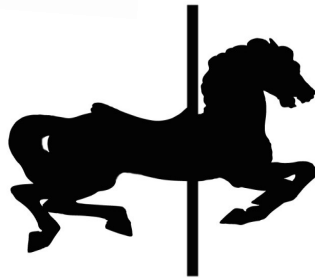


City of



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



City of Kingsport, Tennessee
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013



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, 2013

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CITY OF KINGSPORT, TENNESSEE

December 30, 2013

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, 2013.

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, 2013. 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 51,264. 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 15th. The BMA is required to hold two public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Kingsport's fiscal year. The appropriation budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department and between departments within any fund. Transfers of appropriations between funds, however, require the approval of the BMA. Budget-to-actual comparisons are provided in this report. The general fund comparison is presented on pages 35 through 37 as part of the basic financial statements for the City's funds.

Factors Affecting Financial Condition

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

Local Economy Kingsport is the largest City in the Kingsport - Bristol, TN – Bristol, VA Metropolitan Statistical Area which has a population of 312,908 (per 2011 U.S. Census ACS 1-Year Estimates). 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's economic environment strengthened in 2013, with the Project Inspire announcement that 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.

At the May 2013 announcement of Inspire, Eastman CEO Jim Rogers called the investment a "landmark" effort to modernize and expand the company's largest manufacturing site and corporate campus that will preserve Eastman's footprint in Kingsport for decades to come. The effort kicked formally off in late October with a new 300,000 square feet corporate business center groundbreaking.

In recent years, Eastman has dramatically cut its 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.

Eastman products are used in the transportation, construction, and consumables markets, with products such as an additive that reduces tire wear, materials that prevent auto glass from shattering and a fiber used in manufacturing cigarettes and yarn.

In addition, the \$4.8 billion acquisition of performance and specialty chemicals producer Solutia, added more than \$2 billion in annual sales.

Overall, Kingsport and the Tri-Cities Consolidated Statistical Area outperformed national job market trends for more than three years, with unemployment hovering in the mid-7 percent range. The top 7 job producers for the Kingsport-Bristol Metropolitan Statistical Area as of December 2013 include:

- 1 – Manufacturing – 21,900
- 2 – Education and health services – 19,300
- 3 – Government – 16,500
- 4 – Retail trade – 15,100
- 5 – Leisure and hospitality – 12,300
- 6 – Business professional services – 9,900
- 7 – Mining, logging, construction – 7,500

The Kingsport-Bristol-Bristol MSA is the 63rd largest exporting region in the country by merchandise value, with key sectors including chemicals, pharmaceuticals, glass, aeronautical accessories & aviation, paper/packaging, and steel & titanium tubing.

Yet another positive economic indicator can be seen in sales tax collections that have hit consecutive high-water marks in the City of Kingsport for two years running.

Sales tax collections have grown 5.5 percent from 2008 to 2013, from \$14,640,220 to \$15,439,975. From the trough of the recession in the region, sales taxes have grown 10.2 percent, posting \$14,009,678 in FY10 to \$15,439,975 in FY13.

Sales per capita have grown fastest in Kingsport over the last decade or so, with sales per capita 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 Macadoo's slated to open in 2014 in the old Café Blue location, Hibbert Davis moving into the Old Bus Pit, the Sleepy Owl micro-brewery opening in the former Chamber of Commerce building, an Italian restaurant remodeling the old Mason Jar, Southern Smoke BBQ moving into Sharon's and the owners of the Italian Village, Raphael's and Giuseppe's looking to establish a new eatery near Wallace News in 2014.

In the real estate market, the National Homebuilders' Association/First American Leading Markets Index for November 2013, which measures total housing market recovery including sales volume and new construction, found Johnson City with the strongest market in the state. Kingsport was tied with Knoxville for fifth at .88 percent of the previous home all-time housing market activity.

Foreclosures largely have become an afterthought in the Kingsport-Bristol-Bristol TN/VA MSA, dropping 75 percent from November 2012 to November 2013, according to RealtyTrac.com. According to the FY 13 building report for the City, a total of 79 new single-family dwellings were permitted between June 30, 2012 and July 1, 2013. This was two homes more than the previous fiscal year with a total self-reported construction cost of \$12.6 million, down 6.75 percent in value from the previous year.

The November 2013 building report for the City indicated nine new single family home construction permits were pulled at a value of \$1.85 million. The top two housing permits in the November report were valued at \$318,534 and \$360,000.

The U.S. Census Bureau reports that 45 percent of all homes in Kingsport have no mortgage whatsoever on them.

Finally, Kingsport's economic stability and sound budgeting and financial practices were recognized in 2013 with Standard & Poor's raising the City's bond rating to AA from AA-, with Moody's Investors Services reaffirming an equivalent Aa2 rating.

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 (\$14M), improvements to local roads and bridges (\$7M), improvements to Educational facilities (\$5M), improvements and expansion of J. Fred Johnson Stadium (4M), improvements to the Water System (\$15M), and improvements and expansion of the Wastewater System (\$24M). 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

In 2013, Kingsport continued an active focus on the promotion of access to higher education, people recruitment, and tourism development. 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. While encouraging, the educational attainment level of those within a 20-minute drive radius of Kingsport increased even quicker.

Kingsport's Academic Village, featuring five structures, including the Regional Center for Advanced Manufacturing (RCAM), provides both professional degree programs and industry-specific training to support existing businesses and recruit new industry.

The Academic Village currently hosts Northeast State Community College, with NSCC enrollment growing 127 percent, from 753 in 2007 to 1,706 in 2012. Including students attending King College, Lincoln Memorial University, East Tennessee State University and the University of Tennessee, 2013 attendance is approximately 2,400 students.

Kingsport's efforts in Higher Education have been honored by Harvard University, the National League of Cities and the Tennessee Municipal League.

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, some 3,251 families have relocated from 50 states to Kingsport.

Meanwhile, Kingsport's investment in the Aquatic Center generated huge initial interest, with more than 80,000 visitors in the first six months of operation. The 50-meter indoor aquatic center in the MeadowView area is designed to meet the community's immediate needs as well as serve as a new tourist attraction for the region. The 50-meter pool is the only such facility within a 120 mile radius. The project is collocated with a YMCA fitness facility.

In 2013, the Board of Mayor and Aldermen established a strong new focus on tracking and reducing work place injuries and subsequent lost time costs, while also providing major new dollars through a bond package to repair the City's aging water intake structure, expand sewer services into newly annexed areas, and secure replacement softball fields in the wake of Eastman's corporate expansion onto the former Eastman ball fields. Also, a long-advocated effort to modernize J. Fred Johnson Stadium was realized in 2013 with a \$4.59 million commitment to update bathrooms, seating and general stadium conditions.

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, 2012. This was the 13th 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, 2012. The annual budget document dated July 1, 2013 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,



John G. Campbell
City Manager



James H. Demming
City Recorder/CFO



Government Finance Officers Association

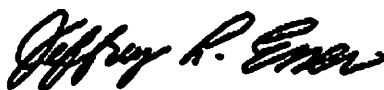
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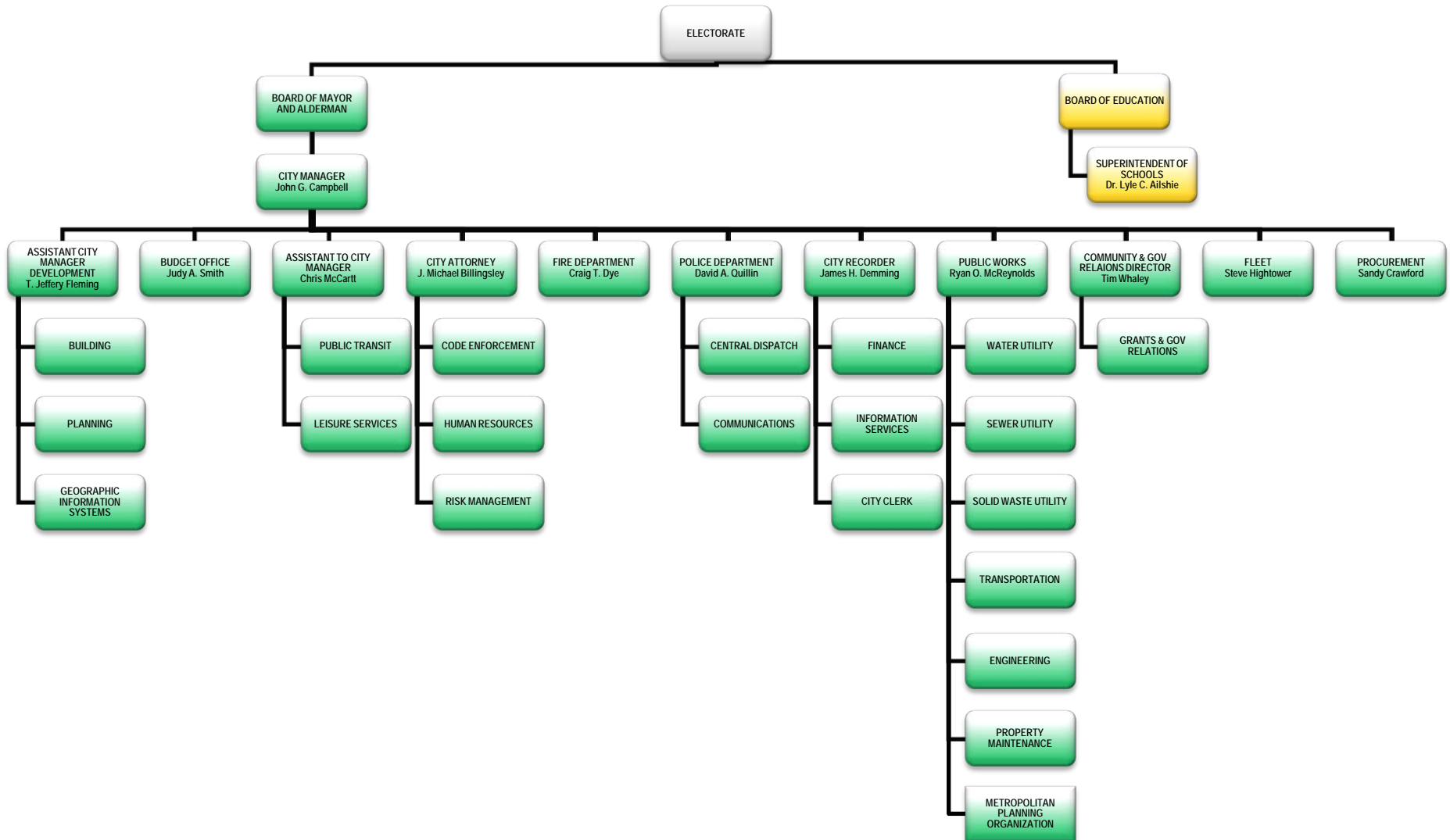
**City of Kingsport
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012



Executive Director/CEO



CITY OF KINGSFORT, TENNESSEE

HISTORY AND ORGANIZATION

The City of Kingsport 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 Director of Schools and other personnel, formulating policies and operating the school system within the framework of State statutes and the City Charter and Code.

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

CITY OF KINGSPORT, TENNESSEE

PRINCIPAL OFFICIALS

AS OF

June 30, 2013

BOARD OF MAYOR AND ALDERMEN

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

CHARTER OFFICERS

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

DEPARTMENT HEADS

Christopher W. McCartt	Assistant to the City Manager
Craig T. Dye	Fire Chief
Ryan O. McReynolds	Public Works Director
T. Jeffrey Fleming	Assistant City Manager for Development
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, 2013

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Kingsport
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, 2013, 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 represent 21 percent, 34 percent, and 20 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 represent 21 percent, 34 percent, and 20 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, 2013, 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 129 through 130, and page 131 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 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 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 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, 2013, 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, 2013



A. MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
(amounts expressed in thousands)**

As management of the City of Kingsport (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. 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 \$424,434 (net position). Of this amount, \$7,623 (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 \$5,501. Of this decrease \$4,640 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 \$32,090, a decrease of \$22,452. The decrease primarily relates to use of bond proceeds in capital projects. Approximately 36% of this total fund balance, \$11,538, 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 \$11,538 or approximately 17% of total general fund expenditures including transfers out.
- The City's total gross debt decreased by \$15,603 (7%) during the current fiscal year. The decrease is the result of principal payments as well as a major refunding issue which closed February 8, 2013. The City issued \$43,095,000 General Obligation Refunding Bonds, Series 2013.

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 liabilities, with the difference between the two 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, 2013
(amounts expressed in thousands)**

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, highway 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, 2013
(amounts expressed in thousands)**

Proprietary funds

The City maintains eleven (11) different types of proprietary funds, including enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, solid waste management, storm water management, aquatic center, convention center and golf course activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for vehicle maintenance and replacement and self-insurance activities. 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 45-128 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 131-161 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 \$424,434 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (98%) 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, 2013
(amounts expressed in thousands)

City of Kingsport's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 107,625	\$ 130,044	\$ 29,361	\$ 36,273	\$ 136,986	\$ 166,317
Capital Assets	330,440	340,754	277,511	250,852	607,951	591,606
Total Assets	438,065	470,798	306,872	287,125	744,937	757,923
Long-term Liabilities Outstanding	137,067	159,840	107,912	95,408	244,979	255,248
Other Liabilities	70,254	68,843	5,270	3,897	75,524	72,740
Total Liabilities	207,321	228,683	113,182	99,305	320,503	327,988
Net Position:						
Net Investment in Capital Assets	236,819	241,652	179,431	169,428	416,250	411,080
Restricted	196	178	365	620	561	798
Unrestricted	(6,271)	285	13,894	17,772	7,623	18,057
Total Net Position	\$ 230,744	\$ 242,115	\$ 193,690	\$ 187,820	\$ 424,434	\$ 429,935

A portion of the City's net position, \$561 (less than 1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$7,623 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 \$5,501. Net position for governmental activities decreased by \$11,371 while net position for business-type activities increased by \$5,870.

The \$11,371 current year decrease in net position for governmental activities was primarily a result of recording the annual OPEB liability of \$4,352 in accordance with GASB 45, as well as recording \$14,304 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 2013, water rates increased 2% for customers inside the City limits and 1% for customers outside the City limits. Sewer rates increased 3% for customers inside the City limits while customers outside the City limits remained at the same rates. 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, 2013
(amounts expressed in thousands)

The following is a summary of activities for the City during the fiscal year ended June 30, 2013:

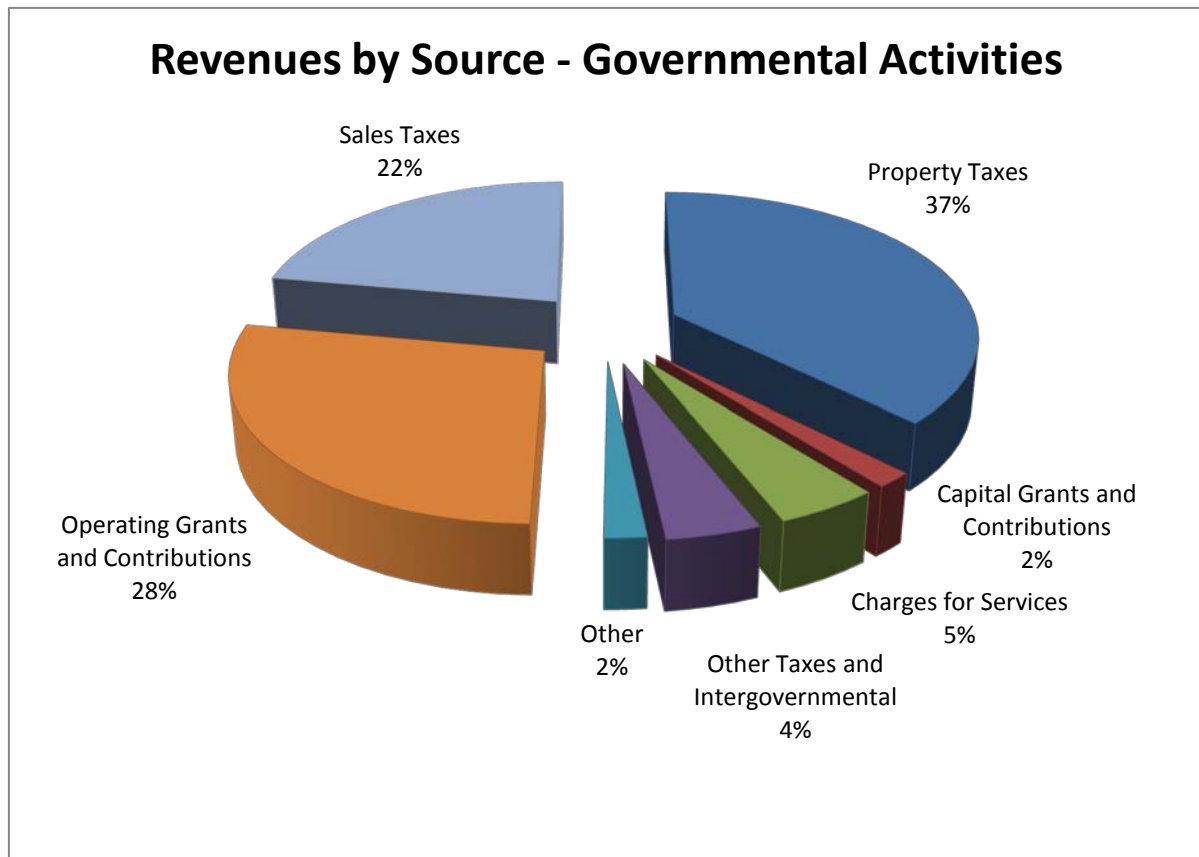
City of Kingsport's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,286	\$ 6,508	\$ 28,924	\$ 28,227	\$ 35,210	\$ 34,735
Operating Grants and Contributions	37,090	38,727	239	187	37,329	38,914
Capital Grants and Contributions	2,298	4,787	507	66	2,805	4,853
General Revenues						
Property Taxes	50,348	48,236	0	0	50,348	48,236
Sales Taxes	29,687	29,470	0	0	29,687	29,470
Other Taxes and Intergovernmental	5,805	5,634	0	0	5,805	5,634
Unrestricted Investment Earnings	333	401	161	153	494	554
Grants and Contributions Not						
Restricted to Specific Programs	1,371	1,361	0	0	1,371	1,361
Other	876	961	0	6	876	967
Total Revenues	<u>134,094</u>	<u>136,085</u>	<u>29,831</u>	<u>28,639</u>	<u>163,925</u>	<u>164,724</u>
Expenses:						
General Government	12,207	12,575	0	0	12,207	12,575
Public Safety	21,116	20,995	0	0	21,116	20,995
Public Works	13,505	13,398	0	0	13,505	13,398
Highway Transportation Planning	4,219	3,805	0	0	4,219	3,805
Economic and Physical Development	4,591	4,853	0	0	4,591	4,853
Culture and Recreation	7,295	6,691	0	0	7,295	6,691
Education	75,456	75,545	0	0	75,456	75,545
Interest on Long-term Debt	3,254	4,551	0	0	3,254	4,551
Water	0	0	10,374	10,329	10,374	10,329
Sewer	0	0	8,688	8,267	8,688	8,267
Solid Waste Management	0	0	4,246	4,367	4,246	4,367
Storm Water Management	0	0	849	672	849	672
Aquatic Center	0	0	753	0	753	0
MeadowView Conference Resort						
and Convention Center	0	0	1,560	1,363	1,560	1,363
Cattails at MeadowView Golf Course	0	0	1,313	1,325	1,313	1,325
Total Expenses	<u>141,643</u>	<u>142,413</u>	<u>27,783</u>	<u>26,323</u>	<u>169,426</u>	<u>168,736</u>
Increase (Decrease) in Net Position						
before Transfers	(7,549)	(6,328)	2,048	2,316	(5,501)	(4,012)
Transfers	<u>(3,822)</u>	<u>(3,615)</u>	<u>3,822</u>	<u>3,615</u>	<u>0</u>	<u>0</u>
Change in Net Position	(11,371)	(9,943)	5,870	5,931	(5,501)	(4,012)
Net Position, beginning of period	242,115	255,674	187,820	182,620	429,935	438,294
Prior Period Adjustment - Capital Assets	0	(1,365)	0	0	0	(1,365)
Prior Period Adjustment - Claims Payable	0	(2,251)	0	0	0	(2,251)
Prior Period Adjustment - Landfill Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>(731)</u>	<u>0</u>	<u>(731)</u>
Net Position, end of period	<u>\$ 230,744</u>	<u>\$ 242,115</u>	<u>\$ 193,690</u>	<u>\$ 187,820</u>	<u>\$ 424,434</u>	<u>\$ 429,935</u>

**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
(amounts expressed in thousands)**

Governmental Activities - Revenue

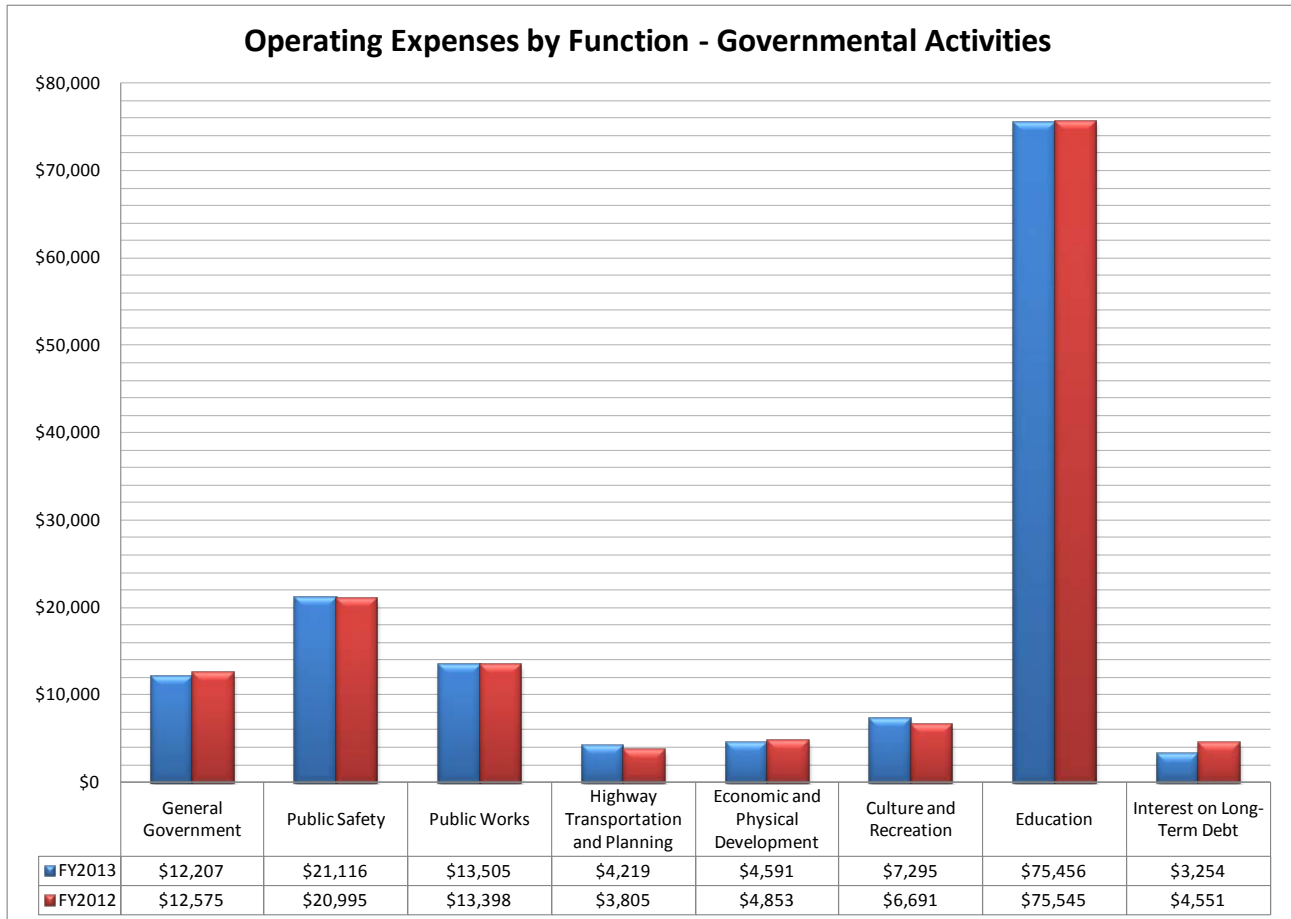
Governmental activities reduced the City's net position by \$11,371. The City's governmental revenues totaling \$134,094 was less than the prior year by \$1,991. Operating grants and contributions and capital grants and contributions were less than the prior year by \$1,637 and \$2,489, respectively. However property taxes were more than the prior year by \$2,112 and sales taxes were more than the prior year by \$217.



**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
(amounts expressed in thousands)**

Governmental Activities – Operating Expenses

Operating expenses for governmental activities were less than the prior year by \$770. Operating expenses for the general government function was less than the prior year by \$368 while operating expenses for the culture and recreation function was more than the prior year by \$604.

