)
<b><u>CAPITAL PROJECTS FUND:</u></b>						
Pass-Through Tennessee Department of Transportation:						
20.219	STP-EN-8200(24)	U.S. Department of Transportation	(6,029)	6,029	0	0
20.205	Safe Routes to Schools SRTS-9108(30)	U.S. Department of Transportation	(51,967)	133,901	81,934	0
20.205	Transportation Planning Report STP-M-9108(44)	U.S. Department of Transportation	0	743	743	0
Pass-Through Appalachian Regional Commission						
23.011	TN-16331-09	Appalachian Regional Commission	0	0	8,758	(8,758) *
Total Capital Projects Fund			(57,996)	140,673	91,435	(8,758)

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2014

<b>CFDA Number</b>	<b>Program Name / Grant Number</b>	<b>Grantor Agency</b>	<b>Balance June 30, 2013</b>	<b>Cash Receipts</b>	<b>Expend- itures</b>	<b>Balance June 30, 2014</b>
<u>GENERAL PURPOSE SCHOOL FUND:</u>						
Pass-Through Tennessee Department of Labor: 84.002	Adult Basic Education	U.S. Department of Education	(93,657)	225,080	179,427	(48,004) *
Total General Purpose School Fund			(93,657)	225,080	179,427	(48,004)
<u>GENERAL FUND:</u>						
Pass-Through First Tennessee Development District: 93.044	Title III-B Transportation& III-D Health Promotion	U.S. Dept of Health & Human Services	(4,875)	17,875	13,000	0
Pass-Through Financial Commission for Appalachia HIDTA: 95.001	High Intensity Drug Trafficking Area	Executive Office of the President	0	9,802	18,878	(9,076) *
Total General Fund			(4,875)	27,677	31,878	(9,076)
<u>JUSTICE ASSISTANCE GRANT FUND:</u>						
Direct Programs: 16.579	Justice Assistance Grant / 2013-DJ-BX-0455	U.S. Department of Justice	0	19,999	19,999	0
Pass Through Tennessee Office of Criminal Justice Programs: 16.738	Kingsport Targeted Community Crime Reduction DG1132208-00	U.S. Department of Justice	(37,199)	84,651	47,452	0
Total Justice Assistance Grant Fund			(37,199)	104,650	67,451	0

(continued)

**CITY OF KINGSFORT, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2014**

<b>CFDA Number</b>	<b>Program Name / Grant Number</b>	<b>Grantor Agency</b>	<b>Balance June 30, 2013</b>	<b>Cash Receipts</b>	<b>Expend- itures</b>	<b>Balance June 30, 2014</b>
<b><u>METROPOLITAN PLANNING OFFICE FUND:</u></b>						
Pass-Through Tennessee Department of Transportation:						
20.205	FHWA Project No. SPR-PL-1-(268) 2014	Federal Highway Administration	(22,810)	96,829	116,851	(42,832) *
20.505	FTA Capital / Operating / Planning Section 5303 10	U.S. Department of Transportation	(10,483)	35,003	38,602	(14,082) *
20.205	Resurfacing STP-M-9108(30) 82956-3578-54	U.S. Department of Transportation	(450,030)	460,818	780,598	(769,810) *
20.205	Closed Loop Signal System STP-M-9108(41)	U.S. Department of Transportation	0	506	149,654	(149,148) *
20.205	Roadscaping STP-EN-9108(42)	U.S. Department of Transportation	0	0	1,916	(1,916) *
Pass-Through Virginia Department of Transportation:						
20.205	FHWA Project VA PL Funds 2012	Federal Highway Administration	(471)	1,438	3,993	(3,026) *
20.505	FTA Capital / Operating / Planning VA 2012	U.S. Department of Transportation	(1,348)	1,348	3,288	(3,288) *
Total Metropolitan Planning Office Fund			(485,142)	595,942	1,094,902	(984,102)
Total Federal Awards			<u>\$ (1,763,777)</u>	<u>\$ 9,210,953</u>	<u>\$ 9,648,727</u>	<u>\$ (2,201,551)</u>

**NOTE A: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Kingsport, Tennessee and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B: FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and used. The balance amounts represent inventory on hand. Non-monetary assistance has not been included in the financial statements.

**NOTE C: PAYMENTS TO SUB-RECIPIENTS**

Payments were made from the Community Development Block Grant to the South Central Kingsport CDC, CASA of Sullivan County, and Learning Centers of KHRA in the amounts of \$61,706; \$15,294; and \$34,581 respectively.

\* Receivable \*\* Unused Revenue \*\*\* Inventory on Hand

See Independent's Auditor's Report.

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
For the Fiscal Year Ended June 30, 2014

State Grant Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2013	Cash Receipts	Expend- itures	Balance June 30, 2014
<u>GENERAL FUND:</u>						
31625	Arts Program Categorical Grants	Tennessee Arts Commission	\$ 0	\$ 800	\$ 7,320	\$ (6,520) *
Pass-Through First Tennessee Development District:						
KINGS-2012-HOOT-12	State Senior Center Operations Grant	TN Department of Health & Human Services	(5,000)	25,000	20,000	0
Total General Fund			(5,000)	25,800	27,320	(6,520)
<u>METROPOLITAN PLANNING ORGANIZATION FUND:</u>						
GG-13-34888-00	TN-80-0004-01 Operating 82-5303-S3-013	Tennessee Department of Transportation	(432)	432	0	0
GG-13-34888-00	TN-80-0004-01 Operating 82-5303-S3-013	Tennessee Department of Transportation	(878)	3,943	3,145	(80) *
GG-14-41412-00	TN-80-0005-00 Operating 82-5303-S3-016	Tennessee Department of Transportation	0	0	1,681	(1,681) *
Total Metropolitan Planning Organization Fund			(1,310)	4,375	4,826	(1,761)
<u>FEDERAL TRANSIT ADMINISTRATION FUND:</u>						
GG-12-38186	TN-90-X-334 Operating 82-5307-S3-011	Tennessee Department of Transportation	(71,919)	74,289	3,170	(800) *
GG-13-35508	TN-90-X-353 Operating 82UROP-S3-013	Tennessee Department of Transportation	(60,846)	196,914	299,544	(163,476) *
Total Federal Transit Administration Fund			(132,765)	271,203	302,714	(164,276)
<u>SPECIAL SCHOOL PROJECTS FUND:</u>						
GG-12-30644	Truancy Intervention Program	Tennessee Department of Children's Services	(17,535)	52,736	53,046	(17,845) *
119-12-02-041	LEAPS Program	Tennessee Department of Education	(87,004)	267,627	236,527	(55,904) *
GP-46590	Safe Schools	Tennessee Department of Education	(15,725)	26,889	29,027	(17,863) *
MX0-AAX	Pre-Kindergarten- Lottery	Tennessee Department of Education	(151,585)	466,273	491,322	(176,634) *
MTE-AAX	Family Resource	Tennessee Department of Education	(13,736)	28,185	27,977	(13,528) *
GZB-AAX	Coordinated School Health	Tennessee Department of Education	(31,873)	88,654	102,108	(45,327) *
	Teacher Leader Council	Tennessee Department of Education	0	0	35,000	(35,000) *
Total Special School Projects Fund			(317,458)	930,364	975,007	(362,101)

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
For the Fiscal Year Ended June 30, 2014

<u>State Grant Number</u>	<u>Program Name / Grant Number</u>	<u>Grantor Agency</u>	<u>Balance June 30, 2013</u>	<u>Cash Receipts</u>	<u>Expend- itures</u>	<u>Balance June 30, 2014</u>	
<u>CAPITAL PROJECTS FUND:</u>							
GG-09-25533-00	Madd Branch Storm Water Device	Tennessee Department of Agriculture	27,500	0	0	27,500	**
GG-11-34695-00	Local Park and Recreation Fund	Tennessee Dept of Environment & Conservation	(108,639)	95,350	0	(13,289)	*
Total Capital Projects Fund			(81,139)	95,350	0	14,211	
<u>FLEET MAINTENANCE FUND:</u>							
32701-01383	Clean Tennessee Energy Grant Program	Tennessee Dept of Environment & Conservation	(34,954)	49,366	14,412	0	
Total Fleet Maintenance Fund			(34,954)	49,366	14,412	0	
<u>WATER FUND:</u>							
82084-2129-14	8" Waterline to I-26 Welcome Center	Tennessee Dept of General Services for TDOT	0	0	68,003	(68,003)	*
Total Water Fund			0	0	68,003	(68,003)	
Total State Awards			<u>\$ (572,626)</u>	<u>\$ 1,376,458</u>	<u>\$ 1,392,282</u>	<u>\$ (588,450)</u>	

\* Receivable \*\* Unused Revenue \*\*\* Inventory on Hand

See Independent Auditor's Report.

## **STATISTICAL SECTION**

This part of the City of Kingsport, Tennessee's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

### **Contents:**

### **Page**

#### **Financial Trends**

*Tables 1 - 6 contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.*

188

#### **Revenue Capacity**

*Tables 7 - 12 contain information to help the reader assess the government's most significant local revenue sources, the property tax and local option sales tax.*

196

#### **Debt Capacity**

*Tables 13 - 17 present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.*

202

#### **Demographic and Economic Information**

*Tables 18 - 19 offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.*

207

#### **Operating Information**

*Tables 20 - 29 contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.*

209

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

Table 1

**CITY OF KINGSPORT, TENNESSEE**  
**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 236,125,000	\$ 245,201,000	\$ 244,856,000	\$ 251,706,778	\$ 255,888,658	\$ 262,313,208	\$ 246,176,930	\$ 241,652,040	\$ 236,819,524	\$ 229,484,970
Restricted	1,081,000	4,099,000	33,768,000	30,399,946	22,286,383	184,626	184,662	178,140	195,625	247,951
Unrestricted	50,500,000	38,707,000	9,145,000	2,085,078	(702,400)	6,871,567	9,312,041	284,928	(6,270,614)	(9,459,253)
Total Governmental Activities Net Position	<u>\$ 287,706,000</u>	<u>\$ 288,007,000</u>	<u>\$ 287,769,000</u>	<u>\$ 284,191,802</u>	<u>\$ 277,472,641</u>	<u>\$ 269,369,401</u>	<u>\$ 255,673,633</u>	<u>\$ 242,115,108</u>	<u>\$ 230,744,535</u>	<u>\$ 220,273,668</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 119,477,000	\$ 126,885,000	\$ 133,869,000	\$ 142,403,592	\$ 149,317,029	\$ 157,978,008	\$ 163,891,065	\$ 169,428,141	\$ 179,431,176	\$ 183,789,590
Restricted	897,000	838,000	952,000	1,119,119	939,246	882,421	1,432,126	619,678	364,708	469,895
Unrestricted	3,174,000	6,069,000	10,225,000	13,816,505	16,644,944	16,420,757	17,296,662	17,772,154	13,894,445	11,926,884
Total Business-Type Activities Net Position	<u>\$ 123,548,000</u>	<u>\$ 133,792,000</u>	<u>\$ 145,046,000</u>	<u>\$ 157,339,216</u>	<u>\$ 166,901,219</u>	<u>\$ 175,281,186</u>	<u>\$ 182,619,853</u>	<u>\$ 187,819,973</u>	<u>\$ 193,690,329</u>	<u>\$ 196,186,369</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt	\$ 355,602,000	\$ 372,086,000	\$ 378,725,000	\$ 394,110,370	\$ 405,205,687	\$ 420,291,216	\$ 410,067,995	\$ 411,080,181	\$ 416,250,700	\$ 413,274,560
Restricted	1,978,000	4,937,000	34,720,000	31,519,065	23,225,629	1,067,047	1,616,788	797,818	560,333	717,846
Unrestricted	53,674,000	44,776,000	19,370,000	15,901,583	15,942,544	23,292,324	26,608,703	18,057,082	7,623,831	2,467,631
Total Primary Government Net Position	<u>\$ 411,254,000</u>	<u>\$ 421,799,000</u>	<u>\$ 432,815,000</u>	<u>\$ 441,531,018</u>	<u>\$ 444,373,860</u>	<u>\$ 444,650,587</u>	<u>\$ 438,293,486</u>	<u>\$ 429,935,081</u>	<u>\$ 424,434,864</u>	<u>\$ 416,460,037</u>

Source: City of Kingsport Finance Department

Note: Financial statements prior to June 30, 2008 were rounded to thousands.