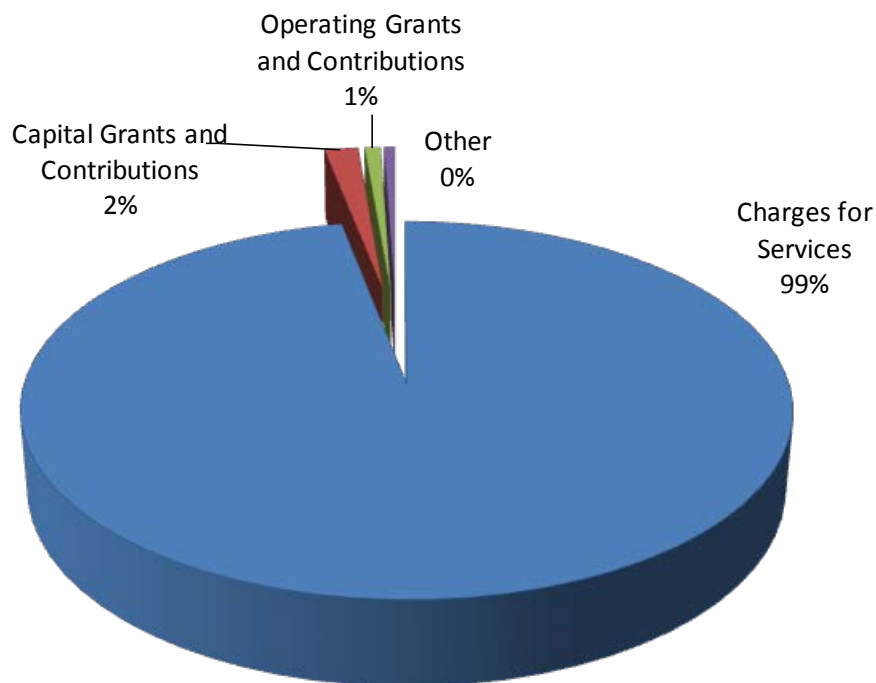


**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
(amounts expressed in thousands)**

Business-Type Activities - Revenue

Business-type activities increased the City's net position by \$5,870. The City's business-type revenues totaling \$29,831 was more than the prior year by \$1,192. A primary factor in the increased revenue is the City's Storm Water Management Fund which was established in December 2011.

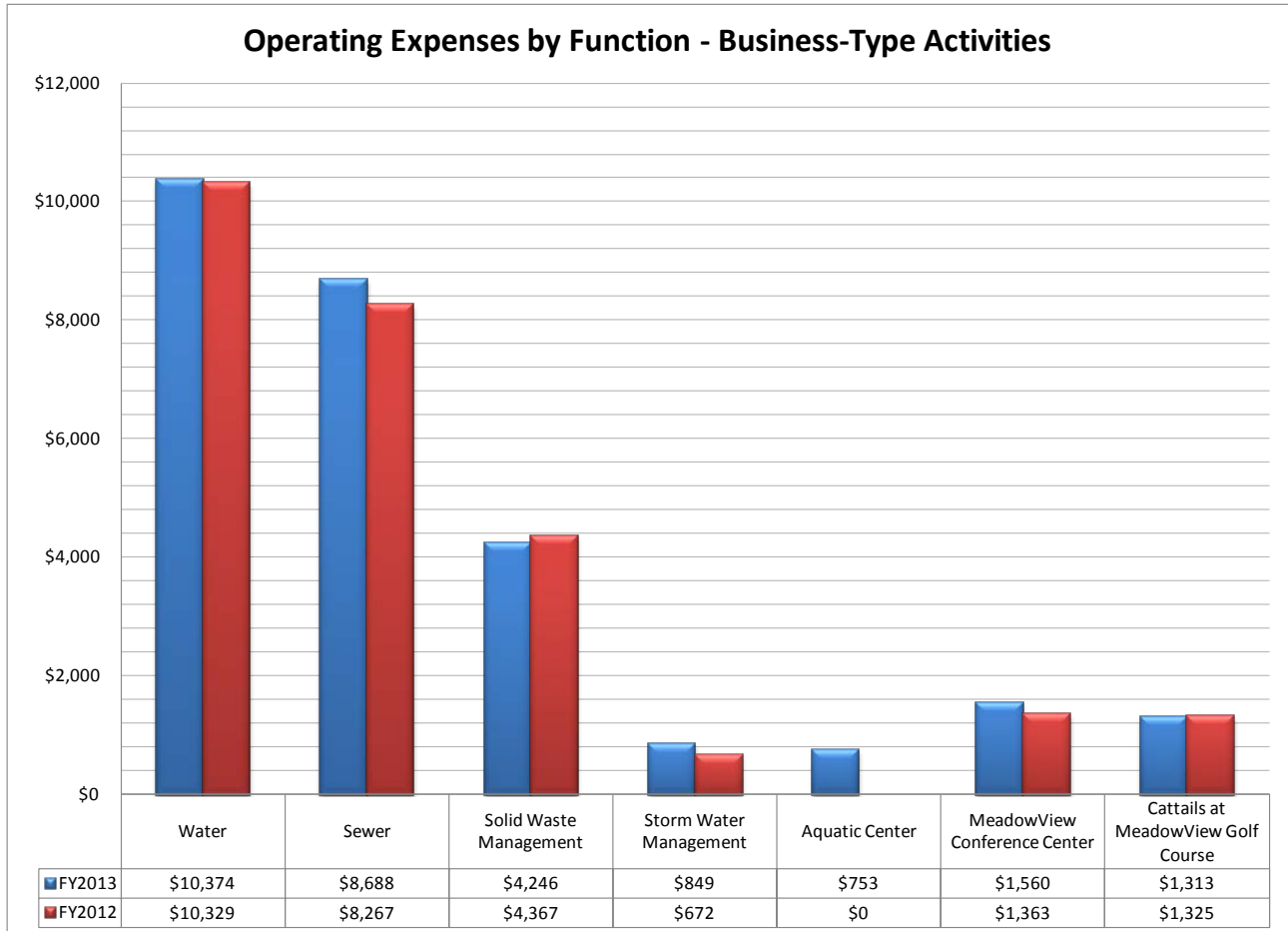
Revenue by Source - Business-Type Activities



**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
(amounts expressed in thousands)**

Business-Type Activities – Operating Expenses

Operating expenses for business-type activities were more than the prior year by \$1,460. Of this, \$177 represents an increase in expenses of the Storm Water Management Fund. In addition \$753 relates to the newly established Aquatic Center Fund.



**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
(amounts expressed in thousands)**

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Kingsport's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Kingsport's governmental funds reported combined ending fund balances of \$32,090 a decrease of \$22,452 in comparison with the prior year. Approximately 36% of this total amount, \$11,538 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance consists of \$455 nonspendable primarily attributed to inventories and a perpetual care trust, \$12,101 restricted primarily for capital projects, \$15 committed for specific school projects, and \$7,981 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 \$11,538 while total fund balance was \$11,635. Of the total fund balance \$23 is considered nonspendable while \$74 is considered assigned. The majority of the assigned fund balance represents fund balance allocations for fiscal year 2014. 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 2013, the fund balance of the City's General Fund decreased by \$938.

The general purpose school fund has a total fund balance of \$3,264, of which most is uncommitted. The net decrease in fund balance during the current year in the general purpose school fund was \$606.

The capital project fund has a total fund balance of \$12,362. Of this amount, \$12,058 represents unspent bond proceeds restricted for capital projects. The remainder of \$304 is assigned to the capital project fund. The net decrease in this fund balance of \$21,146 was primarily due to bond proceeds received during previous fiscal years being spent on capital projects during 2013.

The debt service fund has a total fund balance of \$21. Debt service expenditures (principal and interest) totaled \$10,569 for fiscal year 2013. This was \$593 more than the debt service expenditures paid in fiscal year 2012.

Nonmajor (other) governmental funds have a fund balance of \$4,808. The net increase in fund balance during the current year in nonmajor governmental funds was \$239.

**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
(amounts expressed in thousands)**

Proprietary funds

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

Unrestricted net position of the water and sewer funds at the end of the fiscal year amounted to \$7,524 and \$8,546 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 \$799 decrease and are detailed as follows:

\$	(976)	Reduce appropriations fund-wide in accordance with available revenues
	82	Appropriate fund balance for school central office building
	10	Appropriate various donations and grants received
	<u>85</u>	Provide funding for prior year encumbrances
<u>\$</u>	<u>(799)</u>	

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, 2013, amounts to \$607,951 (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 2013 was the reclassification of the Aquatics Center project that started as a governmental capital project but was moved to a newly established enterprise fund. Business-type construction in progress at the close of the fiscal year was \$89,888.
- 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 FY2013 was construction of an Aquatics Center with a budget of \$19,787. However the Board of Mayor and Aldermen established a new Aquatic Center enterprise fund and the aquatic center construction as well as the related debt were moved to the new fund. Governmental construction in progress at the close of the fiscal year was \$45,830.

**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
(amounts expressed in thousands)**

Additional information on the City's capital assets can be found in Note 4.C on pages 64-68 of this report.

City of Kingsport's Capital Assets

(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 24,063	\$ 23,233	\$ 6,330	\$ 5,466	\$ 30,393	\$ 28,699
Buildings and Systems	82,704	84,507	177,050	170,013	259,754	254,520
Improvements other than Buildings	10,434	4,689	3,255	2,986	13,689	7,675
Machinery and Equipment	16,867	14,191	976	1,034	17,843	15,225
Software	318	265	12	25	330	290
Infrastructure	150,224	152,934	0	0	150,224	152,934
Construction in Progress	45,830	60,935	89,888	71,328	135,718	132,263
Total Capital Assets	<u>\$ 330,440</u>	<u>\$ 340,754</u>	<u>\$ 277,511</u>	<u>\$ 250,852</u>	<u>\$ 607,951</u>	<u>\$ 591,606</u>

Long-term debt

At the end of the current fiscal year, the City had total gross debt outstanding of \$209,491. 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	
	2013	2012	2013	2012	2013	2012
Notes Payable	\$ 956	\$ 1,095	\$ 0	\$ 0	\$ 956	\$ 1,095
General Obligation Bonds	96,398	121,845	102,852	68,975	199,250	190,820
Loans from Other Governments	9,285	9,520	0	23,659	9,285	33,179
Total Long-term Debt	<u>\$ 106,639</u>	<u>\$ 132,460</u>	<u>\$ 102,852</u>	<u>\$ 92,634</u>	<u>\$ 209,491</u>	<u>\$ 225,094</u>

During the current fiscal year, the City's total gross debt decreased by \$15,603 (7%). The governmental activities long-term debt decreased by \$25,821 while business-type activities long-term debt increased by \$10,218.

The overall decrease in long-term debt can be attributed to principal payments made during the year ended June 30, 2013. In addition the City issued \$43,095,000 General Obligation Refunding Bonds, Series 2013 in February 2013. The refunding bonds were used to pay off all of the state revolving loans in the City's water and sewer funds as well as certain issues and partial issues involving Series 2004, 2005 and 2006.

The primary factor in the increase in business-type debt is that long-term debt totaling \$20,025 was moved from governmental activities to business-type activities. The majority of this debt related to the Aquatic Center project that began operations as an enterprise fund during fiscal year 2013.

**CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
(amounts expressed in thousands)**

The City currently has a rating of AA from Standard & Poor's Rating Services and a rating of Aa2 from Moody's Investors Service. The Standard & Poor's rating improved from a rating of AA- while the Moody's rating was reaffirmed in October 2013 in conjunction with a recent bond sale.

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

Additional information on the City's long-term debt can be found in Note 4.E on pages 73-111 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the municipal service area is currently 7.6%, which is a increase of 0.4% from a year ago. This compares to the state's average unemployment rate of 8.2 %.
- Inflationary trends in the region are comparable to national indices.
- 632 building permits with an estimated value of \$62,000 were issued during this fiscal year, compared to 741 building permits with an estimated value of \$75,196 for the previous year.

Short term interest rates on investments for the City's operating funds decreased to approximately 0.10% in fiscal year 2013 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 0.79% to 0.90% rates with one year commitments.

All of these factors were considered in preparing the City's budget for the 2014 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund decreased to \$11,538. The City has assigned fund balance of \$53 to cover encumbrances remaining from FY2013.

For the FY2014 budget year, both water and sewer rates were increased by 3% for all 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

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	Industrial Development Board	Emergency Communications District
ASSETS:					
Cash	\$ 1,616,463	\$ 2,400	\$ 1,618,863	\$ 770,529	\$ 2,838,046
Cash with Fiscal Agent	0	36,762	36,762	0	0
Equity in Pooled Cash and Investments	22,975,265	13,018,530	35,993,795	0	0
Long Term Certificates of Deposit	280,691	0	280,691	0	0
Investments	261,523	0	261,523	0	0
Accounts Receivable, Net	37,358,572	4,375,522	41,734,094	10,592	19,638
Accrued Interest Receivable	42,692	15,890	58,582	0	4,058
Due from Other Governments	25,927,523	171,799	26,099,322	0	20,440
Due from Primary Government	0	0	0	521,587	0
Due from Component Units	10,592	25,511	36,103	0	0
Internal Balances	0	0	0	0	0
Inventories	698,718	606,992	1,305,710	0	0
Prepays	202,771	473,460	676,231	41,162	83,984
Land Held for Sale or Development	0	0	0	6,885,361	0
Restricted Assets:					
Cash	12,296,248	8,838,099	21,134,347	0	0
Long Term Certificates of Deposit	1,000,000	56,000	1,056,000	0	0
Investments	3,408,172	327,475	3,735,647	337,297	0
Receivables	0	0	0	499,216	0
Capital Assets:					
Land	24,063,235	6,329,869	30,393,104	863,000	0
Buildings and Systems	154,803,058	286,693,880	441,496,938	2,537,000	0
Improvements Other Than Buildings	22,510,543	8,148,062	30,658,605	317,928	0
Machinery and Equipment	45,186,009	4,103,585	49,289,594	0	1,191,498
Software	678,544	66,400	744,944	0	0
Infrastructure	275,703,032	0	275,703,032	0	0
Construction in Progress	45,829,539	89,887,546	135,717,085	0	0
Less: Accumulated Depreciation	(238,333,402)	(117,717,752)	(356,051,154)	(193,540)	(712,860)
Other Assets, Net	1,545,418	1,412,306	2,957,724	0	0
Total Assets	438,065,206	306,872,336	744,937,542	12,590,132	3,444,804
LIABILITIES:					
Accounts Payable and Other Current Liabilities	15,065,694	2,467,720	17,533,414	7,418	7,254
Due to Primary Government	0	0	0	36,103	0
Due to Other Governments	4,682	217,384	222,066	0	0
Due to Component Units	37,856	3,731	41,587	0	0
Compensated Absences Payable	3,018,300	553,300	3,571,600	0	0
Arbitrage Rebate Payable	0	0	0	0	0
Matured Bonds and Interest Payable	0	36,762	36,762	0	0
Accrued Interest Payable	1,238,915	959,209	2,198,124	27,578	0
Unearned Revenue	50,888,532	32,338	50,920,870	425,417	0
Liabilities Payable from Restricted Assets	0	999,830	999,830	0	0
Noncurrent Liabilities:					
Due Within One Year	6,820,298	8,937,820	15,758,118	126,728	0
Due in More Than One Year	100,443,085	96,767,955	197,211,040	5,206,898	0
OPEB Liability	29,803,309	2,205,958	32,009,267	0	0
Total Liabilities	207,320,671	113,182,007	320,502,678	5,830,142	7,254
NET POSITION:					
Net Investment in Capital Assets	236,819,524	179,431,176	416,250,700	0	478,638
Restricted for Debt Service	0	127,811	127,811	0	0
Restricted for Capital Improvements	42,934	236,897	279,831	0	0
Restricted for Perpetual Care (Nonexpendable)	152,691	0	152,691	0	0
Unrestricted	(6,270,614)	13,894,445	7,623,831	6,759,990	2,958,912
Total Net Position	\$ 230,744,535	\$ 193,690,329	\$ 424,434,864	\$ 6,759,990	\$ 3,437,550

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

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	\$ 12,206,753	\$ 683,997	\$ 847,266	\$ 1,673,111	\$ (9,002,379)	\$ 0	\$ (9,002,379)		
Public Safety	21,116,177	1,106,058	562,531	0	(19,447,588)	0	(19,447,588)		
Public Works	13,504,933	0	0	0	(13,504,933)	0	(13,504,933)		
Highways and Transportation	4,219,117	127,303	2,412,978	624,980	(1,053,856)	0	(1,053,856)		
Economic and Physical Development	4,590,460	1,028,954	422,885	0	(3,138,621)	0	(3,138,621)		
Culture and Recreation	7,295,391	991,503	163,548	0	(6,140,340)	0	(6,140,340)		
Education	75,456,221	2,348,049	32,680,951	0	(40,427,221)	0	(40,427,221)		
Interest on Long Term Debt	3,253,559	0	0	0	(3,253,559)	0	(3,253,559)		
Total Governmental Activities	141,642,611	6,285,864	37,090,159	2,298,091	(95,968,497)	0	(95,968,497)		
Business - Type Activities:									
Water	10,373,689	12,235,550	66,110	71,394	0	1,999,365	1,999,365		
Sewer	8,687,619	12,611,643	99,187	331,752	0	4,354,963	4,354,963		
Solid Waste Management	4,246,071	802,090	4,966	0	0	(3,439,015)	(3,439,015)		
Storm Water Management	848,997	1,809,829	9,919	0	0	970,751	970,751		
Aquatic Center	753,495	331,444	41,942	0	0	(380,109)	(380,109)		
MeadowView Conference Resort and Convention Center	1,559,914	188,114	16,625	0	0	(1,355,175)	(1,355,175)		
Cattails at MeadowView Golf Course	1,313,104	945,421	0	103,869	0	(263,814)	(263,814)		
Total Business - Type Activities	27,782,889	28,924,091	238,749	507,015	0	1,886,966	1,886,966		
Total Primary Government	\$ 169,425,500	\$ 35,209,955	\$ 37,328,908	\$ 2,805,106	(95,968,497)	1,886,966	(94,081,531)		
Component Units:									
Industrial Development Board	\$ 5,731,697	\$ 4,779,988	\$ 338,755	\$ 0				\$ (612,954)	\$ 0
Emergency Communications District	509,972	607,625	0	0				0	97,653
Total Component Units	\$ 6,241,669	\$ 5,387,613	\$ 338,755	\$ 0				(612,954)	97,653
General Revenues:									
Property Taxes					50,347,648	0	50,347,648	0	0
Sales Taxes					29,687,264	0	29,687,264	0	0
Alcoholic Beverage Taxes					1,742,979	0	1,742,979	0	0
Occupational Licenses and Business Taxes					1,845,565	0	1,845,565	0	0
Hotel / Motel Taxes					1,507,778	0	1,507,778	0	0
Income Taxes					709,109	0	709,109	0	0
Grants and Contributions Not Restricted to Specific Programs					1,370,621	0	1,370,621	0	629,620
Unrestricted Investment Earnings					332,967	161,664	494,631	2,544	7,072
Miscellaneous					875,719	0	875,719	0	0
Transfers					(3,821,726)	3,821,726	0	0	0
Total General Revenues and Transfers					84,597,924	3,983,390	88,581,314	2,544	636,692
Change in Net Position					(11,370,573)	5,870,356	(5,500,217)	(610,410)	734,345
Net Position - Beginning					242,115,108	187,819,973	429,935,081	7,370,400	2,703,205
Net Position - Ending					\$ 230,744,535	\$ 193,690,329	\$ 424,434,864	\$ 6,759,990	\$ 3,437,550

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash	\$ 7,344	\$ 0	\$ 0	\$ 0	\$ 1,609,119	\$ 1,616,463
Equity in Pooled Cash and Investments	8,845,673	5,743,628	12,173	444,580	1,969,412	17,015,466
Long-Term Certificates of Deposit	0	0	0	30,000	250,691	280,691
Investments	0	0	0	0	261,523	261,523
Taxes Receivable, net	36,389,265	0	0	0	0	36,389,265
Accounts Receivable, net	865,326	51,954	0	0	37,392	954,672
Accrued Interest Receivable	0	0	1,675	8	40,905	42,588
Due from Other Governments	4,585,019	18,085,724	0	166,636	3,055,190	25,892,569
Due from Other Funds	616,973	1,174,774	0	0	0	1,791,747
Due from Component Units	10,592	0	0	0	0	10,592
Inventories	3,540	6,001	0	0	269,629	279,170
Prepays	20,233	2,771	0	0	0	23,004
Cash - Restricted	0	0	12,201	12,284,047	0	12,296,248
Investments - Restricted	0	0	0	973,450	42,934	1,016,384
Total Assets	\$ 51,343,965	\$ 25,064,852	\$ 26,049	\$ 13,898,721	\$ 7,536,795	\$ 97,870,382
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 393,957	\$ 406,025	\$ 5,000	\$ 1,217,275	\$ 850,744	\$ 2,873,001
Compensated Absences Payable	35,435	62,172	0	0	0	97,607
Due to Other Governments	4,387	0	0	0	4	4,391
Due to Other Funds	0	0	0	0	1,791,747	1,791,747
Due to Component Units	8,393	0	0	29,463	0	37,856
Contracts Payable	0	0	0	262,543	0	262,543
Other Liabilities	2,130,280	5,395,913	0	0	437	7,526,630
Advances from Other Funds	613,528	0	0	0	0	613,528
Deferred Revenue	36,522,609	15,936,738	0	27,500	86,114	52,572,961
Total Liabilities	39,708,589	21,800,848	5,000	1,536,781	2,729,046	65,780,264

(continued)

CITY OF KINGSPORT, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<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>
Fund Balances:						
Nonspendable:						
Inventory	3,540	6,001	0	0	269,629	279,170
Prepays	20,233	2,771	0	0	0	23,004
Allandale Trust Principal	0	0	0	0	152,691	152,691
Restricted for:						
Unspent Federal Forfeitures	0	0	0	0	42,934	42,934
Unspent Bond Proceeds	0	0	0	12,058,434	0	12,058,434
Committed to:						
DB Track Maintenance Project	0	15,000	0	0	0	15,000
Assigned to:						
Fund Balance Allocations	52,823	0	0	0	0	52,823
Future Industrial Park	20,927	0	0	0	0	20,927
Education	0	3,240,232	0	0	2,100,836	5,341,068
Debt Service	0	0	21,049	0	0	21,049
Capital Projects	0	0	0	303,506	0	303,506
Community Development	0	0	0	0	16,471	16,471
Other Projects	0	0	0	0	234,164	234,164
Public Safety	0	0	0	0	528,657	528,657
Transportation	0	0	0	0	853,499	853,499
Culture and Recreation	0	0	0	0	573,973	573,973
Allandale	0	0	0	0	34,895	34,895
Unassigned	11,537,853	0	0	0	0	11,537,853
 Total Fund Balances	 11,635,376	 3,264,004	 21,049	 12,361,940	 4,807,749	 32,090,118
 Total Liabilities and Fund Balances	 <u>\$ 51,343,965</u>	 <u>\$ 25,064,852</u>	 <u>\$ 26,049</u>	 <u>\$ 13,898,721</u>	 <u>\$ 7,536,795</u>	 <u>\$ 97,870,382</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, 2013

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

Total Fund Balance of Governmental Funds	\$ 32,090,118
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	321,150,556
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 deferred revenue until paid by property owners.	1,684,429
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,387,918
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.	15,560,140
Long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(141,128,626)</u>
Net Position of Governmental Activities	<u><u>\$ 230,744,535</u></u>

See accompanying notes to the basic financial statements.