CITY OF KINGSPORT, TENNESSEE  
CHANGES IN NET POSITION  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
<u>Governmental Activities:</u>										
General Government	\$ 4,687,000	\$ 5,605,000	\$ 10,185,000	\$ 10,448,110	\$ 8,346,300	\$ 11,201,367	\$ 14,877,308	\$ 12,574,751	\$ 12,206,753	\$ 9,342,864
Public Safety	14,767,000	16,076,000	16,994,000	19,844,589	19,955,908	19,485,392	20,186,463	20,995,344	21,116,177	21,804,504
Public Works	8,737,000	11,638,000	11,388,000	13,370,957	12,871,747	14,690,010	15,325,189	13,397,601	13,504,933	13,920,899
Highway Transportation Planning	2,679,000	2,894,000	2,820,000	3,121,176	3,532,499	5,767,852	3,846,573	3,804,969	4,219,117	4,876,627
Economic and Physical Development	3,065,000	3,280,000	3,418,000	4,097,855	4,397,024	4,234,673	4,792,022	4,852,780	4,590,460	4,647,819
Culture and Recreation	4,456,000	5,253,000	5,097,000	6,802,922	6,535,076	6,144,900	6,590,859	6,691,418	7,295,391	7,308,927
Education	54,274,000	57,985,000	60,306,000	66,063,108	69,060,256	71,107,497	75,900,414	75,544,772	75,456,221	77,124,830
Interest on Long-Term Debt	2,002,000	1,737,000	1,470,000	3,244,491	3,276,319	4,069,104	4,718,229	4,551,533	3,253,559	4,121,095
Other	0	0	0	0	0	0	0	0	0	0
Total Governmental Activities Expenses	94,667,000	104,468,000	111,678,000	126,993,208	127,975,129	136,700,795	146,237,057	142,413,168	141,642,611	143,147,565
<u>Business-Type Activities:</u>										
Water	7,618,000	8,051,000	7,910,000	8,971,314	9,208,308	9,068,323	9,630,478	10,329,009	10,373,689	10,848,749
Sewer	7,545,000	7,700,000	7,582,000	7,941,556	8,527,859	8,082,865	8,227,535	8,267,253	8,687,619	8,912,004
Solid Waste Management	3,304,000	3,168,000	4,432,000	3,798,666	3,643,156	3,614,988	4,009,722	4,367,121	4,246,071	4,379,003
Storm Water Management	0	0	0	0	0	0	0	671,575	848,997	1,230,005
Aquatic Center	0	0	0	0	0	0	0	0	753,495	3,220,643
MeadowView Conference Center	1,740,000	1,392,000	1,230,000	1,246,702	1,461,629	1,986,408	1,597,797	1,362,677	1,559,914	2,954,368
Cattails at MeadowView Golf Course	1,323,000	1,355,000	1,432,000	1,447,591	1,361,077	1,586,343	1,384,281	1,325,339	1,313,104	1,335,963
Total Business-Type Activities Expenses	21,530,000	21,666,000	22,586,000	23,405,829	24,202,029	24,338,927	24,849,813	26,322,974	27,782,889	32,880,735
Total Primary Government Expenses	\$ 116,197,000	\$ 126,134,000	\$ 134,264,000	\$ 150,399,037	\$ 152,177,158	\$ 161,039,722	\$ 171,086,870	\$ 168,736,142	\$ 169,425,500	\$ 176,028,300
<b>Program Revenues</b>										
<u>Governmental Activities:</u>										
Charges for Services:										
General Government	\$ 368,000	\$ 507,000	\$ 821,000	\$ 138,937	\$ 194,323	\$ 687,263	\$ 1,596,808	\$ 681,275	\$ 683,997	\$ 491,916
Public Safety	287,000	288,000	314,000	2,478,198	2,384,667	1,789,496	1,820,625	1,179,259	1,106,058	1,227,933
Highway Transportation Planning	95,000	88,000	97,000	97,070	120,520	103,207	110,713	122,236	127,303	130,945
Economic and Physical Development	308,000	435,000	519,000	513,595	562,536	1,192,238	1,079,506	996,925	1,028,954	764,682
Culture and Recreation	571,000	679,000	678,000	748,935	754,137	818,919	987,328	988,565	991,503	963,498
Education	2,648,000	2,639,000	2,726,000	2,472,281	2,452,987	2,475,034	2,485,634	2,540,181	2,348,049	2,344,300
Operating Grants and Contributions	27,005,000	26,957,000	29,035,000	31,848,530	32,757,394	34,317,663	37,442,335	38,727,209	37,090,159	38,620,397
Capital Grants and Contributions	2,738,000	1,627,000	706,000	6,982,702	4,179,278	7,348,567	9,217,970	4,786,618	2,298,091	2,043,937
Total Governmental Activities Program Revenues	34,020,000	33,220,000	34,896,000	45,280,248	43,405,842	48,732,387	54,740,919	50,022,268	45,674,114	46,587,608
<u>Business-Type Activities:</u>										
Charges for Services:										
Water	11,904,000	12,493,000	13,445,000	13,073,516	12,981,541	12,513,017	12,383,505	12,667,214	12,235,550	12,791,336
Sewer	12,709,000	12,895,000	13,357,000	12,740,996	13,081,940	12,618,400	12,276,442	12,371,334	12,611,643	13,142,602
Solid Waste Management	580,000	489,000	580,000	783,960	679,518	772,999	829,411	944,641	802,090	832,053
Storm Water Management	0	0	0	0	0	0	0	910,822	1,809,829	1,840,865
Aquatic Center	0	0	0	0	0	0	0	0	331,444	1,428,226
MeadowView Conference Center	267,000	253,000	287,000	283,188	259,746	251,800	303,648	321,915	188,114	180,481
Cattails at MeadowView Golf Course	950,000	982,000	1,025,000	1,095,861	1,042,420	981,837	938,658	1,011,026	945,421	948,586
Operating Grants and Contributions	0	0	0	0	0	0	229,976	186,888	238,749	185,308
Capital Grants and Contributions	0	0	0	2,660,735	2,123,441	1,296,823	655,174	65,871	507,015	1,033,605
Total Business-Type Activities Program Revenues	26,410,000	27,112,000	28,694,000	30,638,256	30,168,606	28,434,876	27,616,814	28,479,711	29,669,855	32,383,062
Total Primary Government Program Revenues	\$ 60,430,000	\$ 60,332,000	\$ 63,590,000	\$ 75,918,504	\$ 73,574,448	\$ 77,167,263	\$ 82,357,733	\$ 78,501,979	\$ 75,343,969	\$ 78,970,670

(continued)

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (60,647,000)	\$ (71,248,000)	\$ (76,782,000)	\$ (81,712,960)	\$ (84,569,287)	\$ (87,968,408)	\$ (91,496,138)	\$ (92,390,900)	\$ (95,968,497)	\$ (96,559,957)
Business-Type Activities	4,880,000	5,446,000	6,108,000	7,232,427	5,966,577	4,095,949	2,767,001	2,156,737	1,886,966	(497,673)
<b>Total Primary Government Net (Expense) Revenue</b>	<b>\$ (55,767,000)</b>	<b>\$ (65,802,000)</b>	<b>\$ (70,674,000)</b>	<b>\$ (74,480,533)</b>	<b>\$ (78,602,710)</b>	<b>\$ (83,872,459)</b>	<b>\$ (88,729,137)</b>	<b>\$ (90,234,163)</b>	<b>\$ (94,081,531)</b>	<b>\$ (97,057,630)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<u>Governmental Activities:</u>										
Taxes:										
Property Taxes	\$ 39,122,000	\$ 41,609,000	\$ 42,857,000	\$ 43,181,138	\$ 45,003,403	\$ 45,938,645	\$ 47,144,856	\$ 48,236,082	\$ 50,347,648	\$ 52,677,994
Sales Taxes	25,174,000	26,154,000	27,570,000	27,531,437	27,003,900	26,304,997	27,514,740	29,469,816	29,687,264	30,753,163
Other Taxes	3,743,000	4,460,000	5,069,000	6,117,575	5,447,237	5,017,241	5,234,872	5,633,647	5,805,431	6,144,010
Grants and Contributions Not Restricted	524,000	589,000	713,000	641,999	970,035	1,040,878	986,665	1,361,422	1,370,621	1,151,744
Unrestricted Investment Earnings	1,015,000	1,662,000	2,801,000	3,392,236	1,624,800	786,056	421,579	401,451	332,967	178,084
Gain (Loss) on Disposal of Capital Assets	30,000	2,000	4,000	269,917	18,322	(869,975)	0	0	0	0
Miscellaneous	944,000	972,000	1,340,000	1,036,779	790,029	742,259	755,400	960,663	875,719	903,143
Transfers	(3,856,000)	(3,899,000)	(3,810,000)	(4,035,319)	(3,007,600)	(3,874,687)	(4,425,338)	(3,615,027)	(3,821,726)	(4,331,130)
<b>Total Governmental Activities</b>	<b>66,696,000</b>	<b>71,549,000</b>	<b>76,544,000</b>	<b>78,135,762</b>	<b>77,850,126</b>	<b>75,085,414</b>	<b>77,632,774</b>	<b>82,448,054</b>	<b>84,597,924</b>	<b>87,477,008</b>
<u>Business-Type Activities:</u>										
Unrestricted Investment Earnings	351,000	877,000	1,334,000	1,024,862	600,431	409,331	146,328	153,080	161,664	74,889
Gain (Loss) on Disposal of Capital Assets	(8,000)	0	2,000	50	(12,605)	0	0	5,812	0	0
Miscellaneous	5,000	22,000	0	0	0	0	0	0	0	0
Transfers	3,856,000	3,899,000	3,810,000	4,035,319	3,007,600	3,874,687	4,425,338	3,615,027	3,821,726	4,331,130
<b>Total Business-Type Activities</b>	<b>4,204,000</b>	<b>4,798,000</b>	<b>5,146,000</b>	<b>5,060,231</b>	<b>3,595,426</b>	<b>4,284,018</b>	<b>4,571,666</b>	<b>3,773,919</b>	<b>3,983,390</b>	<b>4,406,019</b>
<b>Total Primary Government</b>	<b>\$ 70,900,000</b>	<b>\$ 76,347,000</b>	<b>\$ 81,690,000</b>	<b>\$ 83,195,993</b>	<b>\$ 81,445,552</b>	<b>\$ 79,369,432</b>	<b>\$ 82,204,440</b>	<b>\$ 86,221,973</b>	<b>\$ 88,581,314</b>	<b>\$ 91,883,027</b>
<b>Change in Net Position</b>										
Governmental Activities	\$ 6,049,000	\$ 301,000	\$ (238,000)	\$ (3,577,198)	\$ (6,719,161)	\$ (12,882,994)	\$ (13,863,364)	\$ (9,942,846)	\$ (11,370,573)	\$ (9,082,949)
Business-Type Activities	9,084,000	10,244,000	11,254,000	12,292,658	9,562,003	8,379,967	7,338,667	5,930,656	5,870,356	3,908,346
<b>Total Primary Government</b>	<b>\$ 15,133,000</b>	<b>\$ 10,545,000</b>	<b>\$ 11,016,000</b>	<b>\$ 8,715,460</b>	<b>\$ 2,842,842</b>	<b>\$ (4,503,027)</b>	<b>\$ (6,524,697)</b>	<b>\$ (4,012,190)</b>	<b>\$ (5,500,217)</b>	<b>\$ (5,174,603)</b>

Source: City of Kingsport Finance Department

Note: All changes in Net Position are exclusive of any prior period adjustments.