CITY OF KINGSFORT, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 38,447,163	\$ 23,747,549	\$ 0	\$ 0	\$ 3,753,149	\$ 65,947,861
Licenses and Permits	357,816	0	0	0	0	357,816
Intergovernmental	22,056,020	24,530,784	225,936	277,161	11,818,520	58,908,421
Charges for Services	2,122,968	1,193,564	0	0	1,425,433	4,741,965
Fines and Forfeitures	648,957	0	0	0	159,207	808,164
Investment Earnings	38,116	0	218,268	7,124	9,886	273,394
Contributions and Donations	127,563	0	0	9,060	308,852	445,475
Miscellaneous	93,898	190,986	2,380	0	9,274	296,538
Total Revenues	63,892,501	49,662,883	446,584	293,345	17,484,321	131,779,634
EXPENDITURES:						
Current:						
General Government	8,796,127	0	0	0	636,377	9,432,504
Public Safety	19,068,656	0	0	0	353,623	19,422,279
Public Works	6,441,239	0	0	0	0	6,441,239
Economic and Physical Development	3,594,287	0	0	0	416,610	4,010,897
Transportation	0	0	0	0	4,219,117	4,219,117
Culture and Recreation	5,041,504	0	0	0	252,641	5,294,145
Maintenance	0	0	0	0	320	320
Education	0	58,487,954	0	0	8,515,779	67,003,733
Miscellaneous	1,045,894	0	0	0	0	1,045,894
Debt Service:						
Principal	0	0	6,436,120	0	0	6,436,120
Interest	0	0	4,133,024	0	0	4,133,024
Bond Issuance Costs	0	0	0	126,829	0	126,829
Other Costs	0	0	12,122	0	0	12,122
Capital Outlay	123,144	403,438	0	11,389,984	1,098,536	13,015,102
Total Expenditures	44,110,851	58,891,392	10,581,266	11,516,813	15,493,003	140,593,325
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,781,650	(9,228,509)	(10,134,682)	(11,223,468)	1,991,318	(8,813,691)

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	<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>
OTHER FINANCING SOURCES (USES):						
Transfers In	3,515,367	13,193,175	10,134,398	498,913	2,004,668	29,346,521
Transfers Out	(24,234,580)	(4,570,900)	0	(455,300)	(3,757,467)	(33,018,247)
Transfer of Previously Issued Bond Proceeds to Enterprise Funds	0	0	0	(10,596,258)	0	(10,596,258)
Issuance of Debt	0	0	0	500,000	0	500,000
Issuance of Debt - Refunding Bonds	0	0	0	12,177,052	0	12,177,052
Premiums on Debt Issued	0	0	0	1,068,429	0	1,068,429
Payments to Refunded Bond Escrow	0	0	0	(13,115,262)	0	(13,115,262)
Total Other Financing Sources (Uses)	<u>(20,719,213)</u>	<u>8,622,275</u>	<u>10,134,398</u>	<u>(9,922,426)</u>	<u>(1,752,799)</u>	<u>(13,637,765)</u>
Net Change in Fund Balances	(937,563)	(606,234)	(284)	(21,145,894)	238,519	(22,451,456)
Fund Balances, July 1, 2012	<u>12,572,939</u>	<u>3,870,238</u>	<u>21,333</u>	<u>33,507,834</u>	<u>4,569,230</u>	<u>54,541,574</u>
Fund Balances, June 30, 2013	<u>\$ 11,635,376</u>	<u>\$ 3,264,004</u>	<u>\$ 21,049</u>	<u>\$ 12,361,940</u>	<u>\$ 4,807,749</u>	<u>\$ 32,090,118</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, 2013

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

Net Change in Fund Balance of Governmental Funds	\$ (22,451,456)
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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 was less than depreciation of capital assets.	(1,289,125)
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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.	(587,955)
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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.	407,707
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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.	(822,679)
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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:	
Decrease in Compensated Absences	83,222
Increase in OPEB Liability	(4,352,063)
Decrease in Accrued Interest	343,891

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.	17,297,885
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Change in Net Position of Governmental Activities	<u>\$ (11,370,573)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes:				
General Property	\$ 34,041,800	\$ 33,595,573	\$ 33,596,776	\$ 1,203
Gross Receipts	4,799,500	4,850,387	4,850,387	0
Licenses and Permits	510,800	357,518	357,816	298
Intergovernmental:				
Federal	0	18,297	18,298	1
State	5,634,200	5,692,049	5,697,144	5,095
County	16,564,900	16,226,811	16,064,942	(161,869)
Local	308,700	308,700	275,636	(33,064)
Charges for Services	2,125,700	2,088,969	2,122,968	33,999
Fines and Forfeitures	792,500	647,500	648,957	1,457
Investment Earnings	65,500	37,943	38,116	173
Contributions and Donations	160,000	162,562	127,563	(34,999)
Miscellaneous	285,600	95,947	93,898	(2,049)
Total Revenues	<u>65,289,200</u>	<u>64,082,256</u>	<u>63,892,501</u>	<u>(189,755)</u>
EXPENDITURES:				
General Government:				
Board of Mayor and Aldermen	150,400	174,315	168,333	5,982
Judicial	31,000	26,208	25,911	297
City Attorney	426,500	418,974	414,803	4,171
City Manager	436,100	450,298	444,707	5,591
Deputy City Manager	56,200	50	0	50
Assistant to City Manager	109,400	142,130	140,270	1,860
Budget Office	189,200	180,136	177,783	2,353
Special Programs	2,752,000	2,936,364	2,924,945	11,419
Public Information Office	179,300	172,515	168,092	4,423
Personnel	1,073,400	923,551	919,089	4,462
Purchasing	238,000	243,818	239,478	4,340
Finance Administration	1,658,200	1,631,783	1,605,490	26,293
Records Administration	82,800	84,492	81,031	3,461
Information Services	1,004,300	1,059,644	1,048,731	10,913
Geographic Information	335,500	329,631	327,129	2,502
Grant Office	209,900	113,799	110,335	3,464
Total General Government	<u>8,932,200</u>	<u>8,887,708</u>	<u>8,796,127</u>	<u>91,581</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public Safety:				
Police Administration	1,626,800	1,470,980	1,463,538	7,442
Jail Operations	429,000	381,257	379,554	1,703
Training	290,600	284,617	282,505	2,112
Traffic School	7,800	7,831	7,457	374
Investigations	1,661,100	1,697,925	1,679,518	18,407
Patrol Division	5,878,100	5,584,498	5,546,819	37,679
Central Dispatch	1,092,800	1,100,576	1,086,853	13,723
Communications	279,400	281,463	275,775	5,688
Fire Control and Prevention	8,272,000	8,351,583	8,346,637	4,946
Total Public Safety	<u>19,537,600</u>	<u>19,160,730</u>	<u>19,068,656</u>	<u>92,074</u>
Public Works:				
Administration	164,000	163,987	162,447	1,540
Streets and Sanitation Administration	290,700	278,763	273,967	4,796
Street Cleaning	455,800	371,480	367,561	3,919
Street Maintenance	1,713,700	1,798,380	1,781,973	16,407
Building Maintenance	1,656,300	1,661,858	1,656,274	5,584
Grounds Maintenance	1,194,400	1,113,788	1,108,782	5,006
Park Maintenance	594,100	540,776	536,495	4,281
Inter Local Agreements	20,000	0	0	0
Landscaping	622,800	562,697	553,740	8,957
Total Public Works	<u>6,711,800</u>	<u>6,491,729</u>	<u>6,441,239</u>	<u>50,490</u>
Economic and Physical Development:				
Administration	395,000	414,411	411,789	2,622
Planning	483,100	451,537	447,596	3,941
Transportation	1,151,400	1,160,391	1,153,604	6,787
Charter Bus Service	10,800	11,600	10,948	652
Engineering	1,124,000	970,678	957,056	13,622
Code Enforcement	621,800	619,723	613,294	6,429
Total Economic and Physical Development	<u>3,786,100</u>	<u>3,628,340</u>	<u>3,594,287</u>	<u>34,053</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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Culture and Recreation:				
Administration	368,900	365,225	360,184	5,041
Adult Education	3,700	4,826	3,938	888
Parks and Recreation Centers	386,500	337,445	335,166	2,279
Lynn View	108,100	67,515	58,074	9,441
Farmers Market	15,300	10,788	9,890	898
Swimming Pools	154,100	132,699	131,924	775
Athletics	772,000	774,012	765,140	8,872
Cultural Arts	211,900	209,769	208,028	1,741
Allandale	212,600	213,948	211,174	2,774
Senior Citizens Center	646,800	649,750	643,563	6,187
Bays Mountain Park	1,156,900	1,128,499	1,115,284	13,215
Library	1,218,900	1,208,707	1,199,139	9,568
Total Culture and Recreation	5,255,700	5,103,183	5,041,504	61,679
Miscellaneous	236,015	1,048,386	1,045,894	2,492
Capital Outlay	141,900	205,254	123,144	82,110
Total Expenditures	44,601,315	44,525,330	44,110,851	414,479
Excess of Revenues Over Expenditures	20,687,885	19,556,926	19,781,650	224,724
Other Financing Sources (Uses):				
Transfers In	3,629,800	3,870,724	3,515,367	(355,357)
Transfers Out	(24,957,685)	(24,234,596)	(24,234,580)	16
Net Other Financing Sources (Uses)	(21,327,885)	(20,363,872)	(20,719,213)	(355,341)
Net Change in Fund Balances	(640,000)	(806,946)	(937,563)	(130,617)
Fund Balances, July 1, 2012	640,000	806,946	12,572,939	11,765,993
Fund Balances, June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,635,376</u>	<u>\$ 11,635,376</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, 2013

	<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	\$ 15,534,000	\$ 16,326,500	\$ 16,343,165	\$ 16,665
Gross Receipts Taxes	7,699,000	7,308,000	7,371,776	63,776
Other Taxes	62,000	32,000	32,608	608
Intergovernmental:				
Federal	283,004	334,553	281,365	(53,188)
State	24,529,200	24,521,998	24,249,419	(272,579)
County	0	0	0	0
Charges for Services	1,333,000	1,333,000	1,193,564	(139,436)
Miscellaneous	225,000	278,000	190,986	(87,014)
Total Revenues	<u>49,665,204</u>	<u>50,134,051</u>	<u>49,662,883</u>	<u>(471,168)</u>
EXPENDITURES:				
Instruction:				
Regular	30,669,241	31,491,496	31,491,165	331
Special Education	4,695,800	4,747,314	4,741,701	5,613
Vocational	1,465,800	1,485,576	1,415,377	70,199
Adult Education	130,800	130,800	110,515	20,285
Total Instruction	<u>36,961,641</u>	<u>37,855,186</u>	<u>37,758,758</u>	<u>96,428</u>
Student Support Services:				
Attendance	56,750	59,750	59,514	236
Health Services	570,812	601,215	600,536	679
Other	2,136,100	2,189,365	2,098,716	90,649
Total Student Support Services	<u>2,763,662</u>	<u>2,850,330</u>	<u>2,758,766</u>	<u>91,564</u>
Instructional Staff Support Services:				
Regular	3,428,457	3,537,890	3,445,627	92,263
Special Education	400,400	408,100	407,037	1,063
Vocational	150,950	150,950	143,748	7,202
Adult Education	116,254	116,254	95,655	20,599
Total Instructional Staff Support Services	<u>4,096,061</u>	<u>4,213,194</u>	<u>4,092,067</u>	<u>121,127</u>
General Administrative Support Services:				
Board of Education	1,255,700	1,262,200	1,259,969	2,231
Office of Superintendent	841,300	753,872	674,497	79,375
Total General Administrative Support Services	<u>2,097,000</u>	<u>2,016,072</u>	<u>1,934,466</u>	<u>81,606</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
School Administrative Support Services	2,846,465	2,865,087	2,851,719	13,368
Business Administrative Support Services	346,950	365,521	364,350	1,171
Operations and Maintenance Support Services:				
Operations	3,985,639	4,128,298	4,123,341	4,957
Plant Maintenance	1,842,800	2,216,194	2,206,856	9,338
Total Operations and Maintenance Support Services	5,828,439	6,344,492	6,330,197	14,295
Student Transportation Support Services	1,557,900	1,535,180	1,531,233	3,947
Noninstructional Services:				
After School Programs	355,650	363,903	313,908	49,995
Community Service	549,000	552,626	552,490	136
Total Noninstructional Services	904,650	916,529	866,398	50,131
Capital Outlay	1,327,648	572,317	403,438	168,879
Total Expenditures	58,730,416	59,533,908	58,891,392	642,516
Deficiency of Revenues Under Expenditures	(9,065,212)	(9,399,857)	(9,228,509)	171,348
OTHER FINANCING SOURCES (USES):				
Transfers In	13,339,850	13,339,850	13,193,175	(146,675)
Transfers Out	(4,274,638)	(4,871,634)	(4,570,900)	300,734
Total Other Financing Sources (Uses)	9,065,212	8,468,216	8,622,275	154,059
Net Change in Fund Balances	0	(931,641)	(606,234)	325,407
Fund Balances, July 1, 2012	0	931,641	3,870,238	2,938,597
Fund Balances, June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,264,004</u>	<u>\$ 3,264,004</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Business - Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
ASSETS:							
Current Assets:							
Cash with Fiscal Agent	\$ 36,762	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,762	\$ 0
Cash	0	0	2,400	0	0	2,400	0
Equity in Pooled Cash and Investments	6,432,449	5,965,771	100,265	35,851	484,194	13,018,530	5,959,799
Accounts Receivable, Net	1,912,123	1,969,843	26,480	96,343	370,733	4,375,522	14,635
Accrued Interest Receivable	15,420	460	0	0	10	15,890	104
Due from Other Governments	0	171,799	0	0	0	171,799	34,954
Due from Other Funds	0	794,834	0	0	0	794,834	0
Due from Component Units	10,715	14,796	0	0	0	25,511	0
Inventories	466,390	0	7,898	0	132,704	606,992	419,548
Prepays	46,182	0	0	0	0	46,182	179,767
Total Current Assets	8,920,041	8,917,503	137,043	132,194	987,641	19,094,422	6,608,807
Noncurrent Assets:							
Restricted Assets:							
Cash	110,295	78,853	855,590	85,000	83,000	1,212,738	0
Cash from Unspent Bonds	2,218,525	4,146,759	332,758	0	927,319	7,625,361	0
Long Term Certificates of Deposit	56,000	0	0	0	0	56,000	1,000,000
Investments	256,047	35,464	0	35,641	323	327,475	2,391,788
Total Restricted Assets	2,640,867	4,261,076	1,188,348	120,641	1,010,642	9,221,574	3,391,788
Capital Assets:							
Land	742,870	1,069,613	0	1,515,497	3,001,889	6,329,869	14,695
Buildings and Systems	102,851,110	158,472,337	600,698	23,602,740	1,166,995	286,693,880	14,897
Improvements Other Than Buildings	0	0	0	396,388	7,751,674	8,148,062	0
Software	66,400	0	0	0	0	66,400	0
Machinery and Equipment	1,117,352	833,088	0	1,132,671	1,020,474	4,103,585	26,819,131
Construction in Progress	9,228,491	40,346,168	19,317,038	18,268,481	2,727,368	89,887,546	0
Less: Accumulated Depreciation	(39,963,345)	(62,388,141)	0	(9,699,205)	(5,667,061)	(117,717,752)	(17,558,721)
Total Capital Assets	74,042,878	138,333,065	19,917,736	35,216,572	10,001,339	277,511,590	9,290,002
Other Assets:							
Advances to Other Funds	655,958	655,958	0	0	0	1,311,916	613,528
Deposits	0	0	0	0	0	0	157,500
Prepaid Landfill Closure Costs	0	0	0	0	427,278	427,278	0
Unamortized Bond Costs	243,084	517,502	307,339	285,226	59,155	1,412,306	0
Total Other Assets	899,042	1,173,460	307,339	285,226	486,433	3,151,500	771,028
Total Noncurrent Assets	77,582,787	143,767,601	21,413,423	35,622,439	11,498,414	289,884,664	13,452,818
Total Assets	86,502,828	152,685,104	21,550,466	35,754,633	12,486,055	308,979,086	20,061,625

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	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	613,886	294,258	255,687	143,205	841,791	2,148,827	329,005
Due to Other Governments	113,888	97,473	6,023	0	0	217,384	291
Due to Other Funds	0	0	0	0	794,834	794,834	0
Due to Component Units	0	0	0	3,731	0	3,731	0
Compensated Absences Payable	259,005	155,753	3,009	0	135,533	553,300	97,674
Retainages Payable	65,387	78,853	855,590	0	0	999,830	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	143,402	347,699	223,006	201,003	44,099	959,209	0
General Obligation Bonds - Current	2,357,181	5,050,693	625,700	677,121	227,124	8,937,819	0
Deferred Revenue	0	0	32,338	0	0	32,338	0
Other Payables	309,318	9,575	0	0	0	318,893	4,074,515
Total Current Liabilities	<u>3,898,829</u>	<u>6,034,304</u>	<u>2,001,353</u>	<u>1,025,060</u>	<u>2,043,381</u>	<u>15,002,927</u>	<u>4,501,485</u>
Noncurrent Liabilities:							
General Obligation Bonds Payable (Net of Deferred Refunding Costs, Discounts and Premiums)	19,697,433	41,781,181	17,354,856	13,804,741	4,129,745	96,767,956	0
Advances from Other Funds	0	0	1,311,916	0	0	1,311,916	0
OPEB Liability	1,083,398	639,880	8,467	0	474,213	2,205,958	0
Total Noncurrent Liabilities	<u>20,780,831</u>	<u>42,421,061</u>	<u>18,675,239</u>	<u>13,804,741</u>	<u>4,603,958</u>	<u>100,285,830</u>	<u>0</u>
Total Liabilities	<u>24,679,660</u>	<u>48,455,365</u>	<u>20,676,592</u>	<u>14,829,801</u>	<u>6,647,339</u>	<u>115,288,757</u>	<u>4,501,485</u>
NET POSITION:							
Net Investment in Capital Assets	54,206,789	95,647,950	2,269,938	20,734,710	6,571,789	179,431,176	9,290,002
Restricted for Debt Service	92,294	35,464	0	0	53	127,811	0
Restricted for Capital Improvements	0	0	0	146,785	90,112	236,897	0
Unrestricted	7,524,085	8,546,325	(1,396,064)	43,337	(823,238)	13,894,445	6,270,138
Total Net Position	<u>\$ 61,823,168</u>	<u>\$ 104,229,739</u>	<u>\$ 873,874</u>	<u>\$ 20,924,832</u>	<u>\$ 5,838,716</u>	<u>\$ 193,690,329</u>	<u>\$ 15,560,140</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, 2013

	Business - Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
OPERATING REVENUES:							
Charges and Fees	\$ 11,831,971	\$ 12,446,052	\$ 331,444	\$ 188,114	\$ 3,552,666	\$ 28,350,247	\$ 15,479,857
Penalties and Fines	382,079	152,501	0	0	0	534,580	0
Miscellaneous	21,500	13,090	32,874	0	4,674	72,138	476,414
Total Operating Revenue	12,235,550	12,611,643	364,318	188,114	3,557,340	28,956,965	15,956,271
OPERATING EXPENSES:							
Operating Costs	7,267,099	4,787,239	507,855	909,744	6,015,066	19,487,003	15,091,658
Depreciation	2,654,149	3,573,765	0	630,396	350,738	7,209,048	1,627,085
Total Operating Expenses	9,921,248	8,361,004	507,855	1,540,140	6,365,804	26,696,051	16,718,743
Operating Income (Loss)	2,314,302	4,250,639	(143,537)	(1,352,026)	(2,808,464)	2,260,914	(762,472)
NONOPERATING REVENUES:							
Investment Earnings	62,876	90,959	2,013	356	5,460	161,664	59,572
Federal Interest Subsidy	66,110	99,187	9,068	16,625	14,885	205,875	0
Interest Expense	(365,106)	(269,318)	(227,518)	(356)	(37,075)	(899,373)	0
Gain (Loss) on Disposal of Capital Assets	(58,911)	0	0	(1,253)	0	(60,164)	30,221
Amortization Expense	(28,424)	(57,297)	(18,122)	(18,165)	(5,293)	(127,301)	0
Total Nonoperating Revenues	(323,455)	(136,469)	(234,559)	(2,793)	(22,023)	(719,299)	89,793
Income (Loss) Before Capital Contributions and Transfers	1,990,847	4,114,170	(378,096)	(1,354,819)	(2,830,487)	1,541,615	(672,679)
Capital Contributions	71,394	331,752	0	0	103,869	507,015	0
Transfers In	134,465	0	1,293,306	2,009,901	3,507,717	6,945,389	0
Transfers Out	(1,473,760)	(1,417,056)	(41,336)	0	(191,511)	(3,123,663)	(150,000)
Change in Net Position	722,946	3,028,866	873,874	655,082	589,588	5,870,356	(822,679)
Net Position, July 1, 2012	61,100,222	101,200,873	0	20,269,750	5,249,128	187,819,973	16,382,819
Net Position, June 30, 2013	<u>\$ 61,823,168</u>	<u>\$ 104,229,739</u>	<u>\$ 873,874</u>	<u>\$ 20,924,832</u>	<u>\$ 5,838,716</u>	<u>\$ 193,690,329</u>	<u>\$ 15,560,140</u>

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, 2013

	Business - Type Activities - Enterprise Funds							
	Water Fund	Sewer Fund	Aquatic Center	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts from Customers and Users	\$ 12,432,989	\$ 12,515,759	\$ 363,589	\$ 376,603	\$ 3,498,251	\$ 29,187,191	\$ 0	
Receipts from Interfund Services Provided	110,477	236,623	12,610	0	110,322	470,032	15,942,203	
Payments to Suppliers	(2,708,930)	(2,980,843)	830,200	(1,195,232)	(2,990,999)	(9,045,804)	(12,588,422)	
Payments to Employees	(4,131,137)	(2,524,623)	(223,200)	0	(2,378,972)	(9,257,932)	(1,554,734)	
Net Cash Provided (Used) by Operating Activities	5,703,399	7,246,916	983,199	(818,629)	(1,761,398)	11,353,487	1,799,047	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Transfers from Other Funds	134,465	0	1,293,306	2,009,901	3,507,717	6,945,389	0	
Transfers to Other Funds	(1,473,760)	(1,417,056)	(41,336)	0	(191,511)	(3,123,663)	(150,000)	
Due To or From Other Funds	0	(794,834)	0	(169,187)	521,095	(442,926)	198,480	
Advances To or From Other Funds	(655,958)	(655,958)	1,311,916	0	(193,905)	(193,905)	414,505	
Net Cash Provided (Used) by Noncapital Financing Activities	(1,995,253)	(2,867,848)	2,563,886	1,840,714	3,643,396	3,184,895	462,985	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Proceeds from Capital Debt	3,116,611	29,759,787	18,297,612	0	2,089,954	53,263,964	0	
Capital Transfers from Other Funds	0	0	0	0	0	0	0	
Federal Revenue for Capital Projects	0	152,040	0	0	0	152,040	0	
Acquisition and Construction of Capital Assets	(4,472,440)	(4,870,828)	(19,917,736)	(668,788)	(3,643,827)	(33,573,619)	(2,628,710)	
Principal Paid on Capital Debt	(5,393,343)	(33,952,895)	(610,490)	(661,736)	(334,052)	(40,952,516)	0	
Interest Paid on Capital Debt	(347,314)	(238,360)	(27,471)	2,340	7,580	(603,225)	0	
Proceeds from Sales of Capital Assets	0	0	0	0	0	0	39,842	
Net Cash Used by Capital and Related Financing Activities	(7,096,486)	(9,150,256)	(2,258,085)	(1,328,184)	(1,880,345)	(21,713,356)	(2,588,868)	
CASH FLOWS FROM INVESTING ACTIVITIES:								
Proceeds from Sales and Maturities of Investments	207,727	10,134	0	222,944	1,312	442,117	0	
Purchase of Investments	0	0	0	0	0	0	(266,991)	
Interest Received	60,281	92,415	2,013	356	5,524	160,589	75,345	
Net Cash Provided (Used) by Investing Activities	268,008	102,549	2,013	223,300	6,836	602,706	(191,646)	
Net Increase (Decrease) In Cash and Cash Equivalents	(3,120,332)	(4,668,639)	1,291,013	(82,799)	8,489	(6,572,268)	(518,482)	
Cash and Cash Equivalents, July 1, 2012	11,918,363	14,860,022	0	203,650	1,486,024	28,468,059	6,478,281	
Cash and Cash Equivalents, June 30, 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>	

(continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Business - Type Activities - Enterprise Funds							
	Water Fund	Sewer Fund	Aquatic Center	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating Income (Loss)	\$ 2,314,302	\$ 4,250,639	\$ (143,537)	\$ (1,352,026)	\$ (2,808,464)	\$ 2,260,914	\$ (762,472)	
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Depreciation	2,654,149	3,573,765	0	630,396	350,738	7,209,048	1,627,085	
(Increase) Decrease in Assets:								
Accounts Receivable	320,220	155,101	(26,480)	92,146	51,233	592,220	(14,068)	
Inventory	15,490	0	(7,898)	0	(17,091)	(9,499)	(11,138)	
Prepays	(7,203)	0	0	0	(72,500)	(79,703)	426,070	
Increase (Decrease) in Liabilities:								
Accounts Payable	271,008	(448,808)	261,710	(185,099)	647,471	546,282	187,362	
Due to Component Units	0	0	0	(4,046)	0	(4,046)	0	
Deferred Revenue	0	0	32,338	0	0	32,338	0	
Benefits Payable	0	0	0	0	0	0	344,515	
Compensated Absences Payable	(5,469)	(5,267)	3,009	0	13,216	5,489	1,693	
OPEB Liability	126,521	79,439	8,467	0	73,999	288,426	0	
Other Payables	(1,599)	(19,329)	0	0	0	(20,928)	0	
Retainages Payable	15,980	(338,624)	855,590	0	0	532,946	0	
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,703,399</u>	<u>\$ 7,246,916</u>	<u>\$ 983,199</u>	<u>\$ (818,629)</u>	<u>\$ (1,761,398)</u>	<u>\$ 11,353,487</u>	<u>\$ 1,799,047</u>	
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET ASSETS:								
Cash with Fiscal Agent	\$ 36,762	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,762	\$ 0	
Cash	0	0	2,400	0	0	2,400	0	
Equity in Pooled Cash and Investments	6,432,449	5,965,771	100,265	35,851	484,194	13,018,530	5,959,799	
Restricted Cash from Unspent Bonds	2,218,525	4,146,759	332,758	0	927,319	7,625,361	0	
Restricted Cash	<u>110,295</u>	<u>78,853</u>	<u>855,590</u>	<u>85,000</u>	<u>83,000</u>	<u>1,212,738</u>	<u>0</u>	
Cash and Cash Equivalents, June 30, 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>	
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:								
Capital Assets Contributed by Developers	<u>\$ 71,394</u>	<u>\$ 331,752</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 103,869</u>	<u>\$ 507,015</u>	<u>\$ 0</u>	
Federal Interest Subsidy Paid Directly to Bank	<u>\$ 66,110</u>	<u>\$ 99,187</u>	<u>\$ 9,068</u>	<u>\$ 16,625</u>	<u>\$ 14,885</u>	<u>\$ 205,875</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, 2013

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. 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.

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Reporting entity (continued)

Discretely Presented Component Units (continued)

Proprietary Fund Type (continued)

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.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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.

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

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

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following non-major governmental funds:

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

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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.

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.

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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 used to fund special visitor enhancement projects.

The City reports the following major proprietary funds:

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

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

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

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

The City reports the following non-major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

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

D. Assets, liabilities and net position or equity

1. Deposits and investments

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

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

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

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

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

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, liabilities and net position or equity (continued)

2. Receivables and payables

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

All trade and property tax receivables 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.

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, liabilities and net position or equity (continued)

5. Capital assets (continued)

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Debt service interest for business-type activities totaled \$3,712,953 with \$899,373 being expensed and \$2,813,580 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	\$365,106	\$ 269,318	\$ 25,390	\$ 1,976	\$ 227,518	\$ 356	\$ 9,709	\$ 899,373
Capitalized Interest	209,739	1,281,003	26,737	87,038	600,698	605,151	3,214	2,813,580
Debt Service Interest	<u>\$574,845</u>	<u>\$1,550,321</u>	<u>\$ 52,127</u>	<u>\$ 89,014</u>	<u>\$ 828,216</u>	<u>\$ 605,507</u>	<u>\$ 12,923</u>	<u>\$3,712,953</u>

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, liabilities and net position or equity (continued)

6. *Compensated absences (continued)*

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

Changes in compensated absences for the fiscal year ending June 30, 2013 are as follows:

Compensated Absences, Beginning of Year	\$ 3,618,864
Compensated Absences Earned in FY2013	3,499,464
Compensated Absences Used in FY2013	<u>(3,546,728)</u>
Compensated Absences, End of Year	<u>\$ 3,571,600</u>

7. *Long-term obligations*

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

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. 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: This represents the City's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent 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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, liabilities and net position or equity (continued)

9. Fund equity

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

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

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

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision making authority, the Board of Mayor and Aldermen. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution and 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. Intent to assign fund balance is expressed by action of the Board of Mayor and Aldermen.