Table 3

**CITY OF KINGSPORT, TENNESSEE**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

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<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Income Tax</b>	<b>Business Tax</b>	<b>Alcoholic Beverage Tax</b>	<b>Hotel / Motel Tax</b>	<b>Total</b>
2005	\$ 39,122,000	\$ 25,174,000	\$ 468,000	\$ 1,219,000	\$ 1,313,000	\$ 743,000	\$ 68,039,000
2006	41,609,000	26,154,000	750,000	1,551,000	1,368,000	791,000	72,223,000
2007	42,857,000	27,570,000	1,026,000	1,707,000	1,398,000	938,000	75,496,000
2008	43,181,138	27,531,437	1,324,987	1,951,834	1,459,593	1,381,161	76,830,150
2009	45,003,403	27,003,900	957,062	1,673,312	1,575,636	1,241,227	77,454,540
2010	45,938,645	26,304,997	577,363	1,589,591	1,549,521	1,300,766	77,260,883
2011	47,144,856	27,514,740	555,283	1,681,523	1,617,478	1,380,588	79,894,468
2012	48,236,082	29,469,816	609,312	1,746,264	1,778,471	1,499,600	83,339,545
2013	50,347,648	29,687,264	709,109	1,845,565	1,742,979	1,507,778	85,840,343
2014	52,677,994	30,753,163	893,978	1,806,045	1,800,932	1,643,055	89,575,167

Source: City of Kingsport Finance Department

Note: Financial statements prior to June 30, 2008 were rounded to thousands.

Table 4

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011*	2012	2013	2014
General Fund										
Reserved	\$ 3,607,000	\$ 3,232,000	\$ 3,510,000	\$ 3,391,331	\$ 2,384,571	\$ 1,574,013	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved	12,078,000	15,420,000	17,409,000	14,848,415	12,927,260	13,155,138	0	0	0	0
Nonspendable	0	0	0	0	0	0	44,571	23,543	23,773	34,360
Restricted	0	0	0	0	0	0	0	0	0	0
Committed	0	0	0	0	0	0	0	0	0	0
Assigned	0	0	0	0	0	0	1,440,450	739,876	73,750	85,660
Unassigned	0	0	0	0	0	0	12,099,373	11,809,520	11,537,853	11,648,737
Total General Fund	<u>\$ 15,685,000</u>	<u>\$ 18,652,000</u>	<u>\$ 20,919,000</u>	<u>\$ 18,239,746</u>	<u>\$ 15,311,831</u>	<u>\$ 14,729,151</u>	<u>\$ 13,584,394</u>	<u>\$ 12,572,939</u>	<u>\$ 11,635,376</u>	<u>\$ 11,768,757</u>
All Other Governmental Funds										
Reserved	\$ 7,797,000	\$ 4,747,000	\$ 5,695,000	\$ 14,961,015	\$ 16,130,214	\$ 9,018,913	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved, reported in:										
Debt Service	33,000	69,000	1,022,000	1,140,765	626,839	411,923	0	0	0	0
Special Revenue Funds	5,385,000	5,050,000	7,556,000	6,895,192	7,432,715	6,594,744	0	0	0	0
Capital Project Funds	688,000	3,757,000	33,434,000	30,073,388	22,101,833	38,247,760	0	0	0	0
Permanent Fund	0	0	0	20,293	28,232	36,804	0	0	0	0
Nonspendable	0	0	0	0	0	0	335,358	391,421	431,092	321,674
Restricted	0	0	0	0	0	0	29,898,833	32,898,517	12,101,368	14,014,752
Committed	0	0	0	0	0	0	195,000	15,000	15,000	18,510
Assigned	0	0	0	0	0	0	10,303,693	8,663,697	7,907,282	9,192,987
Total all Other Governmental Funds	<u>\$ 13,903,000</u>	<u>\$ 13,623,000</u>	<u>\$ 47,707,000</u>	<u>\$ 53,090,653</u>	<u>\$ 46,319,833</u>	<u>\$ 54,310,144</u>	<u>\$ 40,732,884</u>	<u>\$ 41,968,635</u>	<u>\$ 20,454,742</u>	<u>\$ 23,547,923</u>

Source: City of Kingsport Finance Department

Note: Financial statements prior to June 30, 2008 were rounded to thousands.

\* FY 2011 Implementation of GASB Statement No. 54 Fund Balance Classification

Table 5  
Page 1 of 2

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues:</b>										
Taxes	\$ 48,415,000	\$ 51,532,000	\$ 53,341,000	\$ 57,472,994	\$ 58,697,849	\$ 59,644,769	\$ 61,736,098	\$ 64,053,048	\$ 65,947,861	\$ 69,564,106
Licenses and Permits	350,000	350,000	526,000	778,788	544,797	354,400	339,843	390,916	357,816	530,179
Intergovernmental	49,907,000	50,004,000	52,686,000	52,217,860	54,633,138	57,016,177	57,618,712	60,411,908	58,908,421	61,026,056
Charges for Services	3,669,000	3,900,000	4,162,000	3,940,109	4,056,619	4,903,995	5,059,845	4,788,526	4,741,965	4,446,028
Fines and Forfeitures	443,000	560,000	787,000	2,233,346	2,083,918	1,404,126	1,475,914	888,013	808,164	924,190
Contributions and Donations	579,000	459,000	316,000	385,508	343,405	417,259	544,308	478,234	445,475	456,400
Investment Earnings	731,000	1,188,000	2,123,000	2,754,996	1,209,675	534,657	285,622	301,300	273,394	152,238
Miscellaneous	332,000	360,000	555,000	714,899	438,420	620,950	1,087,540	712,967	296,538	683,627
<b>Total Revenues</b>	<b>104,426,000</b>	<b>108,353,000</b>	<b>114,496,000</b>	<b>120,498,500</b>	<b>122,007,821</b>	<b>124,896,333</b>	<b>128,147,882</b>	<b>132,024,912</b>	<b>131,779,634</b>	<b>137,782,824</b>
<b>Expenditures:</b>										
General Government	5,898,000	6,240,000	7,698,000	8,228,820	8,287,499	9,493,673	8,937,456	9,897,339	9,432,504	8,748,363
Public Safety	13,890,000	14,556,000	15,568,000	16,983,599	17,862,379	18,183,202	18,602,375	19,206,238	19,422,279	20,067,727
Public Works	4,814,000	5,018,000	5,178,000	5,639,582	6,162,895	6,297,624	6,292,395	6,104,746	6,441,239	6,823,759
Transportation	2,679,000	2,894,000	2,820,000	3,121,176	3,532,499	5,767,852	4,404,721	3,804,971	4,219,117	4,876,627
Development	2,948,000	3,068,000	3,219,000	3,681,462	3,884,126	3,823,882	4,258,551	4,209,456	4,010,897	4,080,865
Recreation	3,726,000	4,011,000	3,933,000	4,594,675	4,884,551	4,883,835	5,203,012	5,137,420	5,294,145	5,300,591
Maintenance	0	0	0	0	0	0	0	0	320	0
Education	51,437,000	53,181,000	55,800,000	57,969,972	60,328,330	62,216,835	63,944,855	65,758,406	67,003,733	68,827,804
Miscellaneous	516,000	722,000	878,000	1,019,288	860,350	1,164,299	1,179,584	1,108,609	1,045,894	726,702
Capital Outlay	11,933,000	10,562,000	4,954,000	21,263,050	30,907,899	23,141,716	20,219,807	25,002,612	13,015,102	14,160,334
Debt Service:										
Principal	7,847,000	8,525,000	8,488,000	12,191,783	7,750,015	4,286,390	5,271,066	5,426,273	6,436,120	6,657,299
Interest	1,982,000	1,735,000	1,470,000	2,449,755	2,761,593	3,612,987	4,930,280	4,549,707	4,133,024	4,032,477
Bond Issuance Costs	43,000	100,000	300,000	389,556	405,059	459,043	20,479	435,261	126,829	165,924
Arbitrage Rebate	0	0	0	0	0	0	0	0	0	0
Other Charges	15,000	20,000	11,000	7,590	19,516	9,744	33,061	7,387	12,122	29,895
<b>Total Expenditures</b>	<b>107,728,000</b>	<b>110,632,000</b>	<b>110,317,000</b>	<b>137,540,308</b>	<b>147,646,711</b>	<b>143,341,082</b>	<b>143,297,642</b>	<b>150,648,425</b>	<b>140,593,325</b>	<b>144,498,367</b>
Excess (deficiency) of revenues over (under) expenditures	(3,302,000)	(2,279,000)	4,179,000	(17,041,808)	(25,638,890)	(18,444,749)	(15,149,760)	(18,623,513)	(8,813,691)	(6,715,543)

(Continued)

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Other Financing Sources (Uses):</b>										
Transfers In	30,494,000	32,824,000	36,504,000	36,400,996	33,134,077	28,905,392	29,214,433	28,958,597	29,346,521	29,439,834
Transfers Out	(34,396,000)	(36,723,000)	(40,314,000)	(40,680,728)	(36,665,512)	(32,780,079)	(33,051,330)	(32,573,624)	(33,018,247)	(33,770,964)
Transfer Bonds to										
Enterprise Funds	0	0	0	0	0	0	0	0	(10,596,258)	0
Issuance of Debt	2,850,000	6,771,000	35,441,000	23,120,000	19,260,000	29,207,043	4,097,044	26,376,201	12,677,052	13,406,845
Premiums on Debt Issued	0	0	0	112,398	211,590	520,024	0	740,813	1,068,429	866,390
Sale of Building	0	0	0	800,000	0	0	0	0	0	0
Payments to Refunded										
Bond Escrow Agent	0	0	0	0	0	0	0	(4,654,178)	(13,115,262)	0
Total Other Financing Sources (Uses)	(1,052,000)	2,872,000	31,631,000	19,752,666	15,940,155	25,852,380	260,147	18,847,809	(13,637,765)	9,942,105
Net Change in Fund Balances	<u>\$ (4,354,000)</u>	<u>\$ 593,000</u>	<u>\$ 35,810,000</u>	<u>\$ 2,710,858</u>	<u>\$ (9,698,735)</u>	<u>\$ 7,407,631</u>	<u>\$ (14,889,613)</u>	<u>\$ 224,296</u>	<u>\$ (22,451,456)</u>	<u>\$ 3,226,562</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>10.3%</u>	<u>10.3%</u>	<u>9.5%</u>	<u>12.6%</u>	<u>9.0%</u>	<u>6.6%</u>	<u>8.3%</u>	<u>7.9%</u>	<u>8.3%</u>	<u>8.2%</u>

Source: City of Kingsport Finance Department

Note: All net changes in fund balances are exclusive of any prior period adjustments.  
Financial statements prior to June 30, 2008 were rounded to thousands.