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. 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, 2013

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 \$321,150,556 difference are as follows:

Governmental funds capital assets	\$ 541,925,237
Less: accumulated depreciation	<u>(220,774,681)</u>
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 321,150,556</u></u>

Another element of that reconciliation explains that “other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.” The details of this \$1,387,918 difference are as follows:

Deferred bond issuance costs	\$ 2,113,402
Less: accumulated amortization	<u>(725,484)</u>
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 1,387,918</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 \$(141,128,626) difference are as follows:

Bonds payable, net of deferred refunding, premiums, and discounts	\$ (96,542,440)
Notes payable	(9,284,943)
Inter-local cooperative agreements	(480,000)
Capital outlay notes payable	(956,000)
Compensated absences	(2,823,019)
OPEB liability	(29,803,309)
Accrued interest payable	<u>(1,238,915)</u>
Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (141,128,626)</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

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 \$(1,289,125) difference are as follows:

Capital outlays	\$ 13,015,102
Depreciation expense	<u>(14,304,227)</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><u>\$ (1,289,125)</u></u>

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 \$(587,955) difference are as follows:

Capital asset donations reported in statement of activities	\$ 728,559
Capital asset roads annexed reported in statement of activities	623,377
Forfeited vehicles reported in statement of activities	18,500
Capital project expenditures not meeting capitalization requirements	(1,806,205)
Asset disposals	<u>(152,186)</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><u>\$ (587,955)</u></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 \$407,707 difference are as follows:

Deferred property taxes as of June 30, 2013	\$ 1,684,429
Prior years' property taxes collected during current year	<u>(1,276,722)</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>\$ 407,707</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 revenue of certain activities of internal service funds is reported with governmental activities.” The details of this \$(822,679) difference are as follows:

Investment earnings	\$ 59,572
Gain on disposal of capital assets	30,221
Operating loss	(762,472)
Transfers Out	<u>(150,000)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (822,679)</u></u>

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 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.” The details of this \$17,297,885 difference are as follows:

Principal payments	\$ 6,436,120
Inter-local cooperative agreement payments	620,000
Principal payments on HUD Loan	43,000
Transfer of previously issued bond proceeds to enterprise funds	10,596,258
Payments to refunded bonds escrow agent	13,115,262
Rounding amount received on refunding issue	3,390
Issuance of general obligation bonds and notes payable	(12,677,052)
Premium on issuance of general obligation bonds	(1,068,429)
Amortization of premiums, discounts and refunding costs	535,574
Bond issue costs	126,829
Amortization of deferred bond issue costs	<u>(433,067)</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>\$ 17,297,885</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013 are as follows:

	Major Governmental Funds				Other	Total
	General Fund	General Purpose Schools Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds	Governmental Funds
Fund Balances:						
<i>Non-spendable:</i>						
Inventory	\$ 3,540	\$ 6,001	\$ 0	\$ 0	\$ 269,629	\$ 279,170
Prepays	20,233	2,771	0	0	0	23,004
Allandale Trust Principal	0	0	0	0	152,691	152,691
Total Non-spendable	23,773	8,772	0	0	422,320	454,865
<i>Restricted for:</i>						
Unspent Federal Forfeitures	0	0	0	0	42,934	42,934
Unspent Bond Proceeds	0	0	0	12,058,434	0	12,058,434
Total Restricted	0	0	0	12,058,434	42,934	12,101,368
<i>Committed to:</i>						
DB Track Maintenance Project	0	15,000	0	0	0	15,000
Total Committed	0	15,000	0	0	0	15,000
<i>Assigned to:</i>						
Fund Balance Allocations	52,823	0	0	0	0	52,823
Future Industrial Park	20,927	0	0	0	0	20,927
Debt Service	0	0	21,049	0	0	21,049
Capital Projects	0	0	0	303,506	0	303,506
Other Projects	0	0	0	0	234,164	234,164
Community Development	0	0	0	0	16,471	16,471
Allandale Fund	0	0	0	0	34,895	34,895
Education:						
General Purpose School Fund	0	3,240,232	0	0	0	3,240,232
School Nutrition Fund	0	0	0	0	2,026,912	2,026,912
School Projects Fund - Safe Schools	0	0	0	0	8,138	8,138
Palmer Center Fund	0	0	0	0	65,786	65,786
Public Safety:						
Criminal Forfeiture Fund	0	0	0	0	94,962	94,962
Drug Fund	0	0	0	0	433,692	433,692
Justice Assistance Grant Fund	0	0	0	0	3	3
Transportation:						
Federal Transit Fund	0	0	0	0	314,837	314,837
MPO Fund	0	0	0	0	531,447	531,447
State Street Aid Fund	0	0	0	0	7,215	7,215
Culture and Recreation:						
Regional Sales Tax Fund	0	0	0	0	128,478	128,478
Visitors Enhancement Fund	0	0	0	0	253,619	253,619
Steadman Cemetary Fund	0	0	0	0	18,582	18,582
Library Commission Fund	0	0	0	0	1,233	1,233
Bays Mountain Park Fund	0	0	0	0	109,529	109,529
Senior Citizens Fund	0	0	0	0	62,532	62,532
Total Assigned	73,750	3,240,232	21,049	303,506	4,342,495	7,981,032
<i>Unassigned:</i>	11,537,853	0	0	0	0	11,537,853
Total Fund Balances	\$ 11,635,376	\$ 3,264,004	\$ 21,049	\$ 12,361,940	\$ 4,807,749	\$ 32,090,118

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

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

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

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

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

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2013, there was one instance of expenditures exceeding appropriations in the State Street Aid Fund. The capital outlay expenditure line exceeded the budget appropriation by \$515. This excess was covered by transfers in, received from the General Fund.

C. Deficit fund equity

For the fiscal year ended June 30 2013, 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, 2013

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, 2013, 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 \$58,733,542 and the bank balance was \$61,503,935. 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, 2013 for the IDBK, a discretely presented component unit, was \$770,529 and the bank balance was \$791,020. The IDBK's deposits in financial institutions were entirely insured through FDIC or collateralized through the Tennessee Bank Collateral Pool at June 30, 2013.

The carrying amount of deposits at June 30, 2013 for the ECD, also a discretely presented component unit, was \$2,838,046 and the bank balance was \$2,895,755. The ECD's deposits in financial institutions were entirely insured through FDIC or collateralized through the Tennessee Bank Collateral Pool at June 30, 2013.

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, 2013**

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

At June 30, 2013, 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	\$ 1,336,691	0.32
Tennessee Local Government Investment Pool	<u>3,997,170</u>	0.30
Total	<u>\$ 5,333,861</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, 2013.

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, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. Receivables

Receivables as of June 30, 2013 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	\$ 36,989,833	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,989,833	\$ 0
Accounts	975,985	113,823	0	1,989,047	2,265,921	26,480	96,343	37,392	420,547	14,635	5,940,173	30,230
Intergovernmental	4,585,019	18,085,724	166,636	0	171,799	0	0	3,055,190	0	34,954	26,099,322	20,440
Gross receivables	42,550,837	18,199,547	166,636	1,989,047	2,437,720	26,480	96,343	3,092,582	420,547	49,589	69,029,328	50,670
Less: Allowances for uncollectibles	(711,227)	(61,869)	0	(76,924)	(296,078)	0	0	0	(49,814)	0	(1,195,912)	0
Net total receivables	<u>\$ 41,839,610</u>	<u>\$ 18,137,678</u>	<u>\$ 166,636</u>	<u>\$ 1,912,123</u>	<u>\$ 2,141,642</u>	<u>\$ 26,480</u>	<u>\$ 96,343</u>	<u>\$ 3,092,582</u>	<u>\$ 370,733</u>	<u>\$ 49,589</u>	<u>\$ 67,833,416</u>	<u>\$ 50,670</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	\$ 118,889
Uncollectibles related to general activities	7,025
Uncollectibles related to school activities	15,897
Uncollectibles related to water sales	(9,292)
Uncollectibles related to sewer charges	6,734
Uncollectibles related to solid waste charges	8,658
Uncollectibles related to storm water management fees	9,948
Total uncollectibles of the current fiscal year	<u>\$ 157,859</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. Receivables (continued)

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	\$ 0	\$ 34,483,625
Delinquent property taxes receivable (general fund)	1,684,429	0
Other taxes receivable (general fund)	0	354,555
Property taxes receivable (general purpose school fund)	0	15,924,000
Service fees not yet earned (general purpose school fund)	0	12,738
Receipts for meals not yet served (school nutrition services)	0	44,318
Grant drawdowns (special school project fund)	0	41,796
Grant drawdowns (capital project fund)	0	27,500
Membership fees not yet earned (aquatic center fund)	0	32,338
	<u>0</u>	<u>32,338</u>
Total deferred / unearned revenue for governmental funds	<u>\$ 1,684,429</u>	<u>\$ 50,920,870</u>

Property taxes which are delinquent at year end are earned but not available. The tax year 2013 property taxes are unearned and unavailable, but are recorded as receivable on the lien date, as described in Note 1. Unearned revenue is considered a liability in the government wide statement of net position. However deferred revenue at the fund financial statement level includes both unearned and unavailable revenues.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets

Capital asset activity for the year ended June 30, 2013, was as follows:

Primary government

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 23,232,525	\$ 830,710	\$ 0	\$ 0	\$ 24,063,235
Construction in Progress	60,935,121	21,162,471	(16,000,272)	(20,267,781)	45,829,539
Total capital assets, not being depreciated	84,167,646	21,993,181	(16,000,272)	(20,267,781)	69,892,774
Capital assets, being depreciated:					
Buildings	150,702,541	4,100,517	0	0	154,803,058
Improvements other than buildings	15,738,092	6,793,340	(20,889)	0	22,510,543
Equipment	41,324,898	5,981,986	(2,120,875)	0	45,186,009
Software	582,763	195,358	(99,577)	0	678,544
Infrastructure	272,714,899	2,988,133	0	0	275,703,032
Total capital assets, being depreciated	481,063,193	20,059,334	(2,241,341)	0	498,881,186
Less accumulated depreciation for:					
Buildings	(66,195,164)	(5,904,124)	0	0	(72,099,288)
Improvements other than buildings	(11,049,111)	(1,047,960)	20,889	0	(12,076,182)
Equipment	(27,133,448)	(3,194,856)	2,009,384	0	(28,318,920)
Software	(318,076)	(86,481)	44,432	0	(360,125)
Infrastructure	(119,780,996)	(5,697,891)	0	0	(125,478,887)
Total accumulated depreciation	(224,476,795)	(15,931,312)	2,074,705	0	(238,333,402)
Total capital assets, being depreciated, net	256,586,398	4,128,022	(166,636)	0	260,547,784
Governmental activities capital assets, net	\$ 340,754,044	\$ 26,121,203	\$ (16,166,908)	\$ (20,267,781)	\$ 330,440,558

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets (continued)

Primary government (continued)

	Beginning Balance	Additions	Deletions	Adjustments	Amount
Business-type activities:					
Capital assets, not being depreciated:					
<u>Water</u>					
Land	\$ 742,870	\$ 0	\$ 0	\$ 0	\$ 742,870
Construction in Progress	9,584,078	3,656,733	(4,012,320)	0	9,228,491
<u>Sewer</u>					
Land	917,477	152,136	0	0	1,069,613
Construction in Progress	43,113,606	3,435,641	(6,203,079)	0	40,346,168
<u>Solid Waste Management</u>					
Land	1,308,121	0	0	0	1,308,121
Construction in Progress	408,188	1,027,164	0	0	1,435,352
<u>Storm Water Management</u>					
Land	0	712,168	0	0	712,168
Construction in Progress	0	666,686	0	0	666,686
<u>Aquatic Center</u>					
Construction in Progress	0	19,317,038	0	0	19,317,038
<u>Meadowview Conference Resort and Convention Center</u>					
Land	1,515,497	0	0	0	1,515,497
Construction in Progress	18,222,598	45,883	0	0	18,268,481
<u>Cattails at Meadowview Golf Course</u>					
Land	981,600	0	0	0	981,600
Construction in Progress	0	625,330	0	0	625,330
Total capital assets, not being depreciated	76,794,035	29,638,779	(10,215,399)	0	96,217,415
Capital assets, being depreciated:					
<u>Water</u>					
Buildings and system	100,074,242	4,881,608	(2,104,740)	0	102,851,110
Equipment and machinery	1,098,451	18,901	0	0	1,117,352
Software	66,400	0	0	0	66,400
<u>Sewer</u>					
Buildings and system	150,916,014	7,556,323	0	0	158,472,337
Equipment and machinery	729,319	117,569	(13,800)	0	833,088
<u>Solid Waste Management</u>					
Buildings and system	188,893	77,249	0	0	266,142
Improvements other than Buildings	1,177,264	0	0	1	1,177,265
Equipment and machinery	540,873	14,550	0	0	555,423
<u>Storm Water Management</u>					
Buildings and system	0	87,038	0	0	87,038
Improvements other than Buildings	0	534,297	0	0	534,297
<u>Aquatic Center</u>					
Buildings and system	0	600,698	0	0	600,698
<u>MeadowView Conference Resort and Convention Center</u>					
Buildings	22,997,589	605,151	0	0	23,602,740
Improvements other than Buildings	401,759	0	(5,371)	0	396,388
Equipment	1,114,917	17,754	0	0	1,132,671
<u>Cattails at MeadowView Golf Course</u>					
Buildings	810,601	3,214	0	0	813,815
Improvements other than Buildings	6,040,112	0	0	0	6,040,112
Equipment	465,051	0	0	0	465,051
Total capital assets, being depreciated	286,621,485	14,514,352	(2,123,911)	1	299,011,927

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets (continued)

Primary government (continued)

	Amount	Additions	Deletions	Adjustments	Amount
Less accumulated depreciation for:					
<u>Water</u>					
Buildings and system	(38,545,251)	(2,590,047)	2,044,741	0	(39,090,557)
Equipment and machinery	(767,739)	(50,822)	0	0	(818,561)
Software	(40,947)	(13,280)	0	0	(54,227)
<u>Sewer</u>					
Buildings and system	(58,261,572)	(3,536,891)	0	0	(61,798,463)
Equipment and machinery	(558,554)	(36,874)	5,750	0	(589,678)
<u>Solid Waste Management</u>					
Buildings and system	(91,206)	(5,830)	0	0	(97,036)
Improvements other than Buildings	(1,129,573)	(23,845)	0	0	(1,153,418)
Equipment and machinery	(259,843)	(61,511)	0	(1)	(321,355)
<u>Storm Water Management</u>					
Improvements other than Buildings	0	(35,620)	0	0	(35,620)
<u>MeadowView Conference Resort and Convention Center</u>					
Buildings	(7,789,408)	(560,918)	0	0	(8,350,326)
Improvements other than Buildings	(342,715)	(21,641)	4,116	0	(360,240)
Equipment	(940,803)	(47,837)	0	1	(988,639)
<u>Cattails at MeadowView Golf Course</u>					
Buildings	(286,698)	(20,150)	0	0	(306,848)
Improvements other than Buildings	(3,161,271)	(182,740)	0	0	(3,344,011)
Equipment	(387,731)	(21,042)	0	0	(408,773)
Total accumulated depreciation	(112,563,311)	(7,209,048)	2,054,607	0	(117,717,752)
Total capital assets, being depreciated, net	174,058,174	7,305,304	(69,304)	1	181,294,175
Business-type activities capital assets, net	\$ 250,852,209	\$ 36,944,083	\$ (10,284,703)	\$ 1	\$ 277,511,590

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

Governmental activities:	
General Government	\$ 775,403
Economic and Physical Development	490,695
Public Safety	1,205,413
Public Works	6,410,851
Culture and Recreation	1,680,109
Education	5,368,841
Total depreciation expense - governmental activities	<u>\$ 15,931,312</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets (continued)

Primary government (continued)

Business-type activities:	
Water	\$ 2,654,149
Sewer	3,573,765
Solid Waste Management	91,186
Storm Water Management	35,620
MeadowView Conference Resort and Convention Center	630,396
Cattails at MeadowView Golf Course	223,932
	<u>223,932</u>
Total depreciation expense - business-type activities	<u>\$ 7,209,048</u>

Construction commitments

The City has active construction projects as of June 30, 2013. 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 \$12,058,434 through bonded debt. In the proprietary funds, funding for construction projects has been provided and is in segregated deposit and investment accounts totaling \$7,625,361. 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, 2013:

		Business-Type					
	Governmental	Water	Sewer	Aquatic Center	MeadowView Conference Center	Other Enterprise Funds	Total Business-Type
Capital Assets	\$ 568,773,960	\$ 114,006,223	\$ 200,721,206	\$ 19,917,736	\$ 44,915,777	\$ 15,668,400	\$ 395,229,342
Less Accumulated Depreciation	(238,333,402)	(39,963,345)	(62,388,141)	0	(9,699,205)	(5,667,061)	(117,717,752)
Net Capital Assets	<u>330,440,558</u>	<u>74,042,878</u>	<u>138,333,065</u>	<u>19,917,736</u>	<u>35,216,572</u>	<u>10,001,339</u>	<u>277,511,590</u>
Total Debt	107,263,383	22,054,614	46,831,874	17,980,556	14,481,862	4,356,869	105,705,775
Less Debt not related to Capital Assets	(1,571,714)	0	0	0	0	0	0
Less Capital related unspent debt proceeds	(12,070,635)	(2,218,525)	(4,146,759)	(332,758)	0	(927,319)	(7,625,361)
Total Capital Debt	<u>93,621,034</u>	<u>19,836,089</u>	<u>42,685,115</u>	<u>17,647,798</u>	<u>14,481,862</u>	<u>3,429,550</u>	<u>98,080,414</u>
Net Investment in Capital Assets	<u>\$ 236,819,524</u>	<u>\$ 54,206,789</u>	<u>\$ 95,647,950</u>	<u>\$ 2,269,938</u>	<u>\$ 20,734,710</u>	<u>\$ 6,571,789</u>	<u>\$ 179,431,176</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 863,000	\$ 0	\$ 0	\$ 0	\$ 863,000
Total capital assets, not being depreciated	863,000	0	0	0	863,000
Capital assets, being depreciated:					
Buildings	2,537,000	0	0	0	2,537,000
Improvements other than buildings	37,501	225,005	0	0	262,506
Signs	55,422	0	0	0	55,422
Total capital assets, being depreciated	2,629,923	225,005	0	0	2,854,928
Less accumulated depreciation for:					
Buildings	(54,390)	(63,425)	0	0	(117,815)
Improvements other than buildings	(20,303)	0	0	0	(20,303)
Signs	(54,428)	(994)	0	0	(55,422)
Total accumulated depreciation	(129,121)	(64,419)	0	0	(193,540)
Total capital assets, being depreciated, net	2,500,802	160,586	0	0	2,661,388
IDBK capital assets, net	\$ 3,363,802	\$ 160,586	\$ 0	\$ 0	\$ 3,524,388

Activity for the ECD for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital assets, being depreciated:					
Equipment, furniture & fixtures and other	\$ 749,336	\$ 442,162	\$ 0	\$ 0	\$ 1,191,498
Total capital assets, being depreciated	749,336	442,162	0	0	1,191,498
Less accumulated depreciation for:					
Equipment, furniture & fixtures and other	(670,410)	(42,450)	0	0	(712,860)
Total accumulated depreciation	(670,410)	(42,450)	0	0	(712,860)
Total capital assets, being depreciated, net	78,926	399,712	0	0	478,638
ECD capital assets, net	\$ 78,926	\$ 399,712	\$ 0	\$ 0	\$ 478,638

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Inter-fund receivables, payables, and transfers

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General (major)	State Street Aid (nonmajor)	\$ 93,738
	Community Development (nonmajor)	33,854
	Regional Sales Tax Fund (nonmajor)	445,692
	Justice Assistance Grant Fund (nonmajor)	37,196
	Allandale Trust (nonmajor)	6,493
General Purpose School (major)	Public Law 93-380 (nonmajor)	913,186
	Special School Projects (nonmajor)	261,588
Sewer (major)	Solid Waste Management (nonmajor)	713,089
	Cattails at MeadowView Golf Course (nonmajor)	81,745
Total		<u><u>\$ 2,586,581</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)	\$ 613,528
Water (major)	Aquatics (major)	655,958
Sewer (major)	Aquatics (major)	655,958
Total		<u><u>\$ 1,925,444</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, 2013 includes principal, as well as accrued interest.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 78,494	\$ 4,780	\$ 83,274
2015	80,849	2,425	83,274
	<u>\$ 159,343</u>	<u>\$ 7,205</u>	<u>\$ 166,548</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:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 144,912	\$ 11,142	\$ 156,054
2015	148,534	7,520	156,054
2016	152,248	3,806	156,054
	<u>\$ 445,694</u>	<u>\$ 22,468</u>	<u>\$ 468,162</u>

Debt service requirements to maturity for an interfund loan issued in the amount of \$650,000 on June 30, 2013 by the Water Fund to the Aquatic Center Fund at an interest rate of 1.0% are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 0	\$ 6,500	\$ 6,500
2015	0	6,500	6,500
2016	650,000	0	650,000
	<u>\$ 650,000</u>	<u>\$ 13,000</u>	<u>\$ 663,000</u>

Debt service requirements to maturity for an interfund loan issued in the amount of \$650,000 on June 30, 2013 by the Sewer Fund to the Aquatic Center Fund at an interest rate of 1.0% are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 0	\$ 6,500	\$ 6,500
2015	0	6,500	6,500
2016	650,000	0	650,000
	<u>\$ 650,000</u>	<u>\$ 13,000</u>	<u>\$ 663,000</u>

**CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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	(8,393)
Component unit - IDBK	Primary government-MeadowView Fund	(3,731)
Component unit - IDBK	Primary government-General Project Fund	(29,463)
Total		<u>\$ (5,484)</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, 2013 are \$480,000. 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, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

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

Inter-fund transfers (continued)

Transfers in:												
Transfers out:	General	General Purpose School	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental	Water	Aquatic Center	Meadow View Conference Resort and Convention Center	Nonmajor Proprietary	Total Proprietary	Total
General	\$ 0	\$ 13,180,202	\$ 6,007,128	\$ 69,669	\$ 1,779,481	\$ 21,036,480	\$ 0	\$ 20,000	\$ 0	\$ 3,178,100	\$ 3,198,100	\$ 24,234,580
General Purpose School	252,744	0	3,671,970	429,245	216,941	4,570,900	0	0	0	0	0	4,570,900
Capital Projects	0	0	455,300	0	0	455,300	0	0	0	0	0	455,300
Nonmajor Governmental	123,425	12,973	0	(1)	8,246	144,643	0	1,273,306	2,009,901	329,617	3,612,824	3,757,467
Total Governmental	376,169	13,193,175	10,134,398	498,913	2,004,668	26,207,323	0	1,293,306	2,009,901	3,507,717	6,810,924	33,018,247
Water	1,473,760	0	0	0	0	1,473,760	0	0	0	0	0	1,473,760
Sewer	1,299,192	0	0	0	0	1,299,192	117,864	0	0	0	117,864	1,417,056
Aquatic Center	41,336	0	0	0	0	41,336	0	0	0	0	0	41,336
Nonmajor Proprietary	174,910	0	0	0	0	174,910	16,601	0	0	0	16,601	191,511
Total Proprietary	2,989,198	0	0	0	0	2,989,198	134,465	0	0	0	134,465	3,123,663
Fleet Maintenance	150,000	0	0	0	0	150,000	0	0	0	0	0	150,000
Health Insurance	0	0	0	0	0	0	0	0	0	0	0	0
Total Internal Service	150,000	0	0	0	0	150,000	0	0	0	0	0	150,000
Total	\$ 3,515,367	\$ 13,193,175	\$ 10,134,398	\$ 498,913	\$ 2,004,668	\$ 29,346,521	\$ 134,465	\$ 1,293,306	\$ 2,009,901	\$ 3,507,717	\$ 6,945,389	\$ 36,291,910

CITY OF KINGSFORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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.

Current and Advance Refundings

On February 8, 2013, the City issued General Obligation Refunding Bonds, Series 2013 with a par value of \$43,095,000 and an average interest rate of 3.11%. The proceeds were used to refund outstanding maturities which had interest rates ranging from 2.88% to 5.00% detailed as follows: certain General Obligation Refunding Bonds, Series 2004 in the amount of \$3,800,000; certain Water and Sewer System Revenue and Tax Refunding Bonds, Series 2004 in the amount of \$4,400,000; certain General Obligation Bonds, Series 2005 in the amount of \$1,045,000; certain Water and Sewer System Revenue and Tax Bonds, Series 2005 in the amount of \$1,615,000; certain General Obligation School and Public Improvement Bonds, Series 2006 in the amount of \$9,205,000; certain Water and Sewer System Revenue and Tax Bonds, Series 2006 in the amount of \$1,080,000; a Drinking Water State Revolving Fund Loan Agreement, DWF 98-009 in the amount of \$734,832; a Wastewater State Revolving Fund Loan Agreement, SRF 98-119 in the amount of \$948,631; a Wastewater State Revolving Fund Loan Agreement, SRF 99-123 in the amount of \$1,176,231; a Wastewater State Revolving Fund Loan Agreement, SRF 07-197 in the amount of \$17,757,808; a Wastewater State Revolving Fund Loan Agreement, SRF 07-200 in the amount of \$1,264,297; and a Wastewater State Revolving Fund Loan Agreement, SRF 09-240 in the amount of \$1,246,596. This refunding enabled the City to achieve an annual aggregate debt service savings of \$2,771,658 and a net present value savings of \$2,557,832.