Table 6

**CITY OF KINGSPORT, TENNESSEE**  
**GENERAL GOVERNMENT TAX REVENUES BY SOURCE**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

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<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Income Tax</b>	<b>Business Tax</b>	<b>Alcoholic Beverage Tax</b>	<b>Hotel / Motel Tax</b>	<b>Total</b>
2005	\$ 39,290,000	\$ 25,174,000	\$ 468,000	\$ 1,219,000	\$ 1,313,000	\$ 743,000	\$ 68,207,000
2006	41,770,000	26,154,000	750,000	1,551,000	1,368,000	791,000	72,384,000
2007	42,929,000	27,570,000	1,026,000	1,707,000	1,398,000	938,000	75,568,000
2008	43,322,288	27,531,437	1,324,987	1,951,834	1,459,593	1,381,161	76,971,300
2009	44,749,419	27,003,900	957,062	1,673,312	1,575,636	1,241,227	77,200,556
2010	45,745,881	26,304,997	577,363	1,589,591	1,549,521	1,300,766	77,068,119
2011	47,130,788	27,514,740	555,283	1,681,523	1,617,478	1,380,588	79,880,400
2012	48,337,930	29,469,816	609,312	1,746,264	1,778,471	1,499,600	83,441,393
2013	49,939,941	29,687,264	709,109	1,845,565	1,742,979	1,507,778	85,432,636
2014	53,084,374	30,753,163	893,978	1,806,045	1,800,932	1,643,055	89,981,547

Source: City of Kingsport Finance Department

Note: Certain tax revenue that flows from other governments has historically been rolled up as intergovernmental revenue in Table 5 and the related statement of revenues, expenditures, and changes in fund balances.

Note: Financial statements prior to June 30, 2008 were rounded to thousands.

Table 7

**CITY OF KINGSFORT, TENNESSEE**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Tax Year	Real Property				Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
		Residential and Farm Property	Industrial and Commercial Property	Personal Property	Public Utility				
2005	2004	\$ 392,197,892	\$ 390,447,568	\$ 332,088,376	\$ 46,710,193	\$ 1,161,444,029	\$ 2.29	\$ 3,736,183,711	31.09%
2006	2005	416,736,199	438,583,408	360,312,126	48,475,652	1,264,107,385	2.26	4,053,938,000	31.18%
2007	2006	432,446,370	451,842,280	382,898,959	46,401,525	1,313,589,134	2.26	4,194,699,000	31.32%
2008	2007	443,963,472	459,872,279	341,168,271	40,991,606	1,285,995,628	2.30	4,137,292,349	31.08%
2009	2008	456,423,060	480,026,995	345,357,678	40,519,972	1,322,327,705	2.30	4,250,624,664	31.11%
2010	2009	542,112,415	601,517,500	408,047,665	47,796,156	1,599,473,736	1.94	5,119,304,395	31.24%
2011	2010	576,028,905	624,738,933	387,994,899	54,381,309	1,643,144,046	1.94	5,258,154,390	31.25%
2012	2011	594,243,299	636,435,237	359,672,056	51,874,049	1,642,224,641	1.97	5,261,284,595	31.21%
2013	2012	638,772,453	636,926,951	352,203,970	48,475,692	1,676,379,066	1.97	5,409,558,045	30.99%
2014	2013	662,428,582	660,706,711	407,373,787	53,886,860	1,784,395,940	1.94	5,757,369,838	30.99%

Source: City of Kingsport Finance Department

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



Table 8

**CITY OF KINGSPORT, TENNESSEE  
PROPERTY TAX RATES (PER \$100 ASSESSED VALUE)  
DIRECT AND OVERLAPPING GOVERNMENTS  
Last Ten Fiscal Years**

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<b>Fiscal Year Ended June 30</b>	<b>City Direct Rates</b>	<b>Overlapping Rates</b>	
		<b>Sullivan County</b>	<b>Hawkins County</b>
2005	\$ 2.2900	\$ 2.6700	\$ 2.5300
2006	2.2600	2.5300	2.6800
2007	2.2600	2.5300	2.3600
2008	2.3000	2.5300	2.6100
2009	2.3000	2.5300	2.6100
2010	1.9400	2.1307	2.7050
2011	1.9400	2.1307	2.7050
2012	1.9700	2.1307	2.3450
2013	1.9700	2.3307	2.3450
2014	1.9400	2.3054	2.3450

Source: City of Kingsport Finance Department

Note: Overlapping rates are those of county governments that apply to property owners within the City of Kingsport.

Table 9

**CITY OF KINGSPORT, TENNESSEE  
PRINCIPAL PROPERTY TAXPAYERS  
For The Fiscal Years Noted**

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Eastman Chemical Company	\$ 434,699,204	1	24.4%	\$ 329,989,000	1	28.4%
Domtar, Inc (Weyerhaeuser Co/ Willamette Industries)	45,203,497	2	2.5%	16,543,000	2	1.4%
Kingsport Power Company	20,948,531	3	1.2%	15,919,000	3	1.4%
Wellmont Health System/ Holston Valley Health Care	18,533,822	4	1.0%	7,895,000	9	0.7%
Holston Family Practice	18,370,269	5	1.0%			
Brandy Mill Apartments, LLC	17,375,391	6	1.0%			
Inland Western Kpt East Stone LLC - Clara F Jackson	16,455,080	7	0.9%			
Eastman Credit Union	16,301,465	8	0.9%			
Mountain States Health / HCA	15,186,075	9	0.9%	8,686,000	8	0.7%
Kingsport Town Center (Fort Henry Mall- Baltry, LLC)	11,914,253	10	0.7%	11,455,000	6	1.0%
Wal Mart Properties/Real Estate				9,349,000	7	0.8%
Sprint/United Inter-Mountain Telephone Southeast				14,319,000	5	1.2%
Quebecor				15,306,000	4	1.3%
AFG/AGC Industries				7,345,000	10	0.6%
<b>Totals</b>	<b>\$ 614,987,587</b>		<b>34.5%</b>	<b>\$ 436,806,000</b>		<b>37.5%</b>
Total Taxable Assessed Value:						
FYE 2014 (Tax Year 2013)	\$ 1,784,395,940					
FYE 2005 (Tax Year 2004)	1,161,444,029					

Source: City of Kingsport Finance Department

Table 10

**CITY OF KINGSFORT, TENNESSEE  
PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Tax Levy for Fiscal Year	Subsequent Adjustments to Levy	Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Uncollected Delinquent Taxes
				Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy	
2005	\$ 26,616,925	\$ (48,751)	\$ 26,568,174	\$ 25,793,768	97.09%	\$ 747,015	\$ 26,540,783	99.90%	\$ 27,391
2006	28,738,644	(44,992)	28,693,652	27,985,510	97.53%	665,116	28,650,626	99.85%	43,026
2007	29,564,326	(32,688)	29,531,638	28,769,796	97.42%	733,686	29,503,482	99.90%	28,156
2008	29,582,951	20,423	29,603,374	28,616,818	96.67%	930,461	29,547,279	99.81%	56,095
2009	30,553,586	(45,722)	30,507,864	29,616,908	97.08%	784,805	30,401,713	99.65%	106,151
2010	31,362,309	(190,255)	31,172,054	30,151,757	96.73%	912,503	31,064,260	99.65%	107,794
2011	32,011,845	213,370	32,225,215	31,071,305	96.42%	1,003,503	32,074,808	99.53%	150,407
2012	32,276,181	348,578	32,624,759	31,684,065	97.12%	729,322	32,413,387	99.35%	211,372
2013	32,988,793	999,708	33,988,501	32,509,744	95.65%	1,118,819	33,628,563	98.94%	359,938
2014	34,588,442	538,569	35,127,011	34,296,005	97.63%	0	34,296,005	97.63%	831,006

Source: City of Kingsport Finance Department

Table 11

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE**  
**For the Fiscal Year Ended June 30, 2014**

<b>Tax Year</b>	<b>Property Tax Receivable Balance June 30, 2013</b>	<b>Property Tax Levied</b>	<b>Anticipated Current Year Levy</b>	<b>Abatements and Adjustments</b>	<b>Collections</b>	<b>Net Receivable Balance June 30, 2014</b>
2004	\$ 27,642			\$ -	\$ (251)	\$ 27,391
2005	40,760			3,142	(876)	43,026
2006	27,905			1,676	(1,425)	28,156
2007	57,522			1,269	(2,696)	56,095
2008	113,598			1,108	(8,555)	106,151
2009	144,746			706	(37,658)	107,794
2010	228,146			(1,139)	(76,600)	150,407
2011	354,119			(266)	(142,481)	211,372
2012	1,474,021			4,736	(1,118,819)	359,938
2013		\$ 34,588,442		538,569	(34,296,005)	831,006
2014			\$ 37,137,131			37,137,131
Totals	<u>\$ 2,468,459</u>	<u>\$ 34,588,442</u>	<u>\$ 37,137,131</u>	<u>\$ 549,801</u>	<u>\$ (35,685,366)</u>	<u>\$ 39,058,467</u>

NOTES: All uncollected real property taxes for years prior to 2013 have been turned over to the Clerk & Master for collection.

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

Source: City of Kingsport Finance Department

Table 12

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

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<b>FISCAL YEAR ENDED JUN 30</b>	<b>TOTAL LOCAL OPTION SALES TAX COLLECTIONS</b>	<b>GENERAL FUND</b>	<b>REGIONAL SALES TAX FUND</b>
2005	\$ 16,669,868	\$ 13,685,614	\$ 2,984,254
2006	17,103,371	14,019,410	3,083,961
2007	17,833,634	14,618,999	3,214,635
2008	17,854,873	14,640,220	3,214,653
2009	17,634,903	14,478,441	3,156,462
2010	17,067,113	14,009,678	3,057,435
2011	17,778,766	14,594,959	3,183,807
2012	18,789,437	15,432,814	3,356,623
2013	18,816,176	15,439,972	3,376,205
2014	19,390,768	15,901,590	3,489,178

Source: City of Kingsport Finance Department

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

Table 13

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

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	General Obligation Bonds	Revenue Bonds	Notes Payable			
2005	\$ 43,901,000	\$ 241,000	\$ 63,479,000	\$ 225,000	\$ 6,293,000	\$ 114,139,000	9.84%	\$ 2,590
2006	38,458,000	3,932,000	60,827,000	210,000	5,830,000	109,257,000	9.11%	2,476
2007	63,041,000	6,302,000	54,243,000	195,000	5,423,000	129,204,000	10.24%	2,924
2008	73,954,097	6,419,174	48,045,133	180,000	5,591,065	134,189,469	10.70%	3,020
2009	86,231,128	5,872,283	67,029,074	160,000	15,578,624	174,871,109	12.85%	3,821
2010	112,219,869	5,323,392	73,689,344	140,000	22,190,263	213,562,868	15.17%	4,510
2011	107,563,297	8,795,620	67,014,158	0	24,288,460	207,661,535	13.30%	4,214
2012	122,673,341	10,615,303	69,832,074	0	23,658,574	226,779,292	13.85%	4,485
2013	96,542,440	10,240,943	105,705,775	0	0	212,489,158	11.85%	4,145
2014	106,683,823	9,179,827	113,441,729	0	0	229,305,379	12.68%	4,472

Source: City of Kingsport Finance Department

Note:

- Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- See the Schedule of Demographic and Economic Statistics for personal income and population data.
- Financial statements prior to June 30, 2008 were rounded to thousands.