The net proceeds of \$45,878,339 consisted of the par amount of the Refunding Bonds, plus a reoffering premium of \$3,244,906 less an underwriter's discount and other issuance costs of \$461,567. The distribution of net proceeds included a direct payment of \$23,128,395 to the State of Tennessee for payment of the outstanding State loans and \$22,749,944 deposited into an irrevocable escrow with the escrow agent to provide funds for the future debt service payments on the refunded bonds. The amounts associated with the State loans and the Series 2004 Bonds are considered current refundings. Certain General Obligation Bonds, Series 2005 in the amount of \$1,045,000; certain Water and Sewer System Revenue and Tax Bonds, Series 2005 in the amount of \$1,615,000; certain General Obligation School and Public Improvement Bonds, Series 2006 in the amount of \$9,205,000; and certain Water and Sewer System Revenue and Tax Bonds, Series 2006 in the amount of \$1,080,000 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.

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, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

Long-term liabilities (continued)

Transfers

During fiscal year 2013, the City recorded transfers totaling \$20,024,671 related to, previously issued general obligation debt from governmental activities general long-term debt to certain business-type activities enterprise funds. At the time debt was issued, the Storm Water Fund and Aquatic Center Fund were not operational as enterprise functions of the City.

The Storm Water fund received a total liability of \$1,654,674 consisting of \$652,452 of General Obligation Bonds, Series 2009A; \$606,808 of General Obligation Bonds, Series 2009D Build America Bonds; and \$395,414 of General Obligation Public Improvement Bonds, Series 2011. The related capital assets and construction in progress were also transferred to the Storm Water fund.

The Aquatic Center Fund received a total liability amount of \$18,049,170 consisting of \$554,170 General Obligation Bonds, Series 2009D Build America Bonds; \$14,225,000 of General Obligation Bonds, Series 2009E; \$160,000 of General Obligation Public Improvement Bonds, Series 2011; and \$3,110,000 of General Obligation Public Improvement Bonds, Series, 2012A. The related construction in progress was also transferred to the Aquatic Center fund.

The liability transferred to the Cattails Golf Course Fund totaled \$320,827 and resulted from the reassignment of certain discretionary capital projects debt proceeds to fund capital improvements to the municipal golf course facilities.

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, 2013, \$480,000 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, 2013, \$1,762,340 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, 2013, \$826,133 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, 2013, \$956,000 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, 2013, \$135,714 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, 2013, \$1,014,326 is outstanding.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term liabilities (continued)

Notes Payable (continued)

Governmental Activities (continued):

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, 2013, \$770,000 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, 2013, \$4,776,430 is outstanding.

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
2014	\$ 220,293	\$ 103,266	\$ 144,000	\$ 67,857	\$ 77,374	\$ 43,000	\$ 405,326
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>\$ 1,762,340</u>	<u>\$ 826,133</u>	<u>\$ 956,000</u>	<u>\$ 135,714</u>	<u>\$1,014,326</u>	<u>\$ 770,000</u>	<u>\$ 4,776,430</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013, the City issued General Obligation Refunding Bonds, Series 2013 at par value of \$43,095,000. The portion of these bonds related to general governmental activities totals \$12,177,052 and carry an average coupon rate of 3.09%. This refunding produced aggregate annual debt service and net present value savings related to governmental activities of \$685,555 and \$610,326, respectively.

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:

<u>Debt Service 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, 2013</u>
2004 General Obligation School	05/01, 11/01	12/06/04	\$ 2,850,000	3.000%-4.000%	\$ 200,000
2005 General Obligation	02/01, 08/01	12/06/05	2,826,250	3.750%-5.000%	796,250
2006 General Obligation	02/01, 08/01	12/20/06	13,320,000	3.625%-4.100%	1,895,000
2007 General Obligation	08/01, 02/01	06/08/07	19,360,000	4.000%-5.000%	16,190,000
2008A General Obligation	03/01, 09/01	06/12/08	7,480,000	3.500%-4.375%	6,320,000
2008B General Obligation	03/01, 09/01	06/12/08	11,165,000	3.500%-4.375%	9,435,000
2009A General Obligation	03/01, 09/01	01/22/09	12,160,000	2.000%-5.000%	10,084,108
2009B General Obligation	03/01, 09/01	01/22/09	7,100,000	2.000%-5.000%	6,255,000
2009D BABS General Obligation	03/01, 09/01	12/08/09	14,982,043	2.000%-5.000%	13,185,343
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%	4,327,290
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%	<u>12,177,052</u>
Total General Obligation Bonds (before deferred debt refunding costs of (\$1,690,566) and net premiums and discounts of \$1,834,847)					<u>\$ 96,398,159</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

General Obligation School Bonds, Series 2004, issued December 6, 2004, debt service requirements to maturity are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 200,000	\$ 7,200	\$ 207,200
	<u>\$ 200,000</u>	<u>\$ 7,200</u>	<u>\$ 207,200</u>

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>
2014	\$ 183,750	\$ 35,438	\$ 219,188
2015	192,500	26,250	218,750
2016	201,250	16,625	217,875
2017	<u>218,750</u>	<u>6,562</u>	<u>225,312</u>
	<u>\$ 796,250</u>	<u>\$ 84,875</u>	<u>\$ 881,125</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>
2014	\$ 610,000	\$ 70,244	\$ 680,244
2015	630,000	47,369	677,369
2016	<u>655,000</u>	<u>23,743</u>	<u>678,743</u>
	<u>\$ 1,895,000</u>	<u>\$ 141,356</u>	<u>\$ 2,036,356</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 875,000	\$ 685,587	\$ 1,560,587
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>\$ 16,190,000</u>	<u>\$ 5,566,837</u>	<u>\$ 21,756,837</u>

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
2014	\$ 315,000	\$ 258,613	\$ 573,613
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>\$ 6,320,000</u>	<u>\$ 2,299,963</u>	<u>\$ 8,619,963</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 470,000	\$ 386,075	\$ 856,075
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>\$ 9,435,000</u>	<u>\$ 3,433,750</u>	<u>\$ 12,868,750</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 475,488	\$ 408,507	\$ 883,995
2015	489,611	394,537	884,148
2016	508,442	380,153	888,595
2017	522,566	365,215	887,781
2018	536,689	349,863	886,552
2019	555,520	334,095	889,615
2020	574,352	312,334	886,686
2021	597,891	289,836	887,727
2022	621,429	266,415	887,844
2023	644,969	242,073	887,042
2024	677,923	213,650	891,573
2025	706,170	183,775	889,945
2026	739,125	152,655	891,780
2027	772,079	119,178	891,257
2028	809,742	81,373	891,115
2029	852,112	41,724	893,836
	<u>\$ 10,084,108</u>	<u>\$ 4,135,383</u>	<u>\$ 14,219,491</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term liabilities (continued)

Governmental Activities (continued):

Bonds Payable (continued)

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
2014	\$ 295,000	\$ 258,531	\$ 553,531
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>\$ 6,255,000</u>	<u>\$ 2,612,207</u>	<u>\$ 8,867,207</u>

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
2014	\$ 640,954	\$ 631,227	\$ 1,272,181
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	931,346	106,837	1,038,183
2030	967,971	54,449	1,022,420
	<u>\$ 13,185,343</u>	<u>\$ 6,530,466</u>	<u>\$ 19,715,809</u>

The GOB, Series 2009D Build America Bonds (BABS) carry an interest rate of 2.000% to 5.625%. The Federal government pays 35% of the interest due. During fiscal year 2013 the City's Debt Service Fund paid \$419,595 and the Federal government paid \$225,936 in interest, respectively.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 0	\$ 330,931	\$ 330,931
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>\$ 4,049,091</u>	<u>\$ 14,791,869</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
2014	\$ 461,140	\$ 129,819	\$ 590,959
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>\$ 4,327,290</u>	<u>\$ 451,808</u>	<u>\$ 4,779,098</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 0	\$ 140,206	\$ 140,206
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>\$ 1,428,338</u>	<u>\$ 6,218,676</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 1,112,850	\$ 401,776	\$ 1,514,626
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>\$ 12,177,052</u>	<u>\$ 2,944,836</u>	<u>\$ 15,121,888</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 5,639,182	\$ 3,744,154	\$ 9,383,336
2015	6,186,694	3,538,092	9,724,786
2016	6,032,870	3,326,263	9,359,133
2017	6,004,351	3,110,402	9,114,753
2018	6,244,332	2,898,118	9,142,450
Next Five Years	29,038,155	11,209,851	40,248,006
Next Five Years	30,082,492	5,273,748	35,356,240
Next Five Years	7,170,083	585,482	7,755,565
	<u>\$ 96,398,159</u>	<u>\$ 33,686,110</u>	<u>\$ 130,084,269</u>

The total on the statement of net assets has been adjusted by deferred debt refunding costs of (\$1,690,566) and net premiums and discounts of \$1,834,847.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 are 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, 2013, the City issued General Obligation Refunding Bonds, Series 2013 at par value of \$43,095,000. The amount of these bonds related to business-type activities totals \$30,917,948.

The Solid Waste Fund accounts for \$132,948 of the refunding bonds issued with an average coupon rate of approximately 3.09%. The refunding produced aggregate annual debt service and net present value savings related to the Solid Waste Fund of \$7,625 and \$6,788, respectively.

The Water Fund accounts for \$3,025,000 of refunding bonds issued with an average coupon rate of approximately 3.70%. The refunding produced aggregate annual debt service and net present value savings related to the Water Fund of \$170,961 and \$168,265, respectively.

The Sewer Fund accounts for \$27,760,000 of the refunding bonds issued with an average coupon rate of approximately 3.10%. The refunding produced aggregate annual debt service and net present value savings related to the Sewer Fund of \$1,907,517 and \$1,772,453 respectively.

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, 2013
<u>Solid Waste Management Fund</u>					
2005 General Obligation	02/01, 08/01	12/06/05	\$ 403,750	3.000%-5.000%	\$ 113,750
2009D BABS General Obligation	03/01, 09/01	12/08/09	303,404	2.250%-5.625%	289,448
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%	<u>132,948</u>
Total Solid Waste Management Fund (before deferred debt refunding costs of (\$13,076) and net premiums and discounts of \$47,817)					<u>\$ 1,678,129</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013
<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%	\$ 13,380,000
2009D BABS General Obligation	03/01, 09/01	12/08/09	1,016,085	2.250%-5.625%	<u>969,349</u>
Total MeadowView Conference Resort and Convention Center Fund (before net premiums and discounts of \$132,513)					<u>\$ 14,349,349</u>
<u>Cattails at MeadowView Golf Course Fund</u>					
1998 Golf Course-TMBF	Monthly	1998	\$ 1,450,000	Variable	\$ 507,000
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 \$6,509)					<u>\$ 1,024,721</u>
<u>Storm Water Fund</u>					
2009A General Obligation	03/01, 09/01	02/03/09	\$ 652,452	2.000%-5.000%	\$ 625,892
2009D BABS General Obligation	03/01, 09/01	12/08/09	606,808	2.250%-5.625%	578,897
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 \$12,566)					<u>\$ 1,600,203</u>
<u>Aquatic Center Fund</u>					
2009D BABS General Obligation	03/01, 09/01	12/08/09	\$ 554,170	2.250%-5.625%	\$ 528,680
2009E General Obligation	03/01, 09/01	12/08/09	14,225,000	2.500%-5.000%	13,640,000
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%	<u>3,110,000</u>
Total Aquatic Center Fund (before net premiums and discounts of \$541,876)					<u>\$ 17,438,680</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013</u>
2004 Water and Sewer Revenue and Tax	05/01, 11/01	12/06/04	\$ 1,625,000	2.750%-4.125%	\$ 120,000
2005 Water and Sewer Revenue and Tax	02/01, 08/01	12/06/05	870,000	3.000%-5.000%	240,000
2006 Water and Sewer Revenue and Tax	02/01, 08/01	12/20/06	316,463	3.750%-5.000%	42,384
2008 Water and Sewer Revenue and Tax	03/01, 09/01	06/12/08	1,200,000	3.500%-4.250%	920,000
2008 Tennessee Municipal Bond Fund	Monthly	10/15/08	9,698,196	Variable	7,983,196
2009D BABS General Obligation	03/01, 09/01	12/08/09	4,045,387	2.250%-5.625%	3,859,313
2010 Water and Sewer Revenue and Tax Refunding	12/01, 06/01	04/19/10	1,515,000	2.000%-3.000%	885,000
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%	1,186,020
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%	<u>2,950,000</u>
Total Water Fund (before deferred debt refunding costs of (\$154,035) and net premiums and discounts of \$410,383)					<u><u>\$ 21,798,266</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013</u>
2004 Water and Sewer Revenue and Tax	11/01, 05/01	12/06/04	\$ 6,275,000	2.750%-4.125%	\$ 460,000
2005 Water and Sewer Revenue and Tax	02/01, 08/01	12/06/05	4,100,000	2.750%-4.125%	1,155,000
2006 Water and Sewer Revenue and Tax	02/01, 08/01	12/20/06	1,363,537	3.750%-5.000%	182,616
2009D BABS General Obligation	03/01, 09/01	12/08/09	6,068,081	2.250%-5.625%	5,788,970
2010 Water and Sewer Revenue and Tax Refunding	12/01, 06/01	04/19/10	2,940,000	2.000%-3.000%	1,720,000
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%	4,386,690
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%	<u>27,185,000</u>
Total Sewer Fund (before deferred debt refunding costs of (\$445,340) and net premiums and discounts of \$2,314,526)					<u><u>\$ 44,962,688</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 26,250	\$ 5,063	\$ 31,313
2015	27,500	3,750	31,250
2016	28,750	2,375	31,125
2017	31,250	937	32,187
	<u>\$ 113,750</u>	<u>\$ 12,125</u>	<u>\$ 125,875</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
2014	\$ 14,071	\$ 13,874	\$ 27,945
2015	14,300	13,451	27,751
2016	14,587	12,968	27,555
2017	14,989	12,420	27,409
2018	15,391	11,839	27,230
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>\$ 289,448</u>	<u>\$ 143,533</u>	<u>\$ 432,981</u>

GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 35% of the interest due. During fiscal year 2013, the Solid Waste Management Fund paid \$9,222 while the Federal government paid \$4,966 in interest, respectively.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 0	\$ 31,920	\$ 31,920
2015	129,553	31,921	161,474
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	12,703	161,449
2021	153,544	9,357	162,901
2022	158,342	4,750	163,092
	<u>\$ 1,141,983</u>	<u>\$ 186,424</u>	<u>\$ 1,328,407</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
2014	\$ 12,150	\$ 4,386	\$ 16,536
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>\$ 132,948</u>	<u>\$ 32,151</u>	<u>\$ 165,099</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 630,000	\$ 556,563	\$ 1,186,563
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
	<u>\$ 13,380,000</u>	<u>\$ 5,576,226</u>	<u>\$ 18,956,226</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 47,122	\$ 46,447	\$ 93,569
2015	47,891	45,032	92,923
2016	48,852	43,414	92,266
2017	50,198	41,580	91,778
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>\$ 969,349</u>	<u>\$ 480,522</u>	<u>\$ 1,449,871</u>

The GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 35% of the interest due. During fiscal year 2013, the MeadowView Conference Resort and Convention Center Fund paid \$30,874 while the Federal government paid \$16,625 in interest, respectively.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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:

Fiscal Year Ending June 30	Principal	Interest *	Total
2014	\$ 117,000	\$ 5,328	\$ 122,328
2015	123,000	4,099	127,099
2016	130,000	2,806	132,806
2017	137,000	1,440	138,440
	<u>\$ 507,000</u>	<u>\$ 13,673</u>	<u>\$ 520,673</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, 2013, to calculate an estimated annual effective interest rate of 1.051%.

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
2014	\$ 0	\$ 15,391	\$ 15,391
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>\$ 178,714</u>	<u>\$ 696,435</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 29,512	\$ 34,525	\$ 64,037
2015	30,389	33,344	63,733
2016	31,558	32,128	63,686
2017	32,434	30,866	63,300
2018	33,311	29,568	62,879
2019	34,480	28,236	62,716
2020	35,648	26,397	62,045
2021	37,109	24,495	61,604
2022	38,570	22,516	61,086
2023	40,032	20,459	60,491
2024	42,077	18,056	60,133
2025	43,830	15,532	59,362
2026	45,875	12,902	58,777
2027	47,921	10,072	57,993
2028	50,258	6,877	57,135
2029	52,888	3,526	56,414
	<u>\$ 625,892</u>	<u>\$ 349,499</u>	<u>\$ 975,391</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 28,141	\$ 27,712	\$ 55,853
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	10,892	47,762
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>\$ 578,897</u>	<u>\$ 286,701</u>	<u>\$ 865,598</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 35% of the interest due. During fiscal year 2013, the Storm Water Fund paid \$18,421 while the Federal government paid \$9,919 in interest, respectively.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 0	\$ 12,181	\$ 12,181
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>\$ 149,037</u>	<u>\$ 544,451</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 25,700	\$ 25,335	\$ 51,035
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>\$ 528,680</u>	<u>\$ 262,103</u>	<u>\$ 790,783</u>

GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 35% of the interest due. During fiscal year 2013, the Aquatic Center Fund paid \$16,840 while the Federal government paid \$9,068 in interest.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 600,000	\$ 520,050	\$ 1,120,050
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>\$ 13,640,000</u>	<u>\$ 5,424,700</u>	<u>\$ 19,064,700</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 0	\$ 4,929	\$ 4,929
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>\$ 60,306</u>	<u>\$ 220,306</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 0	\$ 98,906	\$ 98,906
2015	125,000	98,906	223,906
2016	135,000	92,656	227,656
2017	140,000	85,907	225,907
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>\$ 1,065,957</u>	<u>\$ 4,175,957</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 2004, issued December 6, 2004, debt service requirements to maturity for the Water Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 120,000	\$ 4,320	\$ 124,320
	<u>\$ 120,000</u>	<u>\$ 4,320</u>	<u>\$ 124,320</u>

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
2014	\$ 55,000	\$ 10,600	\$ 65,600
2015	55,000	7,850	62,850
2016	60,000	5,100	65,100
2017	70,000	2,100	72,100
	<u>\$ 240,000</u>	<u>\$ 25,650</u>	<u>\$ 265,650</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
2014	\$ 13,186	\$ 1,907	\$ 15,093
2015	14,128	1,314	15,442
2016	15,070	678	15,748
	<u>\$ 42,384</u>	<u>\$ 3,899</u>	<u>\$ 46,283</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 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
2014	\$ 75,000	\$ 36,519	\$ 111,519
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>\$ 920,000</u>	<u>\$ 217,719</u>	<u>\$ 1,137,719</u>

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
2014	\$ 455,000	\$ 69,145	\$ 524,145
2015	505,000	65,204	570,204
2016	530,000	60,830	590,830
2017	555,000	56,240	611,240
2018	555,000	51,432	606,432
2019	605,000	46,625	651,625
2020	630,000	41,385	671,385
2021	655,000	35,929	690,929
2022	655,000	30,256	685,256
2023	710,000	24,582	734,582
2024	735,000	18,433	753,433
2025	735,000	12,067	747,067
2026	658,196	5,701	663,897
	<u>\$ 7,983,196</u>	<u>\$ 517,829</u>	<u>\$ 8,501,025</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, 2013, to calculate an estimated annual effective interest rate of 0.866%.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 187,606	\$ 184,701	\$ 372,307
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	245,801	72,591	318,392
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>\$ 3,859,313</u>	<u>\$ 1,910,854</u>	<u>\$ 5,770,167</u>

GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 35% of the interest due. During fiscal year 2013, the Water Fund paid \$122,776 while the Federal government paid \$66,110 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
2014	\$ 215,000	\$ 23,300	\$ 238,300
2015	215,000	19,000	234,000
2016	225,000	13,088	238,088
2017	230,000	6,900	236,900
	<u>\$ 885,000</u>	<u>\$ 62,288</u>	<u>\$ 947,288</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 0	\$ 74,887	\$ 74,887
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>\$ 916,272</u>	<u>\$ 3,347,263</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
2014	\$ 126,389	\$ 35,581	\$ 161,970
2015	228,219	31,789	260,008
2016	237,803	24,942	262,745
2017	240,199	17,808	258,007
2018	249,783	10,602	260,385
2019	103,627	3,109	106,736
	<u>\$ 1,186,020</u>	<u>\$ 123,831</u>	<u>\$ 1,309,851</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 0	\$ 35,119	\$ 35,119
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>\$ 407,798</u>	<u>\$ 1,589,160</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
2014	\$ 1,110,000	\$ 114,913	\$ 1,224,913
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>\$ 2,950,000</u>	<u>\$ 283,613</u>	<u>\$ 3,233,613</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 2004, issued December 6, 2004, debt service requirements to maturity for the Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 460,000	\$ 16,560	\$ 476,560
	<u>\$ 460,000</u>	<u>\$ 16,560</u>	<u>\$ 476,560</u>

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:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 270,000	\$ 51,650	\$ 321,650
2015	285,000	38,150	323,150
2016	295,000	23,900	318,900
2017	305,000	9,150	314,150
	<u>\$ 1,155,000</u>	<u>\$ 122,850</u>	<u>\$ 1,277,850</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:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 56,814	\$ 8,218	\$ 65,032
2015	60,872	5,661	66,533
2016	64,930	2,922	67,852
	<u>\$ 182,616</u>	<u>\$ 16,801</u>	<u>\$ 199,417</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 281,408	\$ 277,112	\$ 558,520
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	162,419	507,000
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>\$ 5,788,970</u>	<u>\$ 2,866,904</u>	<u>\$ 8,655,874</u>

GOB, Series 2009D Build America Bonds (BABS) carry an interest rate from 2.000% to 5.625%. The Federal government pays 35% of the interest due. During fiscal year 2013, the Sewer Fund paid \$184,204 while the Federal government paid \$99,187 in interest, respectively.

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
2014	\$ 415,000	\$ 45,300	\$ 460,300
2015	420,000	37,000	457,000
2016	440,000	25,450	465,450
2017	445,000	13,350	458,350
	<u>\$ 1,720,000</u>	<u>\$ 121,100</u>	<u>\$ 1,841,100</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 Sewer Fund portion are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 0	\$ 74,265	\$ 74,265
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	54,900	180,370
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>\$ 908,668</u>	<u>\$ 3,319,484</u>

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
2014	\$ 467,471	\$ 131,601	\$ 599,072
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	11,498	394,779
	<u>\$ 4,386,690</u>	<u>\$ 458,010</u>	<u>\$ 4,844,700</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term liabilities (continued)

Business-type Activities (continued):

Bonds Payable (continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 0	\$ 49,752	\$ 49,752
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>\$ 577,714</u>	<u>\$ 2,251,310</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 3,100,000	\$ 922,531	\$ 4,022,531
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>\$ 27,185,000</u>	<u>\$ 6,891,256</u>	<u>\$ 34,076,256</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 8,937,820	\$ 3,570,591	\$ 12,508,411
2015	9,201,306	3,267,798	12,469,104
2016	7,892,131	2,959,377	10,851,508
2017	7,162,648	2,703,185	9,865,833
2018	6,355,666	2,479,071	8,834,737
Next Five Years	25,891,847	9,587,293	35,479,140
Next Five Years	25,285,705	5,235,469	30,521,174
Next Five Years	12,124,913	872,823	12,997,736
	<u>\$ 102,852,036</u>	<u>\$ 30,675,607</u>	<u>\$ 133,527,643</u>

The total on the statement of net assets has been adjusted by deferred debt refunding costs of (\$612,451) and the net premiums and discounts of \$3,466,190.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013, was as follows:

	Beginning Balance	Transfers	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:						
General Obligation Debt	\$ 121,844,913	\$ (20,024,671)	\$ 12,177,052	\$ (17,599,135)	\$ 96,398,159	\$ 5,639,182
Less: Deferred amounts for refunding	(786,126)		(1,487,881)	583,441	(1,690,566)	0
Plus: Premiums and discounts	1,614,554	(587,216)	1,068,428	(260,919)	1,834,847	0
Total Bonds Payable	122,673,341	(20,611,887)	11,757,599	(17,276,613)	96,542,440	5,639,182
Interlocal Cooperative Agreement	1,100,000		0	(620,000)	480,000	120,000
Capital Outlay Note	1,095,000		0	(139,000)	956,000	144,000
Energy Efficiency Note	203,571		0	(67,857)	135,714	67,857
Notes Payable-State	4,003,732		0	(400,933)	3,602,799	400,933
School Energy Efficiency Note	4,500,000		500,000	(223,570)	4,776,430	405,326
Hud 108 Note	813,000		0	(43,000)	770,000	43,000
Total Governmental Activities	<u>\$ 134,388,644</u>	<u>\$ (20,611,887)</u>	<u>\$ 12,257,599</u>	<u>\$ (18,770,973)</u>	<u>\$ 107,263,383</u>	<u>\$ 6,820,298</u>
Business-type activities:						
General Obligation Debt	\$ 38,275,283	\$ 20,024,671	\$ 29,282,160	\$ (3,835,078)	\$ 83,747,036	\$ 6,627,820
Local Option Sales Tax Revenue and Tax Bonds	13,995,000		0	(615,000)	13,380,000	630,000
Water and Sewer Revenue and Tax Bonds	16,705,000		0	(10,980,000)	5,725,000	1,680,000
Less: Deferred amounts for refunding	(752,966)		(294,232)	434,747	(612,451)	0
Plus: Premiums and discounts	1,609,757	587,216	2,176,478	(907,261)	3,466,190	0
Total Bonds Payable	69,832,074	20,611,887	31,164,406	(15,902,592)	105,705,775	8,937,820
State Revolving Notes	23,658,574		0	(23,658,574)	0	0
Total Business-type Activities	<u>\$ 93,490,648</u>	<u>\$ 20,611,887</u>	<u>\$ 31,164,406</u>	<u>\$ (39,561,166)</u>	<u>\$ 105,705,775</u>	<u>\$ 8,937,820</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Closure and postclosure 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, 2013 the estimated remaining useful life is 33 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 2012 financial assurance amount of \$1,890,970 was adjusted for inflation by 1.9%, resulting in an amended amount of \$1,926,899 at June 30, 2013.