Table 14

**CITY OF KINGSPORT, TENNESSEE**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Reserves</b>	<b>Net General Obligation Bonds</b>	<b>Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2005	\$ 107,380,000	\$ 410,000	\$ 106,970,000	2.86%	\$ 2,427
2006	99,285,000	338,000	98,947,000	2.44%	2,242
2007	117,284,000	765,000	116,519,000	2.78%	2,637
2008	121,999,230	971,096	121,028,134	2.93%	2,724
2009	153,260,202	600,280	152,659,922	3.59%	3,336
2010	185,909,213	468,937	185,440,276	3.62%	3,916
2011	174,577,455	1,230,382	173,347,073	3.30%	3,518
2012	192,505,415	148,495	192,356,920	3.66%	3,804
2013	202,248,215	139,984	202,108,231	3.74%	3,942
2014	220,125,552	144,635	219,980,917	3.82%	4,290

Source: City of Kingsport Finance Department

Note:

- Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
- See the Schedule of Demographic and Economic Statistics for personal income and population data.
- Financial statements prior to June 30, 2008 were rounded to thousands.

**CITY OF KINGSFORT, TENNESSEE**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**For the Fiscal Year Ended June 30, 2014**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Overlapping Debt</b>
<b>Debt Repaid with Property Taxes:</b>			
<b>Net Direct Debt:</b>			
City of Kingsport	\$ 138,394,266 (1)	100.00%	\$ 138,394,266
Total Direct Debt	138,394,266	100.00%	138,394,266
<b>Overlapping Debt:</b>			
Sullivan County	69,171,349	46.83% (2)	32,390,588
Hawkins County	83,392,379	6.42% (2)	5,352,732
Subtotal, Overlapping Debt	152,563,728		37,743,320
<b>Total Direct and Overlapping Debt</b>	<b>\$ 290,957,994</b>		<b>\$ 176,137,586</b>

(1) Includes Solid Waste Management, Aquatic Center, MeadowView Conference and Resort Center and Cattails Golf Course General Obligation Bonds. The debt for these business-type activities was structured to be funded by the taxing authority of the City.

(2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Kingsport. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Sources:

- City of Kingsport Finance Department
- County Governments
- Tennessee Comptroller of the Treasury Division of Property Assessments



Table 16

**CITY OF KINGSPORT, TENNESSEE  
LEGAL DEBT MARGIN INFORMATION  
Last Ten Fiscal Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 232,288,806	\$ 252,821,477	\$ 262,717,827	\$ 257,199,126	\$ 264,465,541	\$ 319,894,747	\$ 328,628,809	\$ 328,444,928	\$ 335,275,813	\$ 356,879,188
Total Net Debt Applicable to Limit	50,275,000	43,335,000	65,910,000	74,655,000	101,870,000	128,636,532	123,381,532	138,767,654	130,382,038	138,394,266
Legal Debt Margin	<u>\$ 182,013,806</u>	<u>\$ 209,486,477</u>	<u>\$ 196,807,827</u>	<u>\$ 182,544,126</u>	<u>\$ 162,595,541</u>	<u>\$ 191,258,215</u>	<u>\$ 205,247,277</u>	<u>\$ 189,677,274</u>	<u>\$ 204,893,775</u>	<u>\$ 218,484,922</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	<u>21.64%</u>	<u>17.14%</u>	<u>25.09%</u>	<u>29.03%</u>	<u>38.52%</u>	<u>40.21%</u>	<u>37.54%</u>	<u>42.25%</u>	<u>38.89%</u>	<u>38.78%</u>
<b>Legal Debt Margin Calculation for Fiscal Year 2014</b>										
Total Taxable Assessed Value										<u>\$ 1,784,395,940</u>
Debt Limit (20% of Taxable Assessed Value)										356,879,188
Debt Applicable to Limit:										
General Obligation Bonds										104,165,822
Add: Solid Waste Management General Obligation Bonds										1,915,515
Add: Aquatic Center General Obligation Bonds										18,122,980
Add: MeadowView Conference Center General Obligation Bonds										13,672,228
Add: Cattails Golf Course General Obligation Bonds										<u>517,721</u>
Total Net Debt Applicable to Limit										<u>138,394,266</u>
Legal Debt Margin										<u>\$ 218,484,922</u>

Limitation on Borrowing Power

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

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

Source: City of Kingsport Finance Department

Table 17

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

Fiscal Year	Operating Revenue	(1) Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
		(2) Principal		Interest	Total		
Water, Sewer and Storm Water Revenue Bonds:							
2005	\$ 24,613,000	\$ 9,144,000	\$ 15,469,000	\$ 8,173,000	\$ 1,732,000	\$ 9,905,000	1.56
2006	25,388,000	9,601,000	15,787,000	6,334,000	1,734,000	8,068,000	1.96
2007	26,802,000	9,341,000	17,461,000	6,327,000	1,608,000	7,935,000	2.20
2008	25,814,512	10,578,186	15,236,326	5,271,846	1,606,431	6,878,277	2.22
2009	26,063,481	11,109,643	14,953,838	4,967,220	1,309,336	6,276,556	2.38
2010	25,131,017	10,772,806	14,358,211	5,643,153	1,007,724	6,650,877	2.16
2011	24,659,947	11,054,147	13,605,800	6,087,198	843,459	6,930,657	1.96
2012	25,038,548	11,818,993	13,219,555	6,751,577	730,976	7,482,553	1.77
2013	26,657,022	12,864,076	13,792,946	7,252,314	636,400	7,888,714	1.75
2014	27,774,803	13,435,862	14,338,941	7,465,527	749,533	8,215,060	1.75

(1) Total operating expenses exclusive of depreciation.

(2) Principal paid on capital debt is net of refunded debt.

Source: City of Kingsport Finance Department

Notes: Financial statements prior to June 30, 2008 were rounded to thousands.  
Storm Water Utility debt was established during fiscal year 2013.

Table 18

**CITY OF KINGSPORT, TENNESSEE  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Education Level in Years of Formal Schooling</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2005	44,070	\$ 1,159,746,120	\$ 26,316	*	*	6,377	5.5%
2006	44,130	1,198,703,190	27,163	*	*	6,451	5.4%
2007	44,191	1,261,608,859	28,549	*	*	6,455	4.2%
2008	44,435	1,254,044,570	28,222	*	*	6,396	6.2%
2009	45,763	1,360,533,990	29,730	*	*	6,392	9.4%
2010	47,356	1,407,893,880	29,730	*	*	6,439	8.8%
2011	49,275	1,561,869,675	31,697	*	*	6,556	8.6%
2012	50,561	1,637,670,790	32,390	*	*	6,698	8.4%
2013	51,264	1,792,958,400	34,975	*	*	6,798	8.1%
2014	51,274	1,808,126,336	35,264	*	*	7,011	7.1%

\* Information was not available.

Source:

U.S. Census Bureau

U.S. Dept. of Commerce Bureau of Economic Analysis

Table 19

**CITY OF KINGSPORT, TENNESSEE  
PRINCIPAL EMPLOYERS  
For the Fiscal Years Noted**

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Eastman Chemical Company	6,737	1	10.1%	7,500	1	10.9%
Wellmont Health Systems	2,967	2	4.4%	2,000	2	2.9%
Brock	1,500	3	2.2%	N/A	-	-
Kingsport City Schools	1,047	4	1.6%	1,027	3	1.5%
Wal-Mart	744	5	1.1%	900	4	1.3%
City of Kingsport	740	6	1.1%	741	6	1.1%
Holston Medical Group	724	7	1.1%	N/A	-	-
Jacobs	672	8	1.0%	N/A	-	-
BAE SYSTEMS Ordnance Systems, Inc.	650	9	1.0%	428	9	0.6%
Mountain States Health	630	10	0.9%	845	5	1.2%
AFG Industries	N/A	-	-	600	7	0.9%
Quebecor World	N/A	-	-	476	8	0.7%
Weyerhaeuser Company	N/A	-	-	370	10	0.5%
	<u>16,411</u>		<u>24.5%</u>	<u>14,887</u>		<u>21.6%</u>
Total Sullivan County Employment:						
	FYE 2014	66,910				
	FYE 2005	68,940				

Source:

-NETWORKS/Sullivan Partnership & Employers

Table 20

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

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	80	81	80	92	96	96	93	95	112	104
Public Safety	237	237	243	254	257	262	264	267	265	265
Public Works	109	106	113	119	120	122	123	124	130	135
Development	47	47	36	25	24	25	22	23	23	23
Recreation	56	57	57	58	59	58	58	58	58	58
Education	961	970	978	982	993	1,010	1,013	1,040	1,041	1,047
Water	80	80	80	78	78	76	74	73	73	73
Sewer	40	40	40	40	41	40	41	42	42	42
Solid Waste	36	35	31	30	30	30	30	32	33	34
	<u>1,646</u>	<u>1,653</u>	<u>1,658</u>	<u>1,678</u>	<u>1,698</u>	<u>1,719</u>	<u>1,718</u>	<u>1,754</u>	<u>1,777</u>	<u>1,781</u>

Sources:

-City of Kingsport Finance Department  
-Kingsport City School System

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

**Table 21**

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Education:										
Student Transportation:										
Miles	361,607	369,438	368,869	377,916	355,694	371,912	371,726	392,811	422,471	414,823
Average Daily Ridership	1,784	1,864	1,949	1,943	1,754	1,717	1,505	1,526	1,373	1,976
Public Safety:										
Police:										
Physical Arrests	3,605	3,251	3,206	3,348	3,587	4,584	5,066	4,029	3,641	3,501
Parking Citations	4,990	3,509	3,722	3,016	2,804	1,814	1,074	1,560	1,037	1,387
Traffic Citations	10,163	12,484	12,895	12,957	12,030	7,579	5,127	12,442	11,647	14,870
Calls for Service	41,206	44,236	47,934	48,981	46,249	57,153	59,755	59,147	60,210	63,789
Fire:										
Calls for Service	5,775	5,752	5,987	6,445	6,515	6,468	7,388	8,106	7,851	8,115
Inspections	2,507	2,873	3,403	2,899	3,378	3,378	3,339	1,951	1,942	2,577
Fire Loss	\$ 4,063,555	\$ 2,402,520	\$ 1,471,657	\$ 1,565,342	\$ 1,909,032	\$ 3,390,231	\$ 846,950	\$ 664,820	\$ 933,338	\$ 1,664,021
Public Works:										
Potholes Repaired	701	735	538	924	1,102	2,762	4,985	4,147	4,822	3,151
Streets Swept (linear miles)	4,320	4,500	7,853	6,339	6,247	6,456	5,105	7,409	5,520	4,715
Traffic Signal Maintenance Calls	607	630	650	547	598	599	610	557	736	608
Leaves Collected (Tons)	1,649	1,703	1,716	1,595	1,907	1,497	1,628	1,780	1,526	2,414
Parks and Recreation:										
Civic Auditorium Rentals	857	825	1,127	899	881	1,349	796	539	686	598
Civic Auditorium Attendance	55,573	53,000	54,219	70,197	72,773	147,764	96,248	106,807	110,635	78,856
Splash Pad Attendance	29,516	29,500	27,552	25,231	18,120	22,886	8,548	23,209	10,307	10,100
Participation in Athletic Division events	175,379	176,000	180,766	187,561	198,544	201,225	265,231	278,829	280,119	288,108
Participation in Cultural Arts Division events	15,238	15,028	16,708	9,891	13,088	10,057	12,761	9,276	11,143	11,700
Participation in Community Services Division events	26,483	33,229	34,673	76,402	78,918	141,772	138,817	167,631	162,496	171,878
Renaissance Center Rentals	2,073	2,000	1,908	1,870	2,135	2,110	1,959	1,861	1,660	1,712
Renaissance Center Attendance	192,270	190,000	181,650	198,575	222,294	211,738	188,576	166,175	158,227	163,183
Allandale Rentals	305	315	297	293	274	342	304	226	231	215
Allandale Visitors	33,023	33,000	29,808	23,591	22,598	27,435	25,986	32,296	31,285	32,711
K - Play Games Played	1,200	1,300	1,350	1,428	1,560	1,768	1,825	1,875	1,847	1,908
K - Play Attendance	83,000	86,000	91,145	97,320	124,728	172,930	185,856	188,997	166,299	171,720
Lynn View Rentals	n/a	n/a	n/a	n/a	n/a	36	238	271	254	268
Lynn View Attendance	n/a	n/a	n/a	n/a	n/a	18,116	43,615	48,278	53,928	57,650
Senior Center:										
Active Members	1,876	2,000	1,842	2,365	2,673	2,591	2,801	3,012	2,978	3,045
Average Daily Attendance	159	175	188	226	241	247	252	325	308	301
Aquatic Center:										
Aquatic Center Attendance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31,244	140,433
YMCA Entering Pools Attendance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	19,714	74,567
Total Attendance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	50,958	215,000
Bays Mountain Park:										
Total Programs	1,400	1,400	1,667	1,259	2,090	1,771	1,422	3,658	3,080	5,091
Total Attendance	157,420	151,000	148,041	173,063	192,529	176,813	201,129	178,069	191,321	257,692
Library:										
Total Circulation	183,679	188,448	206,586	210,476	241,239	244,735	248,709	248,482	248,802	254,073
Building Attendance	170,014	169,122	176,854	193,344	209,234	213,379	206,533	199,875	187,837	189,598
Water:										
Average Daily Consumption in Gallons	14.8 mgd	15.2 mgd	14.5mgd	14.6 mgd	15.2 mgd	15.1 mgd	14.7 mgd	14.5 mgd	13.7 mgd	13.9 mgd
Maximum Daily Capacity in Gallons	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd	28.0 mgd	16.2 mgd	17.8 mgd	28.0 mgd	28.0 mgd
Water Taps	584	588	339	442	256	219	168	191	189	186
Sewer:										
Average Daily Treatment in Gallons	9.0 mgd	9.2 mgd	8.8 mgd	8.8 mgd	8.6 mgd	9.3 mgd	8.5 mgd	7.5 mgd	9.8 mgd	9.1 mgd
Maximum Daily Plant Capacity in Gallons	17.0 mgd	17.0 mgd	12.4 mgd	12.4 mgd	12.4 mgd	12.4 mgd	17.7 mgd	16.8 mgd	12.4 mgd	12.4 mgd
Sewer Taps	481	402	187	206	165	84	237	179	213	326
Solid Waste:										
Landfill Material Accepted (Tons)	33,681	25,056	24,434	32,574	26,958	25,077	61,326	34,268	27,198	25,670
Household Refuse Collected (Tons)	16,125	16,374	16,046	16,244	15,924	16,437	16,647	18,452	18,834	18,039
Recyclables Collected (Tons)	2,128	2,167	2,587	2,613	2,728	1,715	1,848	1,772	1,606	2,607
Golf Course:										
Rounds of Golf	25,900	26,925	26,175	27,338	26,233	24,225	23,515	25,915	24,090	24,387

Source: Various City Departments

\* Data was unavailable for this time period

Table 22

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

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Education:										
Student Transportation:										
Buses	35	35	35	37	38	38	40	40	42	39
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	104	104	104	109	109	109	117	117	117	116
Motorcycle Units	1	1	1	1	1	1	0	0	0	0
Fire:										
Stations	6	6	6	6	6	7	7	7	8	8
Fire Trucks/Rescue Units	14	14	14	14	14	15	16	16	15	14
Public Works:										
Streets (Miles)	425	427	434	443	456	459	472	490	496	498
Street Lights	9,600	9,600	8,921	9,031	9,114	9,219	9,372	9,737	9,993	10,075
Traffic Signals	102	101	103	102	101	101	104	103	102	103
Leisure Services:										
Parks and Recreation:										
Park Sites	17	17	17	17	18	18	18	18	18	18
Park Acreage	191	191	191	191	237	237	237	237	237	237
Swimming Pools	2	2	2	2	1	1	1	1	1	-
Splash Pad	n/a	n/a	n/a	n/a	1	1	1	1	1	1
Tennis Courts	8	8	8	8	8	8	8	8	8	8
Community Centers	5	5	5	5	5	5	5	5	5	5
Senior Citizens:										
Senior Center	1	1	1	1	1	1	1	1	1	1
Other Recreational Facilities:										
Aquatic Center - Acreage	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	17	17
Bays Mountain Park & Nature Center -Acreage	3,461	3,461	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550
Hunter Wright Baseball Stadium - Acreage	54	54	54	54	54	54	54	54	54	54
Allandale - Acreage	25	25	25	25	25	25	25	25	25	25
Civic Auditorium - Acreage	5	5	5	5	5	5	5	5	5	5
Dogwood Park Facility - Acreage	n/a	n/a	n/a	n/a	3	3	3	3	3	3
Lynn View Facility - Acreage	n/a	n/a	n/a	n/a	14	14	14	14	14	14
Renaissance Center - Acreage	5	5	5	5	5	5	5	5	5	5
Legion Pool - Acreage	5	5	5	5	5	5	5	5	5	5
School System:										
Elementary Schools	7	7	7	7	7	8	8	8	8	8
Middle Schools	2	2	2	2	2	2	2	2	2	2
High Schools	1	1	1	1	1	1	1	1	1	1
Water and Sewer:										
Water Mains (Miles)	750	750	750	817	826	828	828	832	838	837
Fire Hydrants	1,917	1,960	1,691	1,740	1,754	1,794	1,848	1,898	1,938	2,003
Sanitary Sewers (Miles)	495	525	515	515	518	524	533	540	549	554
Storm Sewers (Miles)	209	209	209	209	209	209	209	209	241	300
Solid Waste:										
Collection Trucks	14	15	14	15	15	15	15	15	15	15
Golf Courses	1	1	1	1	1	1	1	1	1	1
Cattails Golf Course - Acreage	192	192	192	192	192	192	192	192	192	192

Source: Various City Departments

Table 23

**CITY OF KINGSPORT, TENNESSEE**  
**UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS**  
**June 30, 2014**

**Water Rates:**

		<u>Inside City</u>	
First	2,000 gallons	\$ 3.61	per 1000 gal
Next	13,000 gallons	2.90	per 1000 gal
Next	55,000 gallons	2.24	per 1000 gal
Over	70,000 gallons	1.61	per 1000 gal
		<u>Outside City</u>	
First	2,000 gallons	\$ 11.67	per 1000 gal
Next	13,000 gallons	7.07	per 1000 gal
Next	35,000 gallons	6.39	per 1000 gal
Next	70,000 gallons	5.93	per 1000 gal
Next	70,000 gallons	4.85	per 1000 gal
Over	190,000 gallons	4.56	per 1000 gal

**Sewer Rates:**

		<u>Inside City</u>	
Minimum charge		\$ 14.46	2,000 gal
Additional gallons		7.23	per 1000 gal
		<u>Outside City</u>	
Minimum charge		\$ 21.72	2,000 gal
Additional gallons		10.86	per 1000 gal

**Number of Customers:**

	<u>Inside City</u>	<u>Outside City</u>
Water	<u>22,493</u>	<u>12,165</u>
Sewer	<u>20,442</u>	<u>972</u>

Source: City of Kingsport Finance Department




CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF UNACCOUNTED FOR WATER - AWWA METHOD REPORTING WORKSHEET  
June 30, 2014