The City's actual closure costs for the 27 year period through June 30, 2013 exceeded the liability amount by \$427,279. The City has recorded this \$427,279 in pre-paid landfill closing costs as of June 30, 2013, which will be offset as future closure costs are accrued.

	Ending <u>June 30, 2013</u>	Ending <u>June 30, 2012</u>	Ending <u>June 30, 2011</u>
Landfill closure costs paid	\$ 1,349,663	\$ 1,210,795	\$ 1,023,438
Landfill closure costs accrued	<u>922,385</u>	<u>856,017</u>	<u>781,259</u>
Pre-paid landfill closure costs	<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, 2013

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, 2013. The estimated reserve requirements were as follows:

ESTIMATED REQUIRED RESERVES

	<u>Low</u>	<u>Expected</u>	<u>High</u>
Workers Compensation *	\$ 2,166,601	\$ 2,557,398	\$ 2,948,195
Public Liability *	799,693	1,067,117	1,334,541

* Calculation utilizes U.S. Treasury yields as of June 30, 2013

Liabilities have been accrued to reflect the discounted expected claims of \$2,557,398 for workers compensation and \$1,067,117 for public liability, at June 30, 2013. The Insurance Reserve Fund has total assets of \$4,360,858 at June 30, 2013. 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, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>
Claims Accrued, Beginning	\$ 2,380,000	\$ 2,320,000	\$ 2,460,000
Claims Incurred	1,146,686	1,245,507	937,280
Claims Paid	<u>(969,288)</u>	<u>(1,185,507)</u>	<u>(1,077,280)</u>
Claims Accrued, Ending	<u>\$ 2,557,398</u>	<u>\$ 2,380,000</u>	<u>\$ 2,320,000</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, 2013

5. OTHER INFORMATION (CONTINUED):

A. Risk management (continued)

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

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Year Ended</u> <u>June 30, 2011</u>
Claims Accrued, Beginning	\$ 1,000,000	\$ 980,000	\$ 990,000
Claims Incurred	265,775	340,878	352,131
Claims Paid	<u>(198,658)</u>	<u>(320,878)</u>	<u>(362,131)</u>
Claims Accrued, Ending	<u><u>\$ 1,067,117</u></u>	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 980,000</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, 2013, 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 retained earnings.

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 2013, 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 \$260,020 for the repayment of debt principal and interest associated with the SCEDP. As of June 30, 2013, a total of \$7,385,000 of principal debt was outstanding, with \$2,289,350 representing the City's 31% contingent share.

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.

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.

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.

**CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

5. OTHER INFORMATION (CONTINUED):

B. Contingencies (continued)

Component Unit – Industrial Development Board (continued)

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.

CITY OF KINGSFORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

5. OTHER INFORMATION (CONTINUED):

C. Retirement Plans

Defined Benefit Plan – City of Kingsfort

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, 10th 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, 2013 was 17.10% 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, 2013, the City's annual pension cost of \$6,335,112 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 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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

5. OTHER INFORMATION (CONTINUED):

C. Retirement Plans (continued)

Defined Benefit Plan – City of Kingsport (continued)

Annual cost (continued)

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, 2013	\$ 6,335,112	100.00%	\$ 0
June 30, 2012	\$ 6,099,950	100.00%	\$ 0
June 30, 2011	\$ 5,839,797	100.00%	\$ 0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 84.33% funded. The actuarial accrued liability for benefits was \$168.06 million, and the actuarial value of assets was \$141.72 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$26.34 million. The covered payroll (annual payroll of active employees covered by the plan) was \$35.36 million, and the ratio of UAAL to covered payroll was 74.49%.

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, 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%

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013 were \$ 119,812 which consisted of \$ 59,033 made by the City and \$ 60,779 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, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/Schools .

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013 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, 2013, 2012, and 2011 were \$2,812,755, \$2,795,181, and \$2,681,961 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, 2013, 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	597
Active employees - death benefit only	1,010
Retired employees - medical & death benefits	166
Retired employees spouse - medical benefit only	38
Retired employees - death benefit only	<u>677</u>
Total	<u><u>2,488</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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)	\$ 1,930,847
Interest on the Net OPEB Obligation (NOO)	496,847
Adjustment to the Annual Required Contribution (ARC)	<u>(398,193)</u>
Annual OPEB Cost	2,029,501
Amount of Contribution	<u>(712,084)</u>
Increase/Decrease in Net OPEB Obligation (NOO)	1,317,417
Net OPEB Obligation - Beginning of Year	<u>9,936,937</u>
Net OPEB Obligation - Ending of Year	<u><u>\$ 11,254,354</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>
06/30/13	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, 2013

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, 2012, the date of the latest actuarial year valuation, was as follows:

	<u>City of Kingsport Retiree Plan</u>
Actuarial valuation date	07/01/12
Actuarial accrued liability (AAL)	\$ 24,569,633
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 24,569,633
Actuarial Value of Assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 28,865,759
UAAL as a percentage of covered payroll	85%

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, 2012 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 10 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 beginning with July 1, 2008.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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) 8-27-302 (teachers) and TCA 8-27-701 (Medicare Supplement). Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

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. The employers in each plan develop their own contribution policy in terms of subsidizing active employees' or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Kingsport City Schools pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The required contribution rate for retired teachers is based on their years of service. For the year ended June 30, 2013, retired teachers contributed \$464,583. During the year ended June 30, 2013, Kingsport City Schools contributed \$409,256 for the teacher group plan and \$265,804 for the Medicare supplement plan. For the year ended June 30, 2013, the State of Tennessee contributed \$348,290 on behalf of retirees for the teacher group plan and \$6,067 for the Medicare supplement plan.

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>Teacher Group Plan</u>	<u>Medicare Supplement Plan</u>
Annual Required Contribution (ARC)	\$ 1,933,000	\$ 2,108,000
Interest on the Net Pension Obligation (NPO)	326,272	371,002
Adjustment to the Annual Required Contribution (ARC)	<u>(346,331)</u>	<u>(393,812)</u>
Annual OPEB Cost	1,912,941	2,085,190
Amount of Contribution	<u>(409,256)</u>	<u>(265,803)</u>
Increase/Decrease in Net Pension Obligation (NPO)	1,503,685	1,819,387
Net OPEB Obligation - Beginning of Year	<u>8,156,792</u>	<u>9,275,049</u>
Net OPEB Obligation - Ending of Year	<u>\$ 9,660,477</u>	<u>\$ 11,094,436</u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

5. OTHER INFORMATION (CONTINUED):

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Healthcare Plan – Kingsport City Schools (continued)

Funding policy (continued)

Year End*	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
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
06/30/13	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.

Funded Status and Funding Process

The funded status of the plan as of July 1, 2011, the date of the latest valuation, was as follows:

	Teacher Group Plan	Medicare Supplement Plan
Actuarial valuation date	07/01/11	07/01/11
Actuarial accrued liability (AAL)	\$ 16,816,000	\$ 19,371,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 16,816,000	\$ 19,371,000
Actuarial Value of Assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 23,226,238	\$ 23,226,238
UAAL as a percentage of covered payroll	72%	83%

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.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

5. OTHER INFORMATION (CONTINUED):

D. Other Postemployment Benefits (OPEB) (continued)

Postemployment Healthcare Plan – Kingsport City Schools (continued)

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, 2011 actuarial valuation for the Teacher Group plan, the Projected Unit Credit actuarial cost method was used and the actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent initially. The rate decreased to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5.0 percent by fiscal year 2021. The annual healthcare premium trend rate for the Medicare Supplement plan was 6.50 percent initially. The rate reduced to 6.25 percent for fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5.0 percent by fiscal year 2018. Both rates include a 2.5 percent inflation assumption, which also represent projected salary increases. 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.

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 2013 was \$348,290 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 2013 was \$6,067 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, 2012 and 2011, the taxes assessed on the above mentioned taxpayer accounted for approximately 24% of total property taxes assessed for each tax year.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

5. OTHER INFORMATION (CONTINUED):

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>337,297</u>
Total Investment	<u><u>\$ 836,513</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

Audited information as of June 30, 2013 is as follows:

	<u>Phipps Bend Joint Venture</u>
Operating Revenues	\$ 0
Operating Expenses	(31,292)
Non Operating Revenues	3,720
Non Operating Expenses	0
Capital Contributions	<u>0</u>
Change in Net Position	(27,572)
Net Position, July 1	<u>1,714,058</u>
Net Postion, June 30	<u><u>\$ 1,686,486</u></u>
 Total Assets	 \$ 3,848,550
Total Liabilities	<u>(2,162,064)</u>
Total Net Position	<u><u>\$ 1,686,486</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 net 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 as of June 30, 2013 is presented below:

	<u>Tri-Cities Regional Airport Authority</u>
Operating Revenues	\$ 6,080,339
Operating Expenses	(5,669,838)
Depreciation	(3,510,733)
Non Operating Revenues	1,184,625
Non Operating Expenses	(267,073)
Capital Contributions	<u>7,859,918</u>
 Change in Net Position	 5,677,238
 Net Position, July 1	 66,503,054
Prior Period Adjustment - Accounting Change	<u>(64,055)</u>
 Net Position, July 1 (Restated)	 <u>66,438,999</u>
 Net Postion, June 30	 <u><u>\$ 72,116,237</u></u>
 Total Assets	 \$ 78,775,553
Total Liabilities	(6,674,633)
 Total Deferred Outflows of Resources (Deferred Bond Refunding)	 <u>15,317</u>
 Total Net Position	 <u><u>\$ 72,116,237</u></u>

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

5. OTHER INFORMATION (CONTINUED):

I. Subsequent Events

In September 2013, as a result of the Federal government sequestration, the City experienced an 8.7% reduction (\$18,368) in the Federal interest subsidy received for Build America Bonds (BABS). If this reduction stays in place during FY 2014, the City could experience an additional annual interest cost of approximately \$38,000. Should the Federal government discontinue funding the BABS interest subsidy program, the City could experience an additional annual interest cost of approximately \$422,000.

On October 21, 2013 the City issued General Obligation Bonds, Series 2013A in the amount of \$1,310,000. Proceeds from this issuance were used to retire advances made by the Water and Sewer funds to the Aquatic Center fund and were used to construct the "Lazy River" attraction at the Kingsport Aquatic Center.

On October 21, 2013 the City issued General Obligation Public Improvement Bonds, Series 2013B in the amount of \$27,510,000. These bonds were issued to finance projects including: \$4,650,000 for improvements to J. Fred Johnson stadium; \$2,900,000 for the replacement of the Eastman Chemical Company softball field complex; \$4,485,000 in improvements to the City's water system, including renovation to the City water intake operations; \$10,050,000 for improvements to the City's sewer system and expansion into newly annexed areas; \$1,400,000 for next phase of Sullivan Street improvements; \$1,200,000 for designated school projects; and \$1,000,000 for Harbor Chapel Road Phase II improvements.

In conjunction with the City's October 2013 bond issues, the city's bond rating by Standard & Poor's was improved from AA- to AA, while the City's rating from Moody's was re-affirmed at Aa2.

The IDBK acquired a loan in the amount of \$4,000,000 at an interest rate of 3%, with a seven year term, from First Tennessee Bank, in order to purchase and develop certain property known as, the General Shale Property. Consisting of approximately 98 acres, this property will be used for the purpose of providing economic development opportunities and the construction of recreational facilities, for the City. By resolution adopted on December 17, 2013 by the BMA, the City and the IDBK entered into an agreement where proceeds from the sale of all or any portion the property, will be applied toward retirement of the principal loan balance. To support IDBK's acquisition of the property and ability to pay on the loan, the City also agrees to make certain semi-annual contributions up to \$60,000 each, to the IDBK as economic development contributions for a period up to seven years, beginning in fiscal year 2014. The first such semi-annual contribution will be made on or before June 1, 2014. Subsequent contributions are to be made on or before each December 1st and June 1st through December 1, 2020. IDBK agrees to use such contributions to pay interest payments due on the loan in the event net proceeds realized from the lease of all or any portion of the property, are insufficient to pay said interest. In the event a principal balance remains outstanding under the loan at maturity, the City agrees to either: (1) purchase the property from the IDBK for a purchase price equal to the outstanding principal and accrued interest owed on the loan, or (2) provide an economic development contribution to IDBK in an amount sufficient to pay the outstanding principal and accrued interest owed on the loan. In either event, IDBK agrees to use such funds to retire any remaining balance on the loan in full.

In December 2013, the IDBK sold a portion of the property known as the Kingsport Foundry Property to the Emergency Communications District (ECD) for \$239,335. The ECD will use this property for the future construction of a new communications dispatch center for E-911 operations. The sale consisted of approximately 1.55 acres of land at a selling price of approximately \$154,410 per acre.

CITY OF KINGSPORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - DEFINED BENEFIT RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2013

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, 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 three most recent valuations are presented.

CITY OF KINGSFORT, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT HEALTHCARE PLANS
For the Fiscal Year Ended June 30, 2013

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, 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, 2011	Teacher Group	\$ 0	\$ 16,816,000	\$ 16,816,000	0.00%	\$ 23,226,238	72%
July 1, 2011	Medicare	0	19,371,000	19,371,000	0.00%	23,226,238	83%
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%	23,571,575	78%
July 1, 2009	Teacher Group	\$ 0	\$ 17,196,000	\$ 17,196,000	0.00%	\$ 22,403,067	77%
July 1, 2009	Medicare	0	18,481,000	18,481,000	0.00%	22,403,067	82%
July 1, 2007	Teacher Group	\$ 0	\$ 17,503,000	\$ 17,503,000	0.00%	\$ 24,795,000	70%
July 1, 2007	Medicare	0	18,268,000	18,268,000	0.00%	24,795,000	74%

* An additional year will be reported as data becomes available.



C. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF KINGSPORT, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	\$ 127,000	\$ 227,991	\$ 218,268	\$ (9,723)
Federal Interest Subsidy	245,000	244,923	225,936	(18,987)
Miscellaneous	<u>0</u>	<u>2,380</u>	<u>2,380</u>	<u>0</u>
Total Revenues	<u>372,000</u>	<u>475,294</u>	<u>446,584</u>	<u>(28,710)</u>
EXPENDITURES:				
Principal	7,569,800	7,056,006	6,436,120	619,886
Interest	4,994,300	4,810,402	4,133,024	677,378
Miscellaneous	<u>26,200</u>	<u>71,291</u>	<u>12,122</u>	<u>59,169</u>
Total Expenditures	<u>12,590,300</u>	<u>11,937,699</u>	<u>10,581,266</u>	<u>1,356,433</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,218,300)</u>	<u>(11,462,405)</u>	<u>(10,134,682)</u>	<u>1,327,723</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>12,218,300</u>	<u>11,419,237</u>	<u>10,134,398</u>	<u>(1,284,839)</u>
Total Other Financing Sources (Uses)	<u>12,218,300</u>	<u>11,419,237</u>	<u>10,134,398</u>	<u>(1,284,839)</u>
Net Change in Fund Balances	0	(43,168)	(284)	42,884
Fund Balances, July 1, 2012	<u>0</u>	<u>43,168</u>	<u>21,333</u>	<u>(21,835)</u>
Fund Balances, June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 21,049</u>	<u>\$ 21,049</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue Funds							Permanent Fund	
	Community Development Fund	Special Revenue General Projects Fund	Public Safety Funds	Transportation Funds	Culture & Recreation Funds	Education Funds	Total Special Revenue Funds	Allandale Trust Fund	Total Nonmajor Governmental Funds
ASSETS:									
Cash	\$ 0	\$ 0	\$ 3,732	\$ 100	\$ 0	\$ 1,605,287	\$ 1,609,119	\$ 0	\$ 1,609,119
Equity in Pooled Cash & Investments	0	223,256	539,081	646,713	223,446	336,916	1,969,412	0	1,969,412
Long Term Certificates of Deposit	0	0	0	0	0	98,000	98,000	152,691	250,691
Investments	0	0	0	0	195,254	65,786	261,040	483	261,523
Accounts Receivable	0	0	0	0	36,544	848	37,392	0	37,392
Accrued Interest Receivable	0	0	0	0	0	0	0	40,905	40,905
Due from Other Governments	99,365	11,150	37,199	1,004,283	571,054	1,332,139	3,055,190	0	3,055,190
Due from Other Funds	0	0	0	0	0	0	0	0	0
Inventories	0	0	0	0	0	269,629	269,629	0	269,629
Restricted Cash	0	0	0	0	0	0	0	0	0
Restricted Investments	0	0	42,934	0	0	0	42,934	0	42,934
Total Assets	\$ 99,365	\$ 234,406	\$ 622,946	\$ 1,651,096	\$ 1,026,298	\$ 3,708,605	\$ 7,342,716	\$ 194,079	\$ 7,536,795
LIABILITIES AND FUND BALANCES:									
Liabilities:									
Accounts Payable	\$ 49,040	\$ 242	\$ 14,159	\$ 703,859	\$ 6,629	\$ 76,815	\$ 850,744	\$ 0	\$ 850,744
Other Liabilities	0	0	0	0	0	437	437	0	437
Due to Other Funds	33,854	0	37,196	93,738	445,692	1,174,774	1,785,254	6,493	1,791,747
Due to Other Governments	0	0	0	0	4	0	4	0	4
Deferred Revenue	0	0	0	0	0	86,114	86,114	0	86,114
Total Liabilities	82,894	242	51,355	797,597	452,325	1,338,140	2,722,553	6,493	2,729,046
Fund Balances:									
Nonspendable:									
Inventory	0	0	0	0	0	269,629	269,629	0	269,629
Allandale Trust Principal	0	0	0	0	0	0	0	152,691	152,691
Restricted:									
Unspent Federal Forfeitures	0	0	42,934	0	0	0	42,934	0	42,934
Assigned	16,471	234,164	528,657	853,499	573,973	2,100,836	4,307,600	34,895	4,342,495
Total Fund Balances	16,471	234,164	571,591	853,499	573,973	2,370,465	4,620,163	187,586	4,807,749
Total Liabilities and Fund Balances	\$ 99,365	\$ 234,406	\$ 622,946	\$ 1,651,096	\$ 1,026,298	\$ 3,708,605	\$ 7,342,716	\$ 194,079	\$ 7,536,795

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, 2013

	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	Total Nonmajor Governmental Funds
REVENUES:								
Local Option Sales Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,376,205	\$ 0	\$ 3,376,205	\$ 3,376,205
Hotel/Motel Tax Allocation	0	0	0	0	376,944	0	376,944	376,944
Federal Government	422,885	447,440	238,208	1,296,878	0	6,721,688	9,127,099	9,127,099
State Government	0	32,162	0	1,637,474	0	1,021,785	2,691,421	2,691,421
Charges for Services	0	54,406	0	127,303	89,240	1,154,484	1,425,433	1,425,433
Fines and Forfeitures	0	0	159,207	0	0	0	159,207	159,207
Investment Earnings	0	0	47	0	824	454	1,325	9,886
Miscellaneous	0	0	9,274	0	0	0	9,274	9,274
Contributions and Donations	0	14,165	0	0	78,978	215,709	308,852	308,852
Total Revenues	<u>422,885</u>	<u>548,173</u>	<u>406,736</u>	<u>3,061,655</u>	<u>3,922,191</u>	<u>9,114,120</u>	<u>17,475,760</u>	<u>17,484,321</u>
EXPENDITURES:								
General & Administrative	0	631,563	4,814	0	0	0	636,377	636,377
School Food Service	0	0	0	0	0	3,196,018	3,196,018	3,196,018
School Federal Projects	0	0	0	0	0	4,306,060	4,306,060	4,306,060
Economic & Physical Development	416,610	0	0	0	0	0	416,610	416,610
Public Safety	0	0	353,623	0	0	0	353,623	353,623
Transportation	0	0	0	4,219,117	0	0	4,219,117	4,219,117
Culture and Recreation	0	0	0	0	249,960	0	249,960	252,641
Maintenance	0	0	0	0	320	0	320	320
Education	0	0	0	0	0	1,013,701	1,013,701	1,013,701
Capital Outlay	0	241,546	80,212	171,264	0	580,574	1,073,596	1,098,536
Total Expenditures	<u>416,610</u>	<u>873,109</u>	<u>438,649</u>	<u>4,390,381</u>	<u>250,280</u>	<u>9,096,353</u>	<u>15,465,382</u>	<u>15,493,003</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,275</u>	<u>(324,936)</u>	<u>(31,913)</u>	<u>(1,328,726)</u>	<u>3,671,911</u>	<u>17,767</u>	<u>2,010,378</u>	<u>1,991,318</u>
OTHER FINANCING SOURCES (USES):								
Transfers In	0	359,779	0	1,582,948	0	61,941	2,004,668	2,004,668
Transfers Out	0	0	(8,246)	0	(3,736,248)	(12,973)	(3,757,467)	(3,757,467)
Total Other Financing Sources (Uses)	<u>0</u>	<u>359,779</u>	<u>(8,246)</u>	<u>1,582,948</u>	<u>(3,736,248)</u>	<u>48,968</u>	<u>(1,752,799)</u>	<u>(1,752,799)</u>
Net Change in Fund Balances	6,275	34,843	(40,159)	254,222	(64,337)	66,735	257,579	238,519
Fund Balances, July 1, 2012	<u>10,196</u>	<u>199,321</u>	<u>611,750</u>	<u>599,277</u>	<u>638,310</u>	<u>2,303,730</u>	<u>4,362,584</u>	<u>4,569,230</u>
Fund Balances, June 30, 2013	<u>\$ 16,471</u>	<u>\$ 234,164</u>	<u>\$ 571,591</u>	<u>\$ 853,499</u>	<u>\$ 573,973</u>	<u>\$ 2,370,465</u>	<u>\$ 4,620,163</u>	<u>\$ 4,807,749</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - PUBLIC SAFETY
June 30, 2013

	Criminal Forfeiture Fund	Drug Fund	Justice Assistance Grant Fund	Total Public Safety Funds
ASSETS:				
Cash	\$ 0	\$ 3,732	\$ 0	\$ 3,732
Equity in Pooled Cash and Investments	94,962	444,119	0	539,081
Due from Other Governments	0	0	37,199	37,199
Restricted Investments	42,934	0	0	42,934
Total Assets	\$ 137,896	\$ 447,851	\$ 37,199	\$ 622,946
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 0	\$ 14,159	\$ 0	\$ 14,159
Due to Other Funds	0	0	37,196	37,196
Deferred Revenue	0	0	0	0
Total Liabilities	0	14,159	37,196	51,355
Fund Balances:				
Restricted:				
Unspent Federal Forfeitures	42,934	0	0	42,934
Assigned	94,962	433,692	3	528,657
Total Fund Balances	137,896	433,692	3	571,591
Total Liabilities and Fund Balances	\$ 137,896	\$ 447,851	\$ 37,199	\$ 622,946

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, 2013

	Criminal Forfeiture Fund	Drug Fund	Justice Assistance Grant Fund	Total Public Safety Funds
REVENUES:				
Federal Government	\$ 0	\$ 0	\$ 238,208	\$ 238,208
Miscellaneous	0	9,274	0	9,274
Fines and Forfeitures	43,950	115,257	0	159,207
Investment Earnings	47	0	0	47
	<u>43,997</u>	<u>124,531</u>	<u>238,208</u>	<u>406,736</u>
Total Revenues	<u>43,997</u>	<u>124,531</u>	<u>238,208</u>	<u>406,736</u>
EXPENDITURES:				
General and Administrative	0	4,814	0	4,814
Public Safety	0	168,573	185,050	353,623
Capital Outlay	0	27,057	53,155	80,212
	<u>0</u>	<u>200,444</u>	<u>238,205</u>	<u>438,649</u>
Total Expenditures	<u>0</u>	<u>200,444</u>	<u>238,205</u>	<u>438,649</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>43,997</u>	<u>(75,913)</u>	<u>3</u>	<u>(31,913)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	(8,246)	0	(8,246)
	<u>0</u>	<u>(8,246)</u>	<u>0</u>	<u>(8,246)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(8,246)</u>	<u>0</u>	<u>(8,246)</u>
Net Change in Fund Balances	<u>43,997</u>	<u>(84,159)</u>	<u>3</u>	<u>(40,159)</u>
Fund Balances, July 1, 2012	<u>93,899</u>	<u>517,851</u>	<u>0</u>	<u>611,750</u>
Fund Balances, June 30, 2013	<u>\$ 137,896</u>	<u>\$ 433,692</u>	<u>\$ 3</u>	<u>\$ 571,591</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - TRANSPORTATION
June 30, 2013