AWWA Free Water Audit Software: Reporting Worksheet										WAS v5.0 American Water Works Association Copyright © 2014. All Rights Reserved.			
<span>Click to access definition</span> <span>Click to add a comment</span>		<b>Water Audit Report for:</b> <span style="border: 1px solid black; padding: 2px;">City of Kingsport, TN</span>											
		<b>Reporting Year:</b> <span style="border: 1px solid black; padding: 2px;">FY14</span> <span style="border: 1px solid black; padding: 2px;">7/2013 - 6/2014</span>											
Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades													
All volumes to be entered as: MILLION GALLONS (US) PER YEAR													
To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds <u>all</u> criteria for that grade and all grades below it.													
<div style="display: flex; justify-content: space-between;"><div><b>WATER SUPPLIED</b></div><div style="text-align: right;">Master Meter and Supply Error Adjustments</div></div>													
----- Enter grading in column 'E' and 'J' -----													
		Volume from own sources: <span style="border: 1px solid black; padding: 2px;">+ ? 7</span> <span style="border: 1px solid black; padding: 2px;">5,098.165</span> MG/Yr						Pcnt: <span style="border: 1px solid black; padding: 2px;">+ ? 4</span> <span style="border: 1px solid black; padding: 2px;">0.50%</span> <span style="border: 1px solid black; padding: 2px;">● ○</span> Value: <span style="border: 1px solid black; padding: 2px;"> </span> MG/Yr					
		Water imported: <span style="border: 1px solid black; padding: 2px;">+ ? 7</span> <span style="border: 1px solid black; padding: 2px;">7.391</span> MG/Yr						<span style="border: 1px solid black; padding: 2px;">+ ?</span> <span style="border: 1px solid black; padding: 2px;"> </span> <span style="border: 1px solid black; padding: 2px;">● ○</span> <span style="border: 1px solid black; padding: 2px;"> </span> MG/Yr					
		Water exported: <span style="border: 1px solid black; padding: 2px;">+ ?</span> <span style="border: 1px solid black; padding: 2px;"> </span> MG/Yr						<span style="border: 1px solid black; padding: 2px;">+ ?</span> <span style="border: 1px solid black; padding: 2px;"> </span> <span style="border: 1px solid black; padding: 2px;">● ○</span> <span style="border: 1px solid black; padding: 2px;"> </span> MG/Yr					
		<b>WATER SUPPLIED:</b> <span style="border: 1px solid black; padding: 2px;">5,080.192</span> MG/Yr											
<b>AUTHORIZED CONSUMPTION</b>													
		Billed metered: <span style="border: 1px solid black; padding: 2px;">+ ? 9</span> <span style="border: 1px solid black; padding: 2px;">3,096.464</span> MG/Yr						Click here: <span style="border: 1px solid black; padding: 2px;">?</span> for help using option buttons below  Use buttons to select percentage of water supplied OR value					
		Billed unmetered: <span style="border: 1px solid black; padding: 2px;">+ ? n/a</span> <span style="border: 1px solid black; padding: 2px;">0.000</span> MG/Yr											
		Unbilled metered: <span style="border: 1px solid black; padding: 2px;">+ ? 9</span> <span style="border: 1px solid black; padding: 2px;">193.535</span> MG/Yr											
		Unbilled unmetered: <span style="border: 1px solid black; padding: 2px;">+ ? 8</span> <span style="border: 1px solid black; padding: 2px;">109.573</span> MG/Yr											
Unbilled Unmetered volume entered is greater than the recommended default value													
		<b>AUTHORIZED CONSUMPTION:</b> <span style="border: 1px solid black; padding: 2px;">3,399.572</span> MG/Yr						<div style="display: flex; justify-content: space-between;"><div>Pcnt: <span style="border: 1px solid black; padding: 2px;"> </span> <span style="border: 1px solid black; padding: 2px;">○ ●</span></div><div>Value: <span style="border: 1px solid black; padding: 2px;">109.573</span> MG/Yr</div></div>					
		<b>WATER LOSSES (Water Supplied - Authorized Consumption)</b> <span style="border: 1px solid black; padding: 2px;">1,680.620</span> MG/Yr											
<b>Apparent Losses</b>													
		Unauthorized consumption: <span style="border: 1px solid black; padding: 2px;">+ ?</span> <span style="border: 1px solid black; padding: 2px;">12.700</span> MG/Yr						Pcnt: <span style="border: 1px solid black; padding: 2px;">0.25%</span> <span style="border: 1px solid black; padding: 2px;">● ○</span> Value: <span style="border: 1px solid black; padding: 2px;"> </span> MG/Yr  <span style="border: 1px solid black; padding: 2px;">1.00%</span> <span style="border: 1px solid black; padding: 2px;">● ○</span> <span style="border: 1px solid black; padding: 2px;"> </span> MG/Yr <span style="border: 1px solid black; padding: 2px;">0.25%</span> <span style="border: 1px solid black; padding: 2px;">● ○</span> <span style="border: 1px solid black; padding: 2px;"> </span> MG/Yr					
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed													
		Customer metering inaccuracies: <span style="border: 1px solid black; padding: 2px;">+ ? 10</span> <span style="border: 1px solid black; padding: 2px;">33.232</span> MG/Yr											
		Systematic data handling errors: <span style="border: 1px solid black; padding: 2px;">+ ?</span> <span style="border: 1px solid black; padding: 2px;">7.741</span> MG/Yr											
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed													
		<b>Apparent Losses:</b> <span style="border: 1px solid black; padding: 2px;">53.674</span> MG/Yr											
<b>Real Losses (Current Annual Real Losses or CARL)</b>													
		Real Losses = Water Losses - Apparent Losses: <span style="border: 1px solid black; padding: 2px;">?</span> <span style="border: 1px solid black; padding: 2px;">1,626.946</span> MG/Yr											
		<b>WATER LOSSES:</b> <span style="border: 1px solid black; padding: 2px;">1,680.620</span> MG/Yr											
<b>NON-REVENUE WATER</b>													
		NON-REVENUE WATER: <span style="border: 1px solid black; padding: 2px;">?</span> <span style="border: 1px solid black; padding: 2px;">1,983.728</span> MG/Yr											
= Water Losses + Unbilled Metered + Unbilled Unmetered													
<b>SYSTEM DATA</b>													
		Length of mains: <span style="border: 1px solid black; padding: 2px;">+ ? 10</span> <span style="border: 1px solid black; padding: 2px;">846.0</span> miles											
		Number of <u>active AND inactive</u> service connections: <span style="border: 1px solid black; padding: 2px;">+ ? 10</span> <span style="border: 1px solid black; padding: 2px;">38,766</span>											
		Service connection density: <span style="border: 1px solid black; padding: 2px;">?</span> <span style="border: 1px solid black; padding: 2px;">46</span> conn./mile main											
		Are customer meters typically located at the curbstop or property line? <span style="border: 1px solid black; padding: 2px;">Yes</span>				(length of service line, beyond the property boundary, that is the responsibility of the utility)							
Average length of customer service line has been set to zero and a data grading score of 10 has been applied													
		Average operating pressure: <span style="border: 1px solid black; padding: 2px;">+ ? 10</span> <span style="border: 1px solid black; padding: 2px;">112.5</span> psi											
<b>COST DATA</b>													
		Total annual cost of operating water system: <span style="border: 1px solid black; padding: 2px;">+ ? 10</span> <span style="border: 1px solid black; padding: 2px;">\$14,335,941</span> \$/Year											
		Customer retail unit cost (applied to Apparent Losses): <span style="border: 1px solid black; padding: 2px;">+ ? 8</span> <span style="border: 1px solid black; padding: 2px;">\$7.66</span> \$/1000 gallons (US)											
		Variable production cost (applied to Real Losses): <span style="border: 1px solid black; padding: 2px;">+ ? 8</span> <span style="border: 1px solid black; padding: 2px;">\$408.81</span> \$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses											
<b>WATER AUDIT DATA VALIDITY SCORE:</b>													
*** YOUR SCORE IS: 79 out of 100 ***													
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score													
<b>PRIORITY AREAS FOR ATTENTION:</b>													
Based on the information provided, audit accuracy can be improved by addressing the following components:													
1: Volume from own sources													
2: Unauthorized consumption													
3: Systematic data handling errors													

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER - AWWA METHOD PERFORMANCE INDICATORS**  
**June 30, 2014**



**AWWA Free Water Audit Software:**  
**System Attributes and Performance Indicators**

WAS v5.0  
 American Water Works Association.  
 Copyright © 2014. All Rights Reserved.

Water Audit Report for: City of Kingsport, TN

Reporting Year: FY14 7/2013 - 6/2014

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 79 out of 100 \*\*\*

**System Attributes:**

Apparent Losses:	+	Real Losses:	=	<b>Water Losses:</b>	

? Unavoidable Annual Real Losses (UARL): 426.71 MG/Yr

Annual cost of Apparent Losses: \$411,142

Annual cost of Real Losses: \$665,112 Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

**Performance Indicators:**

Non-revenue water as percent by volume of Water Supplied: 39.0%

Non-revenue water as percent by cost of operating system: 8.4% Real Losses valued at Variable Production Cost

Apparent Losses per service connection per day: 3.79 gallons/connection/day

Real Losses per service connection per day: 114.98 gallons/connection/day

Real Losses per length of main per day\*: N/A

Real Losses per service connection per day per psi pressure: 1.02 gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 1,626.95 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 3.81

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

Table 25

**CITY OF KINGSPORT, TENNESSEE**  
**TOP TEN WATER CUSTOMERS**  
**For the Fiscal Year Ended June 30, 2014**

<u>Customer Name</u>	<u>Consumption (in gallons)</u>	<u>Revenue</u>	<u>Revenue as % of FY14 Water Sales</u>
Eastman Chemical Company	795,803,500	\$ 1,574,337	13.24%
Domtar Paper Company, LLC	53,799,100	103,524	0.87%
BAE Systems	55,326,500	90,406	0.76%
Wellmont Health System	39,811,200	66,125	0.56%
Warriors Path State Park	12,977,000	63,864	0.54%
Kingsport Housing Authority	30,087,500	58,110	0.49%
AGC	17,088,600	42,589	0.36%
Indian Path Hospital	20,229,300	33,302	0.28%
Allandale Falls Apt, LLC	16,485,200	27,206	0.23%
Model City II, L.P.	12,483,700	26,124	0.22%
	<u>1,054,091,600</u>	<u>\$ 2,085,588</u>	<u>17.54%</u>

Source: City of Kingsport Finance Department

Table 26

**CITY OF KINGSPORT, TENNESSEE  
TOP TEN SEWER CUSTOMERS  
For the Fiscal Year Ended June 30, 2014**

<u>Customer Name</u>	<u>Consumption (in gallons)</u>	<u>Revenue</u>	<u>Revenue as % of FY14 Sewer User Fees</u>
Eastman Chemical Company	229,889,300	\$ 1,666,708	13.35%
Kingsport Housing Authority	30,064,600	218,655	1.75%
Wellmont Health System	20,387,600	147,515	1.18%
Allandale Falls Apt, LLC	16,485,200	119,188	0.95%
Warriors Path State Park	10,871,000	118,059	0.95%
Rental Uniform	12,583,000	90,975	0.73%
Model City II, L.P.	12,483,700	90,257	0.72%
Indian Path Hospital	11,864,300	85,870	0.69%
Tuscany Villas	9,709,100	70,197	0.56%
Mountain States Properties	8,786,500	63,526	0.51%
	<u>363,124,300</u>	<u>\$ 2,670,950</u>	<u>21.39%</u>

Source: City of Kingsport Finance Department

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE - FUTURE REQUIREMENTS**  
**JUNE 30, 2014**

**Table 27**

GENERAL OBLIGATION AND REVENUE BONDS											
Fiscal Year	General Obligation Bonds		Water Bonds		Sewer Bonds		Storm Water Bonds		Aquatic Center Bonds MeadowView Convention Center Bonds and Cattails Golf Course Bonds		Combined Bonds and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$ 6,857,375	\$ 4,148,082	\$ 2,484,520	\$ 688,079	\$ 5,343,245	\$ 1,775,731	\$ 76,383	\$ 69,152	\$ 1,661,477	\$ 1,281,805	\$ 24,385,849
2016	6,721,187	3,916,642	2,001,657	615,157	4,478,349	1,581,334	78,372	66,742	1,720,436	1,231,822	22,411,698
2017	6,717,819	3,675,512	1,877,956	560,328	3,820,392	1,417,576	80,420	64,155	1,775,413	1,179,642	21,169,213
2018	6,964,702	3,430,986	1,581,814	509,587	3,444,654	1,280,816	82,713	61,462	1,691,115	1,123,950	20,171,799
2019	6,596,852	3,187,228	1,440,430	471,137	2,627,042	1,160,742	84,012	58,501	1,751,663	1,060,166	18,437,773
2020	6,424,086	2,954,766	1,373,170	438,212	2,295,967	1,078,483	86,467	55,083	1,815,313	997,223	17,518,770
2021	6,655,002	2,712,043	1,429,076	403,163	2,367,539	997,009	89,451	51,328	1,893,933	920,628	17,519,172
2022	6,615,596	2,460,971	1,377,611	368,405	2,072,111	919,072	92,574	47,205	1,967,108	847,298	16,767,951
2023	6,524,861	2,199,103	1,457,721	333,886	2,145,958	835,401	95,682	43,100	2,035,778	775,047	16,446,537
2024	6,787,358	1,933,138	1,398,206	295,538	2,219,207	755,002	99,840	38,572	2,115,390	697,067	16,339,318
2025	6,955,088	1,652,073	1,393,684	260,505	2,232,264	671,678	102,205	33,844	2,186,759	611,360	16,099,460
2026	7,202,930	1,373,328	1,337,012	227,214	2,297,100	597,767	105,774	28,934	2,280,381	520,840	15,971,280
2027	7,504,430	1,078,895	703,491	192,914	2,362,221	518,842	110,064	23,695	2,374,795	425,099	15,294,446
2028	5,231,527	761,720	719,062	162,474	2,360,529	432,209	114,399	17,951	2,469,482	324,614	12,593,967
2029	4,023,623	525,425	744,537	130,948	2,438,189	348,131	119,257	11,844	2,584,392	213,284	11,139,630
2030	2,745,622	339,551	773,913	97,687	2,521,437	256,771	68,957	5,468	1,515,071	96,444	8,420,921
2031	1,820,518	215,572	508,391	62,583	2,092,411	161,581	27,439	2,099	336,241	30,757	5,257,592
2032	1,895,580	146,423	529,427	43,271	1,063,269	91,454	28,541	1,070	353,182	19,174	4,171,391
2033	901,165	74,423	280,435	23,160	628,400	51,897	0	0	85,000	7,000	2,051,480
2034	936,016	38,377	291,281	11,942	652,701	26,761	0	0	90,000	3,600	2,050,678
	<u>\$ 106,081,337</u>	<u>\$ 36,824,258</u>	<u>\$ 23,703,394</u>	<u>\$ 5,896,190</u>	<u>\$ 49,462,985</u>	<u>\$ 14,958,257</u>	<u>\$ 1,542,550</u>	<u>\$ 680,205</u>	<u>\$ 32,702,929</u>	<u>\$ 12,366,820</u>	<u>\$ 284,218,925</u>

	Principal	Interest	Total
General Obligation	\$ 106,081,337	\$ 36,824,258	\$ 142,905,595
Revenue and General Obligation	107,411,858	33,901,472	141,313,330
<b>TOTAL</b>	<u>\$ 213,493,195</u>	<u>\$ 70,725,730</u>	<u>\$ 284,218,925</u>

Note: Future interest requirements shown above reflect interest on TMBF bonds at the maximum possible rate of interest and interest on BABS bonds net of the 25% Federal interest subsidy.

Source: City of Kingsport Finance Department

UPDATED 12/04/14

Table 28

**CITY OF KINGSFORT, TENNESSEE**  
**SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS**  
For the Fiscal Year Ended June 30, 2014

<b>NAME</b>	<b>TITLE</b>	<b>ANNUAL SALARY</b>	<b>AMOUNT OF SURETY BOND</b>
John Campbell	City Manager	\$ 175,168	\$ 5,000
J. Michael Billingsley	City Attorney	124,400	-
James H. Demming	City Recorder/Chief Financial Officer/ City Treasurer	112,700	385,000
Lyle Ailshie	Superintendent of Schools	159,000	-
David Quillin	Chief of Police	85,435	-
Dennis R. Phillips	Mayor	3,000	-
Tom C. Parham	Vice-Mayor	2,400	-
John Clark	Alderman	2,400	-
Colette George	Alderwoman	2,400	-
Mike McIntire	Alderman	2,400	-
Tom Segelhorst	Alderman	2,400	-
Jantry Shupe	Alderman	2,400	-

Source: City of Kingsport Finance Department

Table 29

**CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF INSURANCE IN FORCE  
June 30, 2014**

Type of Coverage/ Insurance Carrier	Policy Number	Policy Period	Details of Coverage	Claim Limits	Annual Premiums
<u>Comprehensive General Liability</u>					
TML Risk Management Pool	TML-21300	7/1/12-7/1/15 Annual Renewal 7/1/14-7/1/15	General Liability Auto Liability Auto Physical Damage Errors and Omissions	\$ 5,000,000 5,000,000 Replacement 5,000,000	\$ 163,740
Safety National Casualty Corporation	SP4049989 (reinsurance agreement)	1/1/14-1/1/15	Worker's Compensation	Statutory	140,540
<u>Government Crime</u>					
St. Paul / U.S. Fidelity & Guarantee Co.	105731214	1/1/14-1/1/15	Employee Blanket Dishonesty (City)	500,000	1,770
Travelers Insurance Company	105981870	7/1/14-7/1/15	Employee Blanket Dishonesty (Schools)	500,000	4,394
<u>Unemployment Compensation</u>					
Self insured					
<u>Property and Casualty</u>					
Travelers Insurance Company	KTK-CMB-9A14090-0-12	12/31/13-12/31/14	Buildings and Contents	511,096,878	180,732
EMC Insurance Companies	5A0-73-30-15	2/13/14-2/13/15	Justice Center Commercial/ Gen Property	13,543,000	8,999
Great American Insurance Company	MAC-0-99-12-47-00	8/1/14-8/1/15	Aquatic Center Property Insurance	23,000,000	18,072
Hartford Insurance Company	59CITYKINS	1/25/14-1/25/15	Aquatic Center Flood Insurance	23,000,000	1,513
Hartford Insurance Company	20MSCYQ7488	5/26/14-5/26/15	Allandale - Grand Piano		534
<u>Boiler and Machinery</u>					
The Cincinnati Insurance Company	BEP2646328	3/1/14-3/1/15	Boilers and Machinery	100,000	4,556
<u>Public Officials Bond</u>					
Travelers Insurance Company	105376299	11/1/13-11/1/14	Bond - Treasurer (J. Demming) (State of Tennessee Schools)	1,277,000	2,089
Travelers Insurance Company	105899979	5/1/14-5/1/15	Bond - Recorder (J. Demming)	385,000	1,212
Travelers Insurance Company	106151564	7/1/14-7/1/15	Bond - City Manager (J. Fleming)	5,000	100
Travelers Insurance Company	105795556	1/1/14-1/1/15	Bond - City Judge (W. K. Rogers)	1,000	100
Western Surety Company	58368775	4/1/14-4/1/15	Blanket Notary Errors and Omissions	25,000	650
<u>Other</u>					
Montgomery Insurance Company				2,000,000	1,339
General Liability / Property	CBP9566738	3/8/14-3/8/15	D.B. High School - Scoreboard/ PA system		
General Liability	CBP9566738	3/8/14-3/8/15	Hunter Wright Stadium		
ACE Tank Save	G24730086 002	10/12/14-10/12/15	Above ground storage tanks		6,238
Freberg Insurance Company	FEI-EST-10955-01	11/1/13-11/1/14	Fuel Tanks		677
Total Premium					<u>\$ 537,255</u>

Source: City of Kingsport

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingsport, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Kingsport, Tennessee's basic financial statements and have issued our report thereon dated December 30, 2014. Our report includes a reference to other auditors who audited the financial statements of the Emergency Communications District (ECD), a discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Kingsport, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kingsport, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kingsport, Tennessee's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2014-001 described in the accompanying schedule of findings and questioned costs to be a material weakness.



A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency 2014-002 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Kingsport, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Kingsport, Tennessee's Response to Findings**

The City of Kingsport, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Kingsport, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
December 30, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Kingsport, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Kingsport, Tennessee's major federal programs for the year ended June 30, 2014. The City of Kingsport, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Kingsport, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kingsport, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Kingsport, Tennessee's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Kingsport, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-003. Our opinion on each major federal program is not modified with respect to this matter.

The City of Kingsport, Tennessee's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Kingsport, Tennessee's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the City of Kingsport, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Kingsport, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Kingsport, Tennessee's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
December 30, 2014

CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

**Section I - Summary of Auditor's Results**

1. The auditor's report expresses an **unmodified opinion** on the basic financial statements of the City of Kingsport, Tennessee.
2. **Two significant deficiencies** relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. **One of these deficiencies is reported as a material weakness.**
3. **No instances of noncompliance** material to the basic financial statements of the City of Kingsport, Tennessee were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By *OMB Circular A-133*.
5. The auditors' report on compliance for the major federal award programs for the City of Kingsport, Tennessee expresses an **unmodified opinion** on all major federal programs.
6. The audit disclosed **one audit finding** relating to major programs.
7. The programs tested as major programs include:

<b><u>Name of Program</u></b>	<b><u>CFDA Number</u></b>
<b>Child Nutrition</b>	<b>10.553, 10.555 &amp; 10.559</b>
<b>Title I</b>	<b>84.010</b>
<b>CDBG/Entitlement</b>	<b>14.218</b>
<b>Race-to-the-Top – ARRA</b>	<b>84.395</b>

8. The **threshold** used for distinguishing Type A and B programs was **\$300,000**.
9. The City of Kingsport, Tennessee was **not** determined to be a **low risk auditee**.

CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

**Section II – Findings - Financial Statement Audit**

**2014-001: Capital Asset Recording (Material Weakness)**

*Condition:* The City failed to properly report several capital assets. Construction period interest was calculated on certain items and capitalized as a portion of the cost of the asset after the assets were completed and placed in service. Additionally the City failed to record certain assets in the capital asset software and begin depreciation at the time they were placed in service.

*Cause:* The City failed to follow their capitalization policies properly.

*Effect:* The City's capitalized interest was overstated and depreciation was understated.

*Recommendation:* Capitalized interest for assets should only be calculated up until the point that those assets are substantially complete and ready for use. We recommend, when identifiable portions of a project are placed into service, those items be moved out of construction in progress, placed in service and begin depreciating the asset.

*Management Response:* We realize depreciation was understated and capitalized interest was overstated. These recording problems related primarily to long term construction projects for the Aquatic Center and the MeadowView expansion. Although the new buildings were put in service prior to July 1, 2013, there were still several loose ends left to complete the projects and finalize the information to allow the assets to be recorded.

In the push to get the projects closed and the assets set up by year end, they were recorded as of June 2014 when the projects were closed. This resulted in only one month's charge of depreciation even though the buildings had been used the full year which understated depreciation expense.

In addition staff calculated capitalized interest for the Aquatic Center and MeadowView on the weighted average method. This method works well for water and sewer funds which always have some construction going on. However the same calculation caused the Aquatic Center and MeadowView capitalized interest to be overstated because staff followed the routine formula without considering that the buildings were already in use.

Management will instruct staff to consider that the date placed in service may in fact be well before the project is closed and to reflect this when the asset is capitalized.

**2014-002: Deficiencies in Controls over Accounts Payable (Significant Deficiency)**

*Condition:* During examination of subsequent disbursements we noted a payable related to the current fiscal year which was not properly recorded. The controls in place at the City failed to capture and properly record an account payable of the City as of the end of the fiscal year.

*Cause:* The City failed to identify and capture a payable related to the health insurance fund.

*Effect:* The City's accounts payable were understated.

*Recommendation:* We recommend the City implement control procedures to ensure that all payables are captured and recorded accurately.

CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

**Section II – Findings - Financial Statement Audit (Continued)**

*Management Response:* Normally our accounts payable staff does an excellent job getting all payables in the correct fiscal year. However, for all of FY2014, the accounts payable group has been operating with one less staff position. Reinstatement of this position will be requested for in the FY2016 budget and hopefully approved.

Payables related to the health insurance fund are accrued based on lag reports provided by Humana, the City's third party administrator. Because of this routine the payable discovered during the audit had been overlooked by staff. The payable in question was a September 2014 invoice from our stop loss insurance provider billing us for an overpayment of stop loss reimbursement for calendar year 2013.

Management will instruct accounts payable staff to bring any invoices with old dates to our attention for review.

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

**2014-003: Race-to-the-Top, ARRA – CFDA 84.395 Cash Management**

*Condition:* During the testing of the Race-to-the-Top grant, it was noted that some items were requested for reimbursement prior to the payment of the goods occurring.

*Cause:* When certain expenses near year-end were posted to the incorrect period, the request for reimbursement included those items that had only been encumbered and not yet expended and paid.

*Effect:* A request for reimbursement was made on grant items that had not been expended and paid.

*Recommendation:* We recommend that the City implement procedures to ensure that all items included in the request for reimbursement have been properly expended and paid prior to the request being made.

*Management Response:* The invoice for the expense in question had been recorded as received at the department level as a result of misunderstood instructions. Since the invoice was recorded as received at June 30, 2014, the expense was accrued. Since the expense was accrued, the related revenue was accrued to keep the grant project in balance. The request for reimbursement had not been done at June 30, 2014.

The request for reimbursement was done in September 2014. Since it was the final request for the grant the invoice was included even though it had not yet been paid. The invoice was paid in October 2014.

Management will instruct staff to watch for any unpaid invoices when preparing grant reimbursement requests.

**Section IV – Findings and Questioned Costs – State of Tennessee**

None.

CITY OF KINGSPORT, TENNESSEE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2014

**Financial Statement Audit**

**13-1: Capital Asset Recording (Significant Deficiency)**

*Condition:* The City failed to properly report their governmental capital assets. Items were noted that were expensed which should have been capitalized per the City's capitalization policy. Additionally, adjustments were made to governmental capital assets related to items which were improperly capitalized in prior years as well as adjustments to items which were improperly expensed rather than capitalized in prior years.

*Current year status:* These issues were not noted in current year; however, other errors were noted in recording of capital assets. See finding 2014-001 for current year.

**Major Federal Award Programs Audit**

There were no prior year audit findings.

*Picture Provided by  
Kingsport Chamber of Commerce  
Photography by Ray Austin*