	Federal Transit Administration Fund	Metropolitan Planning Office Fund	State Street Aid Fund	Total Transportation Funds
ASSETS:				
Cash	\$ 100	\$ 0	\$ 0	\$ 100
Equity in Pooled Cash and Investments	41,158	605,555	0	646,713
Due from Other Governments	279,292	486,681	238,310	1,004,283
Total Assets	\$ 320,550	\$ 1,092,236	\$ 238,310	\$ 1,651,096
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 5,713	\$ 560,789	\$ 137,357	\$ 703,859
Due to Other Governments	0	0	0	0
Due to Other Funds	0	0	93,738	93,738
Total Liabilities	5,713	560,789	231,095	797,597
Fund Balances:				
Assigned	314,837	531,447	7,215	853,499
Total Fund Balances	314,837	531,447	7,215	853,499
Total Liabilities and Fund Balances	\$ 320,550	\$ 1,092,236	\$ 238,310	\$ 1,651,096

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - TRANSPORTATION
For the Fiscal Year Ended June 30, 2013

	Federal Transit Administration Fund	Metropolitan Planning Office Fund	State Street Aid Fund	Total Transportation Funds
REVENUES:				
Federal Government	\$ 685,798	\$ 611,080	\$ 0	\$ 1,296,878
State Government	328,870	5,556	1,303,048	1,637,474
Charges for Services	127,303	0	0	127,303
Total Revenues	1,141,971	616,636	1,303,048	3,061,655
EXPENDITURES:				
Transportation	1,249,916	755,370	2,213,831	4,219,117
Capital Outlay	147,725	1,639	21,900	171,264
Total Expenditures	1,397,641	757,009	2,235,731	4,390,381
Excess (Deficiency) of Revenues Over (Under) Expenditures	(255,670)	(140,373)	(932,683)	(1,328,726)
OTHER FINANCING SOURCES (USES):				
Transfers In	279,137	385,876	917,935	1,582,948
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	279,137	385,876	917,935	1,582,948
Net Change in Fund Balances	23,467	245,503	(14,748)	254,222
Fund Balances, July 1, 2012	291,370	285,944	21,963	599,277
Fund Balances, June 30, 2013	\$ 314,837	\$ 531,447	\$ 7,215	\$ 853,499

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CULTURE AND RECREATION
June 30, 2013

	Regional Sales Tax Revenue Fund	Visitors Enhancement Fund	Steadman Cemetery Fund	Public Library Commission Fund	Bays Mountain Park Fund	Senior Citizens Advisory Board Fund	Total Culture & Recreation Funds
ASSETS:							
Equity in Pooled Cash & Investments	\$ 0	\$ 217,075	\$ 0	\$ 82	\$ 5,257	\$ 1,032	\$ 223,446
Investments	3,116	0	18,902	1,151	106,129	65,956	195,254
Accounts Receivable	0	36,544	0	0	0	0	36,544
Due from Other Governments	571,054	0	0	0	0	0	571,054
Due from Other Funds	0	0	0	0	0	0	0
Total Assets	\$ 574,170	\$ 253,619	\$ 18,902	\$ 1,233	\$ 111,386	\$ 66,988	\$ 1,026,298
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	\$ 0	\$ 0	\$ 320	\$ 0	\$ 1,857	\$ 4,452	\$ 6,629
Due to Other Governments	0	0	0	0	0	4	4
Due to Other Funds	445,692	0	0	0	0	0	445,692
Total Liabilities	445,692	0	320	0	1,857	4,456	452,325
Fund Balances:							
Assigned	128,478	253,619	18,582	1,233	109,529	62,532	573,973
Total Fund Balances	128,478	253,619	18,582	1,233	109,529	62,532	573,973
Total Liabilities and Fund Balances	\$ 574,170	\$ 253,619	\$ 18,902	\$ 1,233	\$ 111,386	\$ 66,988	\$ 1,026,298

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, 2013

	Regional Sales Tax Revenue Fund	Visitors Enhancement Fund	Steadman Cemetery Fund	Public Library Commission Fund	Bays Mountain Park Fund	Senior Citizens Advisory Board Fund	Total Culture & Recreation Funds
REVENUES:							
Local Option Sales Tax	\$ 3,376,205	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,376,205
Hotel/Motel Tax Allocation	0	376,944	0	0	0	0	376,944
Charges for Services	0	0	0	0	0	89,240	89,240
Investment Earnings	634	0	25	1	87	77	824
Contributions and Donations	0	0	0	0	53,001	25,977	78,978
Total Revenues	<u>3,376,839</u>	<u>376,944</u>	<u>25</u>	<u>1</u>	<u>53,088</u>	<u>115,294</u>	<u>3,922,191</u>
EXPENDITURES:							
Maintenance	0	0	320	0	0	0	320
Culture and Recreation	0	127,194	0	0	5,453	117,313	249,960
Total Expenditures	<u>0</u>	<u>127,194</u>	<u>320</u>	<u>0</u>	<u>5,453</u>	<u>117,313</u>	<u>250,280</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,376,839</u>	<u>249,750</u>	<u>(295)</u>	<u>1</u>	<u>47,635</u>	<u>(2,019)</u>	<u>3,671,911</u>
OTHER FINANCING SOURCES (USES):							
Transfers In	0	0	0	0	0	0	0
Transfers Out	(3,612,824)	(123,424)	0	0	0	0	(3,736,248)
Total Other Financing Sources (Uses)	<u>(3,612,824)</u>	<u>(123,424)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,736,248)</u>
Net Change in Fund Balances	(235,985)	126,326	(295)	1	47,635	(2,019)	(64,337)
Fund Balances, July 1, 2012	<u>364,463</u>	<u>127,293</u>	<u>18,877</u>	<u>1,232</u>	<u>61,894</u>	<u>64,551</u>	<u>638,310</u>
Fund Balances, June 30, 2013	<u>\$ 128,478</u>	<u>\$ 253,619</u>	<u>\$ 18,582</u>	<u>\$ 1,233</u>	<u>\$ 109,529</u>	<u>\$ 62,532</u>	<u>\$ 573,973</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EDUCATION
June 30, 2013

	School Nutrition Services Fund	Special School Projects Fund	Public Law 93-380 Fund	Palmer Center Fund	Total Education Funds
ASSETS:					
Cash	\$ 1,605,287	\$ 0	\$ 0	\$ 0	\$ 1,605,287
Equity in Pooled Cash and Investments	336,916	0	0	0	336,916
Long Term Certificates of Deposit	98,000	0	0	0	98,000
Investments	0	0	0	65,786	65,786
Accounts Receivable	848	0	0	0	848
Due from Other Governments	62,399	337,700	932,040	0	1,332,139
Inventories	269,629	0	0	0	269,629
Total Assets	\$ 2,373,079	\$ 337,700	\$ 932,040	\$ 65,786	\$ 3,708,605
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 32,220	\$ 25,741	\$ 18,854	\$ 0	\$ 76,815
Other Liabilities	0	437	0	0	437
Due to Other Funds	0	261,588	913,186	0	1,174,774
Due to Other Governments	0	0	0	0	0
Deferred Revenue	44,318	41,796	0	0	86,114
Total Liabilities	76,538	329,562	932,040	0	1,338,140
Fund Balances:					
Nonspendable:					
Inventory	269,629	0	0	0	269,629
Assigned	2,026,912	8,138	0	65,786	2,100,836
Total Fund Balances	2,296,541	8,138	0	65,786	2,370,465
Total Liabilities and Fund Balances	\$ 2,373,079	\$ 337,700	\$ 932,040	\$ 65,786	\$ 3,708,605

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, 2013

	School Nutrition Services Fund	Special School Projects Fund	Public Law 93-380 Fund	Palmer Center Fund	Total Education Funds
REVENUES:					
Federal Government	\$ 1,997,224	\$ 0	\$ 4,724,464	\$ 0	\$ 6,721,688
State Government	28,583	993,202	0	0	1,021,785
Charges for Services	1,133,478	21,006	0	0	1,154,484
Investment Earnings	366	0	0	88	454
Contributions and Donations	215,709	0	0	0	215,709
Total Revenues	3,375,360	1,014,208	4,724,464	88	9,114,120
EXPENDITURES:					
School Food Service	3,196,018	0	0	0	3,196,018
School Federal Projects	0	0	4,306,060	0	4,306,060
Education	0	1,013,701	0	0	1,013,701
Capital Outlay	97,829	77,314	405,431	0	580,574
Total Expenditures	3,293,847	1,091,015	4,711,491	0	9,096,353
Excess (Deficiency) of Revenues Over (Under) Expenditures	81,513	(76,807)	12,973	88	17,767
OTHER FINANCING SOURCES (USES):					
Transfers In	0	61,941	0	0	61,941
Transfers Out	0	0	(12,973)	0	(12,973)
Total Other Financing Sources (Uses)	0	61,941	(12,973)	0	48,968
Net Change in Fund Balances	81,513	(14,866)	0	88	66,735
Fund Balances, July 1, 2012	2,215,028	23,004	0	65,698	2,303,730
Fund Balances, June 30, 2013	<u>\$ 2,296,541</u>	<u>\$ 8,138</u>	<u>\$ 0</u>	<u>\$ 65,786</u>	<u>\$ 2,370,465</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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal Government	\$ 0	\$ 0	\$ 0	\$ 0
Fines and Forfeitures	6,000	6,000	43,950	37,950
Investment Earnings	0	0	47	47
Contributions and Donations	0	0	0	0
Total Revenues	6,000	6,000	43,997	37,997
EXPENDITURES:				
Public Safety	6,000	6,000	0	6,000
Capital Outlay	0	0	0	0
Total Expenditures	6,000	6,000	0	6,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	43,997	43,997
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	43,997	43,997
Fund Balances, July 1, 2012	0	0	93,899	93,899
Fund Balances, June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 137,896</u>	<u>\$ 137,896</u>

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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
State Government	\$ 0	\$ 0	\$ 0	\$ 0
Fines and Forfeitures	106,200	106,200	115,257	9,057
Miscellaneous	0	0	9,274	9,274
Total Revenues	106,200	106,200	124,531	18,331
EXPENDITURES:				
General and Administrative	5,000	5,500	4,814	686
Public Safety	102,400	176,048	168,573	7,475
Capital Outlay	75,000	72,833	27,057	45,776
Total Expenditures	182,400	254,381	200,444	53,937
Excess (Deficiency) of Revenues Over (Under) Expenditures	(76,200)	(148,181)	(75,913)	72,268
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	0	(8,246)	(8,246)	0
Total Other Financing Sources (Uses)	0	(8,246)	(8,246)	0
Net Change in Fund Balances	(76,200)	(156,427)	(84,159)	72,268
Fund Balances, July 1, 2012	76,200	156,427	517,851	361,424
Fund Balances, June 30, 2013	\$ 0	\$ 0	\$ 433,692	\$ 433,692

See Independent Auditors' Report.

CITY OF KINGSFORT, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
State Government	\$ 1,299,500	\$ 1,303,048	\$ 1,303,048	\$ 0
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>1,299,500</u>	<u>1,303,048</u>	<u>1,303,048</u>	<u>0</u>
EXPENDITURES:				
Highways and Streets	2,338,700	2,213,836	2,213,831	5
Capital Outlay	<u>0</u>	<u>21,385</u>	<u>21,900</u>	<u>(515)</u>
Total Expenditures	<u>2,338,700</u>	<u>2,235,221</u>	<u>2,235,731</u>	<u>(510)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,039,200)</u>	<u>(932,173)</u>	<u>(932,683)</u>	<u>(510)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	1,039,200	916,935	917,935	1,000
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>1,039,200</u>	<u>916,935</u>	<u>917,935</u>	<u>1,000</u>
Net Change in Fund Balances	0	(15,238)	(14,748)	490
Fund Balances, July 1, 2012	<u>0</u>	<u>15,238</u>	<u>21,963</u>	<u>6,725</u>
Fund Balances, June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,215</u>	<u>\$ 7,215</u>

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, 2013

	<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	\$ 3,348,600	\$ 3,376,204	\$ 3,376,205	\$ 1
Investment Earnings	<u>0</u>	<u>0</u>	<u>634</u>	<u>634</u>
Total Revenues	<u>3,348,600</u>	<u>3,376,204</u>	<u>3,376,839</u>	<u>635</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>3,348,600</u>	<u>3,376,204</u>	<u>3,376,839</u>	<u>635</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	<u>(3,348,600)</u>	<u>(3,612,824)</u>	<u>(3,612,824)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(3,348,600)</u>	<u>(3,612,824)</u>	<u>(3,612,824)</u>	<u>0</u>
Net Change in Fund Balances	0	(236,620)	(235,985)	635
Fund Balances, July 1, 2012	<u>0</u>	<u>236,620</u>	<u>364,463</u>	<u>127,843</u>
Fund Balances, June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 128,478</u>	<u>\$ 128,478</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
VISITORS ENHANCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ 335,000	\$ 335,000	\$ 376,944	\$ 41,944
Total Revenues	<u>335,000</u>	<u>335,000</u>	<u>376,944</u>	<u>41,944</u>
EXPENDITURES:				
Culture and Recreation	120,300	261,574	127,194	134,380
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>120,300</u>	<u>261,574</u>	<u>127,194</u>	<u>134,380</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>214,700</u>	<u>73,426</u>	<u>249,750</u>	<u>176,324</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	0	0
Transfers Out	<u>(214,700)</u>	<u>(123,426)</u>	<u>(123,424)</u>	<u>2</u>
Total Other Financing Sources (Uses)	<u>(214,700)</u>	<u>(123,426)</u>	<u>(123,424)</u>	<u>2</u>
Net Change in Fund Balances	0	(50,000)	126,326	176,326
Fund Balances, July 1, 2012	<u>0</u>	<u>50,000</u>	<u>127,293</u>	<u>77,293</u>
Fund Balances, June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 253,619</u>	<u>\$ 253,619</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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	\$ 50	\$ 50	\$ 25	\$ (25)
Total Revenues	50	50	25	(25)
EXPENDITURES:				
Maintenance	2,550	2,550	320	2,230
Total Expenditures	2,550	2,550	320	2,230
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,500)	(2,500)	(295)	2,205
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)	(295)	2,205
Fund Balances, July 1, 2012	2,500	2,500	18,877	16,377
Fund Balances, June 30, 2013	\$ 0	\$ 0	\$ 18,582	\$ 18,582

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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	\$ 10	\$ 10	\$ 1	\$ (9)
Contributions and Donations	0	5,000	0	(5,000)
Total Revenues	10	5,010	1	(5,009)
EXPENDITURES:				
Culture and Recreation	10	5,010	0	5,010
Total Expenditures	10	5,010	0	5,010
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, 2012	0	0	1,232	1,232
Fund Balances, June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,233</u>	<u>\$ 1,233</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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	\$ 100	\$ 100	\$ 87	\$ (13)
Contributions and Donations	15,000	15,000	53,001	38,001
Total Revenues	15,100	15,100	53,088	37,988
EXPENDITURES:				
Culture and Recreation	45,500	45,500	5,453	40,047
Total Expenditures	45,500	45,500	5,453	40,047
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,400)	(30,400)	47,635	78,035
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	(30,400)	(30,400)	47,635	78,035
Fund Balances, July 1, 2012	30,400	30,400	61,894	31,494
Fund Balances, June 30, 2013	\$ 0	\$ 0	\$ 109,529	\$ 109,529

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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for Services	\$ 151,200	\$ 151,200	\$ 89,240	\$ (61,960)
Investment Earnings	100	100	77	(23)
Contributions and Donations	9,800	9,800	25,977	16,177
Total Revenues	161,100	161,100	115,294	(45,806)
EXPENDITURES:				
Culture and Recreation	161,100	164,027	117,313	46,714
Total Expenditures	161,100	164,027	117,313	46,714
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(2,927)	(2,019)	908
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	(2,927)	(2,019)	908
Fund Balances, July 1, 2012	0	2,927	64,551	61,624
Fund Balances, June 30, 2013	\$ 0	\$ 0	\$ 62,532	\$ 62,532

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, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal Government	\$ 1,741,900	\$ 1,741,900	\$ 1,997,224	\$ 255,324
State Government	26,900	26,900	28,583	1,683
Charges for Services	1,345,850	1,345,850	1,133,478	(212,372)
Investment Earnings	2,700	2,700	366	(2,334)
Contributions and Donations	171,900	171,900	215,709	43,809
Total Revenues	3,289,250	3,289,250	3,375,360	86,110
EXPENDITURES:				
School Food Service	3,154,250	3,154,250	3,196,018	(41,768)
Capital Outlay	135,000	384,451	97,829	286,622
Total Expenditures	3,289,250	3,538,701	3,293,847	244,854
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(249,451)	81,513	330,964
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	(249,451)	81,513	330,964
Fund Balances, July 1, 2012	0	249,451	2,215,028	1,965,577
Fund Balances, June 30, 2013	\$ 0	\$ 0	\$ 2,296,541	\$ 2,296,541

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, 2013

	<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	\$ 88	\$ (12)
Total Revenues	<u>100</u>	<u>100</u>	<u>88</u>	<u>(12)</u>
EXPENDITURES:				
Capital Outlay	<u>100</u>	<u>100</u>	<u>0</u>	<u>100</u>
Total Expenditures	<u>100</u>	<u>100</u>	<u>0</u>	<u>100</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>88</u>	<u>88</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	0	0	88	88
Fund Balances, July 1, 2012	<u>0</u>	<u>0</u>	<u>65,698</u>	<u>65,698</u>
Fund Balances, June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 65,786</u>	<u>\$ 65,786</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
ALLANDALE TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment Earnings	\$ 5,700	\$ 5,700	\$ 8,561	\$ 2,861
Total Revenues	5,700	5,700	8,561	2,861
EXPENDITURES:				
Culture and Recreation	28,100	3,160	2,681	479
Capital Outlay	0	24,940	24,940	0
Total Expenditures	28,100	28,100	27,621	479
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,400)	(22,400)	(19,060)	3,340
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	(22,400)	(22,400)	(19,060)	3,340
Fund Balances, July 1, 2012	22,400	22,400	206,646	184,246
Fund Balances, June 30, 2013	\$ 0	\$ 0	\$ 187,586	\$ 187,586

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2013

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
ASSETS:				
Current Assets:				
Equity in Pooled Cash and Investments	\$ 0	\$ 484,194	\$ 0	\$ 484,194
Accounts Receivable, Net	83,142	267,157	20,434	370,733
Accrued Interest Receivable	10	0	0	10
Inventories	0	0	132,704	132,704
Total Current Assets	83,152	751,351	153,138	987,641
Noncurrent Assets:				
Restricted Assets:				
Cash	0	0	83,000	83,000
Cash from Unspent Bonds	727,944	150,683	48,692	927,319
Investments	53	0	270	323
Total Restricted Assets	727,997	150,683	131,962	1,010,642
Capital Assets:				
Land	1,308,121	712,168	981,600	3,001,889
Buildings and Systems	266,142	87,038	813,815	1,166,995
Improvements Other Than Buildings	1,177,265	534,297	6,040,112	7,751,674
Machinery and Equipment	555,423	0	465,051	1,020,474
Construction in Progress	1,435,352	666,686	625,330	2,727,368
Less: Accumulated Depreciation	(1,571,809)	(35,620)	(4,059,632)	(5,667,061)
Total Capital Assets	3,170,494	1,964,569	4,866,276	10,001,339
Other Assets:				
Prepaid Landfill Closure Costs	427,278	0	0	427,278
Unamortized Bond Costs	25,245	27,860	6,050	59,155
Total Other Assets	452,523	27,860	6,050	486,433
Total Noncurrent Assets	4,351,014	2,143,112	5,004,288	11,498,414
Total Assets	4,434,166	2,894,463	5,157,426	12,486,055

(continued)

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2013

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
LIABILITIES:				
Current Liabilities:				
Accounts Payable	680,965	146,865	13,961	841,791
Due to Other Funds	713,089	0	81,745	794,834
Compensated Absences Payable	103,386	32,147	0	135,533
Accrued Interest Payable	15,445	24,806	3,848	44,099
General Obligation Bonds - Current	52,471	57,653	117,000	227,124
Other Payables	0	0	0	0
Total Current Liabilities	<u>1,565,356</u>	<u>261,471</u>	<u>216,554</u>	<u>2,043,381</u>
Noncurrent Liabilities:				
General Obligation Bonds Payable (Net of Deferred Refunding Costs, Discounts and Premiums)	1,660,399	1,555,116	914,230	4,129,745
Advances from Other Funds	0	0	0	0
OPEB Liability	434,241	39,972	0	474,213
Post Closure Liability	0	0	0	0
Total Noncurrent Liabilities	<u>2,094,640</u>	<u>1,595,088</u>	<u>914,230</u>	<u>4,603,958</u>
Total Liabilities	<u>3,659,996</u>	<u>1,856,559</u>	<u>1,130,784</u>	<u>6,647,339</u>
NET POSITION:				
Net Investment in Capital Assets	2,185,568	502,483	3,883,738	6,571,789
Restricted for Debt Service	53	0	0	53
Restricted for Capital Improvements	0	0	90,112	90,112
Unrestricted	(1,411,451)	535,421	52,792	(823,238)
Total Net Position	<u>\$ 774,170</u>	<u>\$ 1,037,904</u>	<u>\$ 4,026,642</u>	<u>\$ 5,838,716</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2013

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES:				
Charges and Fees	\$ 797,658	\$ 1,809,629	\$ 945,379	\$ 3,552,666
Miscellaneous	4,432	200	42	4,674
Total Operating Revenue	<u>802,090</u>	<u>1,809,829</u>	<u>945,421</u>	<u>3,557,340</u>
OPERATING EXPENSES:				
Operating Costs	4,126,691	809,738	1,078,637	6,015,066
Depreciation	91,186	35,620	223,932	350,738
Total Operating Expenses	<u>4,217,877</u>	<u>845,358</u>	<u>1,302,569</u>	<u>6,365,804</u>
Operating Income (Loss)	<u>(3,415,787)</u>	<u>964,471</u>	<u>(357,148)</u>	<u>(2,808,464)</u>
NONOPERATING REVENUES:				
Investment Earnings	2,920	1,976	564	5,460
Federal Interest Subsidy	4,966	9,919	0	14,885
Interest Expense	(25,390)	(1,976)	(9,709)	(37,075)
Amortization Expense	(2,804)	(1,663)	(826)	(5,293)
Total Nonoperating Revenues	<u>(20,308)</u>	<u>8,256</u>	<u>(9,971)</u>	<u>(22,023)</u>
Income (Loss) Before Capital Contributions and Transfers	(3,436,095)	972,727	(367,119)	(2,830,487)
Capital Contributions	0	0	103,869	103,869
Transfers In	3,178,100	0	329,617	3,507,717
Transfers Out	<u>0</u>	<u>(91,511)</u>	<u>(100,000)</u>	<u>(191,511)</u>
Change in Net Position	(257,995)	881,216	(33,633)	589,588
Net Position, July 1, 2012	<u>1,032,165</u>	<u>156,688</u>	<u>4,060,275</u>	<u>5,249,128</u>
Net Position, June 30, 2013	<u>\$ 774,170</u>	<u>\$ 1,037,904</u>	<u>\$ 4,026,642</u>	<u>\$ 5,838,716</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2013

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers and Users	\$ 749,206	\$ 1,748,986	\$ 1,000,059	\$ 3,498,251
Receipts from Interfund Services Provided	46,680	63,642	0	110,322
Payments to Suppliers	(1,864,390)	(34,154)	(1,092,455)	(2,990,999)
Payments to Employees	(1,771,714)	(607,258)	0	(2,378,972)
Net Cash Provided (Used) by Operating Activities	(2,840,218)	1,171,216	(92,396)	(1,761,398)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from Other Funds	3,178,100	0	329,617	3,507,717
Transfers to Other Funds	0	(91,511)	(100,000)	(191,511)
Due To or From Other Funds	554,066	(62,610)	29,639	521,095
Advances To or From Other Funds	(193,905)	0	0	(193,905)
Net Cash Provided (Used) by Noncapital Financing Activities	3,538,261	(154,121)	259,256	3,643,396
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Capital Debt	130,662	1,638,465	320,827	2,089,954
Capital Transfers from Other Funds	0	0	0	0
Acquisition and Construction of Capital Assets	(1,118,963)	(2,000,189)	(524,675)	(3,643,827)
Principal Paid on Capital Debt	(169,581)	(54,471)	(110,000)	(334,052)
Interest Paid on Capital Debt	(18,214)	32,001	(6,207)	7,580
Net Cash Used by Capital and Related Financing Activities	(1,176,096)	(384,194)	(320,055)	(1,880,345)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from Sales and Maturities of Investments	0	0	1,312	1,312
Interest Received	2,973	1,976	575	5,524
Net Cash Provided (Used) by Investing Activities	2,973	1,976	1,887	6,836
 Net Increase (Decrease) In Cash and Cash Equivalents	 (475,080)	 634,877	 (151,308)	 8,489
 Cash and Cash Equivalents, July 1, 2012	 1,203,024	 0	 283,000	 1,486,024
 Cash and Cash Equivalents, June 30, 2013	 <u>\$ 727,944</u>	 <u>\$ 634,877</u>	 <u>\$ 131,692</u>	 <u>\$ 1,494,513</u>

(continued)

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2013

	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)	\$ (3,415,787)	\$ 964,471	\$ (357,148)	\$ (2,808,464)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	91,186	35,620	223,932	350,738
(Increase) Decrease in Assets:				
Accounts Receivable	(6,204)	2,799	54,638	51,233
Inventory	0	0	(17,091)	(17,091)
Prepays	(72,500)	0	0	(72,500)
Increase (Decrease) in Liabilities:				
Accounts Payable	497,502	146,696	3,273	647,471
Compensated Absences Payable	12,119	1,097	0	13,216
OPEB Liability	53,466	20,533	0	73,999
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,840,218)</u>	<u>\$ 1,171,216</u>	<u>\$ (92,396)</u>	<u>\$ (1,761,398)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET ASSETS:				
Cash with Fiscal Agent	\$ 0	\$ 0	\$ 0	\$ 0
Equity in Pooled Cash and Investments	0	484,194	0	484,194
Restricted Cash from Unspent Bonds	727,944	150,683	48,692	927,319
Restricted Cash	<u>0</u>	<u>0</u>	<u>83,000</u>	<u>83,000</u>
Cash and Cash Equivalents, June 30, 2013	<u>\$ 727,944</u>	<u>\$ 634,877</u>	<u>\$ 131,692</u>	<u>\$ 1,494,513</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Capital Assets Contributed by Developers	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 103,869</u>	<u>\$ 103,869</u>
Federal Interest Subsidy Paid Directly to Bank	<u>\$ 4,966</u>	<u>\$ 9,919</u>	<u>\$ 0</u>	<u>\$ 14,885</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2013

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Health Insurance Fund	Retirees Health Insurance Fund	Total Internal Service Funds
ASSETS:					
Current Assets:					
Equity in Pooled Cash and Investments	\$ 96,449	\$ 3,655,115	\$ 1,738,318	\$ 469,917	\$ 5,959,799
Accounts Receivable	3,520	132	0	10,983	14,635
Accrued Interest Receivable	80	24	0	0	104
Due from Other Governments	34,954	0	0	0	34,954
Due from Other Funds	0	0	0	0	0
Inventories	410,131	0	9,417	0	419,548
Prepays	0	175,587	3,069	1,111	179,767
Total Current Assets	545,134	3,830,858	1,750,804	482,011	6,608,807
Capital Assets:					
Land	14,695	0	0	0	14,695
Buildings and Improvements	0	0	14,897	0	14,897
Machinery and Equipment	26,819,131	0	0	0	26,819,131
Less: Accumulated Depreciation	(17,558,597)	0	(124)	0	(17,558,721)
Net Capital Assets	9,275,229	0	14,773	0	9,290,002
Other Assets:					
Advances to Other Funds	613,528	0	0	0	613,528
Deposits	0	30,000	102,000	25,500	157,500
Total Other Assets	613,528	30,000	102,000	25,500	771,028
Restricted Assets:					
Long Term Certificates of Deposit	500,000	500,000	0	0	1,000,000
Investments	2,391,788	0	0	0	2,391,788
Total Restricted Assets	2,891,788	500,000	0	0	3,391,788
Total Assets	13,325,679	4,360,858	1,867,577	507,511	20,061,625
LIABILITIES:					
Current Liabilities:					
Accounts Payable	176,026	114,380	38,599	0	329,005
Due to Other Governments	291	0	0	0	291
Claims Payable	0	1,067,117	0	0	1,067,117
Benefits Payable	0	2,557,398	378,927	71,073	3,007,398
Compensated Absences Payable	75,250	15,478	6,946	0	97,674
Total Current Liabilities	251,567	3,754,373	424,472	71,073	4,501,485
Total Liabilities	251,567	3,754,373	424,472	71,073	4,501,485
NET POSITION:					
Net Investment in Capital Assets	9,275,229	0	14,773	0	9,290,002
Unrestricted	3,798,883	606,485	1,428,332	436,438	6,270,138
Total Net Position	\$ 13,074,112	\$ 606,485	\$ 1,443,105	\$ 436,438	\$ 15,560,140

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, 2013

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Health Insurance Fund	Retirees Health Insurance Fund	Total Internal Service Funds
OPERATING REVENUE:					
Charges for Sales and Services	\$ 6,181,097	\$ 2,333,001	\$ 6,098,223	\$ 867,536	\$ 15,479,857
Miscellaneous	61,887	8,041	186,441	220,045	476,414
Total Operating Revenue	6,242,984	2,341,042	6,284,664	1,087,581	15,956,271
OPERATING EXPENSES:					
Personnel Services and Benefits	1,248,556	242,322	65,549	0	1,556,427
Materials and Supplies	3,411,750	3,362	21,324	0	3,436,436
Contractual Services	72,228	46,150	174,044	2,000	294,422
Insurance	1,857	443,299	415,483	44,547	905,186
Insurance Claims	0	1,444,660	5,635,404	1,102,252	8,182,316
Depreciation	1,626,961	0	124	0	1,627,085
Miscellaneous	88,057	25,200	572,694	30,920	716,871
Total Operating Expenses	6,449,409	2,204,993	6,884,622	1,179,719	16,718,743
Operating Income (Loss)	(206,425)	136,049	(599,958)	(92,138)	(762,472)
NONOPERATING REVENUES:					
Gain on Disposal of Fixed Assets	30,221	0	0	0	30,221
Investment Earnings	34,320	15,861	7,269	2,122	59,572
Total Nonoperating Revenues	64,541	15,861	7,269	2,122	89,793
Income (Loss) Before Transfers	(141,884)	151,910	(592,689)	(90,016)	(672,679)
Transfers In	0	0	0	0	0
Transfers Out	(150,000)	0	0	0	(150,000)
Change in Net Position	(291,884)	151,910	(592,689)	(90,016)	(822,679)
Net Position, July 1, 2012	13,365,996	454,575	2,035,794	526,454	16,382,819
Net Position, June 30, 2013	\$ 13,074,112	\$ 606,485	\$ 1,443,105	\$ 436,438	\$ 15,560,140

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Health Insurance Fund	Retirees Health Insurance Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Interfund Services Provided	\$ 6,234,660	\$ 2,341,042	\$ 6,284,664	\$ 1,081,837	\$ 15,942,203
Payments to Suppliers	(3,066,329)	(1,621,135)	(6,737,239)	(1,163,719)	(12,588,422)
Payments to Employees	(1,253,438)	(236,653)	(64,643)	0	(1,554,734)
Net Cash Provided (Used) by Operating Activities	<u>1,914,893</u>	<u>483,254</u>	<u>(517,218)</u>	<u>(81,882)</u>	<u>1,799,047</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers (To) From Other Funds	(150,000)	0	0	0	(150,000)
Due (To) From Other Funds	198,480	0	0	0	198,480
Advances (To) From Other Funds	414,505	0	0	0	414,505
Net Cash Provided (Used) by Noncapital Financing Activities	<u>462,985</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>462,985</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of Capital Assets	(2,613,813)	0	(14,897)	0	(2,628,710)
Proceeds from Sales of Capital Assets	39,842	0	0	0	39,842
Net Cash Used by Capital and Related Financing Activities	<u>(2,573,971)</u>	<u>0</u>	<u>(14,897)</u>	<u>0</u>	<u>(2,588,868)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments	(266,991)	0	0	0	(266,991)
Interest Received	50,093	15,861	7,269	2,122	75,345
Net Cash Provided (Used) by Investing Activities	<u>(216,898)</u>	<u>15,861</u>	<u>7,269</u>	<u>2,122</u>	<u>(191,646)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(412,991)	499,115	(524,846)	(79,760)	(518,482)
Cash and Cash Equivalents, July 1, 2012	<u>509,440</u>	<u>3,156,000</u>	<u>2,263,164</u>	<u>549,677</u>	<u>6,478,281</u>
Cash and Cash Equivalents, June 30, 2013	<u>\$ 96,449</u>	<u>\$ 3,655,115</u>	<u>\$ 1,738,318</u>	<u>\$ 469,917</u>	<u>\$ 5,959,799</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ (206,425)	\$ 136,049	\$ (599,958)	\$ (92,138)	\$ (762,472)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	1,626,961	0	124	0	1,627,085
(Increase) Decrease in Assets:					
Accounts Receivable	26,630	0	0	(5,744)	20,886
Due From Other Governments	(34,954)	0	0	0	(34,954)
Inventory	(1,721)	0	(9,417)	0	(11,138)
Prepays	435,194	(9,124)	0	0	426,070
Increase (Decrease) in Liabilities:					
Accounts Payable	74,090	106,145	7,127	0	187,362
Benefits Payable	0	244,515	84,000	16,000	344,515
Compensated Absences Payable	(4,882)	5,669	906	0	1,693
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,914,893</u>	<u>\$ 483,254</u>	<u>\$ (517,218)</u>	<u>\$ (81,882)</u>	<u>\$ 1,799,047</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET ASSETS:					
Equity in Pooled Cash and Investments	\$ 96,449	\$ 3,655,115	\$ 1,738,318	\$ 469,917	\$ 5,959,799
Restricted Assets Cash in Bank	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash and Cash Equivalents, June 30, 2013	<u>\$ 96,449</u>	<u>\$ 3,655,115</u>	<u>\$ 1,738,318</u>	<u>\$ 469,917</u>	<u>\$ 5,959,799</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013

	Industrial Development Board	Emergency Communications District
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers and Users	\$ 4,937,253	\$ 625,538
Payments to Suppliers	(5,552,521)	(536,209)
Net Cash Provided (Used) by Operating Activities	<u>(615,268)</u>	<u>89,329</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Noncapital Grants	0	629,620
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>629,620</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Note Proceeds	2,025,000	0
Purchases of Capital Assets	(328,874)	(442,161)
Capital Grants	0	0
Principal Paid on Capital Debt	(650,179)	0
Interest Paid on Capital Debt	(195,200)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>850,747</u>	<u>(442,161)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	2,544	6,435
Net Cash Provided by Investing Activities	<u>2,544</u>	<u>6,435</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 238,023	 283,223
Cash and Cash Equivalents, July 1, 2012	<u>532,506</u>	<u>2,554,823</u>
Cash and Cash Equivalents, June 30, 2013	<u><u>\$ 770,529</u></u>	<u><u>\$ 2,838,046</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (301,954)	\$ 97,653
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	64,419	42,450
(Increase) Decrease in Assets:		
Accounts Receivable	0	19,784
Due from Other Governments	0	(1,871)
Due from Primary Government	606,437	0
Land Held for Sale or Development	3,116,714	0
Prepaid Items	(33,227)	(71,394)
Increase (Decrease) in Liabilities:		
Accounts Payable	(137,498)	2,707
Other Payables	(20,000)	0
Deferred Income	(3,910,159)	0
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (615,268)</u></u>	<u><u>\$ 89,329</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:		
Cash	\$ 770,529	\$ 2,838,046
Restricted Assets Cash in Bank	0	0
Cash and Cash Equivalents, June 30, 2013	<u><u>\$ 770,529</u></u>	<u><u>\$ 2,838,046</u></u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Decrease in Investment in Joint Venture	<u>\$ 5,517</u>	<u>\$ 0</u>
Assets Donated to Primary Government	<u>\$ 103,869</u>	<u>\$ 0</u>

See Independent Auditors' Report.



D. SUPPLEMENTAL INFORMATION

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	\$ 24,048,540	\$ 23,217,830
Buildings	154,788,161	150,702,541
Improvements Other Than Buildings	22,510,543	15,738,092
Equipment	18,366,878	15,662,810
Software	678,544	582,763
Infrastructure	275,703,032	272,714,899
Construction in Progress	<u>45,829,539</u>	<u>60,935,121</u>
Total Governmental Funds Fixed Assets	<u>\$ 541,925,237</u>	<u>\$ 539,554,056</u>
INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:		
General Obligation Bonds	\$ 368,727,242	\$ 356,914,734
Contributions from Municipalities	576,947	576,947
Federal Grants	7,523,648	7,369,208
State Grants	97,844	97,844
County Grants	19,817	19,817
Federal Revenue Sharing	247,612	247,612
General Fund Revenue	14,024,541	13,431,297
Gifts	25,071,481	24,395,972
Annexed Roads	14,297,831	13,674,454
Forfeitures	156,565	159,330
Special Revenue Funds	60,248,149	58,533,597
Operating Revenue	2,341,035	2,341,034
Notes Payable	2,762,986	857,089
Construction in Progress	<u>45,829,539</u>	<u>60,935,121</u>
Total Governmental Funds Capital Assets	<u>\$ 541,925,237</u>	<u>\$ 539,554,056</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2013

Function and Activity	Land	Buildings	Improvements other than Buildings	Equipment	Software	Infrastructure	Construction in Progress	Total
General Government:								
General Government	6,359,654	\$ 6,053,198	\$ 1,919,480	\$ 868,617	\$ 26,173	\$ 0	\$ 22,859,603	\$ 38,086,725
City Manager	0	0	0	0	0	0	0	0
Finance	0	0	5,797	0	193,628	0	0	199,425
Information Services	0	0	0	419,491	15,979	0	0	435,470
Geographic Information	0	0	0	109,060	0	0	0	109,060
Total General Government	6,359,654	6,053,198	1,925,277	1,397,168	235,780	0	22,859,603	38,830,680
Economic and Physical Development:								
Development Services	0	650,519	45,984	34,575	0	0	0	731,078
Transportation	0	975,014	104,076	1,981,970	152,390	0	0	3,213,450
Engineering	0	0	0	45,335	0	0	0	45,335
Total Economic and Physical Development	0	1,625,533	150,060	2,061,880	152,390	0	0	3,989,863
Public Safety:								
Police	90,587	4,677,342	67,225	1,817,586	87,248	0	0	6,739,988
Fire	1,173,230	5,286,126	208,179	1,603,804	11,665	0	43,879	8,326,883
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	1,263,817	10,030,003	275,404	5,534,993	98,913	0	43,879	17,247,009
Public Works:								
General and Administrative	0	340,217	16,284	0	0	344,469	0	700,970
Sanitation	0	0	0	5,000	0	0	0	5,000
Streets	0	0	1,123,214	440,161	0	24,553,255	11,780,559	37,897,189
Maintenance	0	136,572	0	233,236	0	0	0	369,808
Bridges System	0	0	0	0	0	6,723,052	1,455,351	8,178,403
Highways System	0	0	0	0	0	243,605,639	90,726	243,696,365
Total Public Works	0	476,789	1,139,498	678,397	0	275,226,415	13,326,636	290,847,735

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2013

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Equipment</u>	<u>Software</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
Culture and Recreation:								
Senior Citizens	0	3,871,546	0	0	13,550	0	0	3,885,096
Recreation	10,485,109	17,365,283	9,466,567	518,213	0	0	4,409,367	42,244,539
Bays Mountain	980,962	886,158	315,641	1,132,571	0	0	70,525	3,385,857
Allandale	306,018	344,930	361,826	192,686	0	0	0	1,205,460
Library	133,000	3,620,618	0	141,261	0	476,617	0	4,371,496
Total Culture and Recreation	<u>11,905,089</u>	<u>26,088,535</u>	<u>10,144,034</u>	<u>1,984,731</u>	<u>13,550</u>	<u>476,617</u>	<u>4,479,892</u>	<u>55,092,448</u>
Education	<u>4,519,980</u>	<u>110,514,103</u>	<u>8,876,270</u>	<u>6,709,709</u>	<u>177,911</u>	<u>0</u>	<u>5,119,529</u>	<u>135,917,502</u>
Total Governmental Funds Capital Assets	<u>\$ 24,048,540</u>	<u>\$ 154,788,161</u>	<u>\$ 22,510,543</u>	<u>\$ 18,366,878</u>	<u>\$ 678,544</u>	<u>\$ 275,703,032</u>	<u>\$ 45,829,539</u>	<u>\$ 541,925,237</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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, 2013

Function and Activity	Governmental Funds Capital Assets June 30, 2012	Additions	Deletions	Adjustments	Governmental Funds Capital Assets June 30, 2013
General Government:					
General Government	\$ 36,392,023	\$ 2,352,256	\$ (391,393)	\$ (266,161)	\$ 38,086,725
City Manager	20,889	0	(20,889)	0	0
Finance	199,425	0	0	0	199,425
Information Services	333,612	109,408	(7,550)	0	435,470
Geographic Information	109,060	0	0	0	109,060
Total General Government	37,055,009	2,461,664	(419,832)	(266,161)	38,830,680
Economic and Physical Development:					
Development Services	731,078	0	0	0	731,078
Transportation	3,334,960	237,411	(358,921)	0	3,213,450
Engineering	45,335	0	0	0	45,335
Total Economic and Physical Development	4,111,373	237,411	(358,921)	0	3,989,863
Public Safety:					
Police	6,603,908	163,595	(27,515)	0	6,739,988
Fire	8,790,569	2,014,246	(2,448,170)	(29,762)	8,326,883
Communication	133,507	0	0	0	133,507
Central Dispatch	2,046,631	0	0	0	2,046,631
Total Public Safety	17,574,615	2,177,841	(2,475,685)	(29,762)	17,247,009
Public Works:					
General and Administrative	734,151	0	(33,181)	0	700,970
Sanitation	5,000	0	0	0	5,000
Streets	33,055,959	7,524,684	(1,611,218)	(1,072,236)	37,897,189
Maintenance	368,422	28,395	(27,009)	0	369,808
Bridges System	7,634,578	543,825	0	0	8,178,403
Highways System	243,615,907	80,458	0	0	243,696,365
Total Public Works	285,414,017	8,177,362	(1,671,408)	(1,072,236)	290,847,735
Culture and Recreation:					
Senior Citizens	3,885,096	0	0	0	3,885,096
Recreation	50,278,591	17,179,791	(5,540,501)	(19,673,342)	42,244,539
Bays Mountain	3,587,349	662,171	(863,662)	(1)	3,385,857
Allandale	1,180,520	24,940	0	0	1,205,460
Library	4,371,341	7,150	(6,995)	0	4,371,496
Total Culture and Recreation	63,302,897	17,874,052	(6,411,158)	(19,673,343)	55,092,448
Education	132,096,145	8,490,644	(5,443,008)	773,721	135,917,502
Total Governmental Funds Capital Assets	\$ 539,554,056	\$ 39,418,974	\$ (16,780,012)	\$ (20,267,781)	\$ 541,925,237

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
ENTERPRISE FUNDS
SCHEDULE OF OPERATING COSTS
For the Fiscal Year Ended June 30, 2013

	Water Fund	Sewer Fund	Aquatic Center Fund	MeadowView Conference Resort and Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds
General and Administrative:						
Personnel Services	\$ 488,481	\$ 392,716	\$ 8,467	\$ 0	\$ 73,999	\$ 963,663
Contractual Services	153,956	254,427	2,846	33,554	230,162	674,945
Supplies	192,835	1,117	3,520	199,684	30,161	427,317
Insurance	44,528	56,000	309	27,953	29,494	158,284
Subsidies and Contributions	0	0	0	327,312	0	327,312
Base Management Fee	0	0	0	126,892	27,534	154,426
Other	168,447	61,860	12,167	194,349	68,521	505,344
Total General and Administrative	1,048,247	766,120	27,309	909,744	459,871	3,211,291
Operations:						
Water Plant Operations	2,383,169	0	0	0	0	2,383,169
Sewer Plant Operations	0	2,303,601	0	0	0	2,303,601
Water Distribution System Maintenance	3,139,275	0	0	0	0	3,139,275
Sewer Collection System Maintenance	0	1,717,518	0	0	0	1,717,518
Reading, Service and Maintenance of Meters	696,408	0	0	0	0	696,408
Landfill Operations and Services	0	0	0	0	862,711	862,711
Solid Waste Collection Services	0	0	0	0	690,819	690,819
Organic Refuse Services	0	0	0	0	1,924,523	1,924,523
Recycling Services	0	0	0	0	542,732	542,732
Storm Water Maintenance	0	0	0	0	754,288	754,288
Aquatic Center Operations	0	0	480,546	0	0	480,546
Golf Grounds Maintenance	0	0	0	0	341,005	341,005
Golf Pro Shop	0	0	0	0	379,003	379,003
Golf Shop Food and Beverage	0	0	0	0	60,114	60,114
Total Operations	6,218,852	4,021,119	480,546	0	5,555,195	16,275,712
Total Operating Costs	<u>\$ 7,267,099</u>	<u>\$ 4,787,239</u>	<u>\$ 507,855</u>	<u>\$ 909,744</u>	<u>\$ 6,015,066</u>	<u>\$ 19,487,003</u>

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
NONMAJOR ENTERPRISE FUNDS
SCHEDULE OF OPERATING COSTS
For the Fiscal Year Ended June 30, 2013

	Solid Waste Management Fund	Storm Water Management Fund	Cattails at MeadowView Golf Course Fund	Total Nonmajor Enterprise Funds
General and Administrative:				
Personnel Services	\$ 53,466	\$ 20,533	\$ 0	\$ 73,999
Contractual Services	5,000	31,044	194,118	230,162
Supplies	0	3,873	26,288	30,161
Insurance	25,000	0	4,494	29,494
Base Management Fee	0	0	27,534	27,534
Other	22,440	0	46,081	68,521
Total General and Administrative	105,906	55,450	298,515	459,871
Operations:				
Landfill Operations and Services	862,711	0	0	862,711
Solid Waste Collection Services	690,819	0	0	690,819
Organic Refuse Services	1,924,523	0	0	1,924,523
Recycling Services	542,732	0	0	542,732
Storm Water Maintenance	0	754,288	0	754,288
Golf Grounds Maintenance	0	0	341,005	341,005
Golf Pro Shop	0	0	379,003	379,003
Golf Shop Food and Beverage	0	0	60,114	60,114
Total Operations	4,020,785	754,288	780,122	5,555,195
Total Operating Costs	<u>\$ 4,126,691</u>	<u>\$ 809,738</u>	<u>\$ 1,078,637</u>	<u>\$ 6,015,066</u>

See Independent Auditors' Report.

CITY OF KINGSFORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2012	Cash Receipts	Expend- itures	Balance June 30, 2013	
<u>SCHOOL NUTRITION SERVICES FUND:</u>							
Pass Through Tennessee Department of Education:							
10.555	National School Lunch Program	U.S. Department of Agriculture	\$ (162,099)	\$ 1,632,258	\$ 1,529,109	\$ (58,950)	*
10.553	School Breakfast Program	U.S. Department of Agriculture	(43,671)	493,837	453,615	(3,449)	*
10.582	Fresh Fruit and Vegetable Program	U.S. Department of Agriculture	0	14,500	14,500	0	
Pass Through Tennessee Department of Agriculture:							
10.569	Commodity Supplemental Feeding	U.S. Department of Agriculture	159,381	152,131	109,848	201,664	***
Total School Nutrition Services Fund			(46,389)	2,292,726	2,107,072	139,265	
<u>PUBLIC LAW 93-380 FUND:</u>							
Pass Through Tennessee Department of Education:							
84.010	Title I, Project 12-01	U.S. Department of Education	(222,204)	227,458	5,254	0	
84.010	Title I, Project 13-01	U.S. Department of Education	0	1,246,682	1,663,722	(417,040)	*
84.010	Title I, Project 2012-21	U.S. Department of Education	0	298,778	298,778	0	
84.010	Title I, School Improvement 2013	U.S. Department of Education	0	277,338	385,060	(107,722)	*
84.027	IDEA Part B, 12-01	U.S. Department of Education	(185,088)	205,820	20,732	0	
84.027	IDEA Part B, 13-01	U.S. Department of Education	0	1,018,856	1,261,614	(242,758)	*
84.027	IDEA Part B, 2012-21	U.S. Department of Education	0	285,559	285,559	0	
84.048	Carl Perkins, 2012	U.S. Department of Education	(62,704)	62,704	0	0	
84.048	Carl Perkins, 2013	U.S. Department of Education	0	115,562	120,960	(5,398)	*
84.173	Pre School 12-01	U.S. Department of Education	(1,619)	1,619	0	0	
84.173	Pre School 13-01	U.S. Department of Education	0	38,176	40,315	(2,139)	*
84.367	Title II, 2010, 2011-01	U.S. Department of Education	0	8,384	8,384	0	
84.367	Title II, 2011, 2012-01	U.S. Department of Education	(105,409)	115,393	9,984	0	
84.367	Title II, 2012, 2012-21	U.S. Department of Education	0	48,829	48,829	0	
84.367	Title II, 2013, 2013-01	U.S. Department of Education	0	166,077	210,250	(44,173)	*
ARRA 84.395	Race To The Top, 2012, ARRA	U.S. Department of Education	(36,417)	36,417	0	0	
ARRA 84.395	Race To The Top, 2013, ARRA	U.S. Department of Education	0	157,882	267,416	(109,534)	*
ARRA 84.395	Race To The Top, 2012-21, ARRA	U.S. Department of Education	0	86,223	86,223	0	
ARRA 84.410	Education Jobs Fund, ARRA	U.S. Department of Education	(57,205)	57,205	0	0	
Pass Through Cocke County:							
84.365	Title III, 2012-01	U.S. Department of Education	(4,263)	4,263	0	0	
84.365	Title III, 2012-21	U.S. Department of Education	0	906	906	0	
84.365	Title III, 2013-01	U.S. Department of Education	0	7,201	10,477	(3,276)	*
Total Public Law 93-380 Fund			(674,909)	4,467,332	4,724,463	(932,040)	
<u>SPECIAL SCHOOL PROJECTS FUND:</u>							
Pass-Through Tennessee Department of Education:							
84.196	Homeless Assistance Grant	U.S. Department of Education	(13,866)	39,943	39,000	(12,923)	*
84.184	Safe and Supportive School Grant (S3)	U.S. Department of Education	(581)	3,360	10,098	(7,319)	*
Total Special School Projects Fund			(14,447)	43,303	49,098	(20,242)	

(continued)

CITY OF KINGSFORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2012	Cash Receipts	Expend- itures	Balance June 30, 2013
<u>SPECIAL REVENUE GENERAL PROJECTS FUND:</u>						
Direct Programs:						
ARRA	16.607 Bulletproof Vest Partnership Program 10054361	U.S. Department of Justice	0	6,300	8,951	(2,651) *
	16.710 COPS Hiring Program 2009RKWX0812 ARRA	U.S. Department of Justice	(85,264)	247,898	162,634	0
	97.044 Staffing Adequate Fire & Emergency Response EMW-2010-FH-00918	U.S. Dept. of Homeland Security	(82,847)	314,617	231,770	0
	97.044 Dual Sensor Smoke Alarms EMW-2011-FP-01111	U.S. Dept. of Homeland Security	0	24,752	39,600	(14,848) *
Pass Through Tennessee State Library and Archives						
45.310	Computers and Software	Institute of Museum & Library Services	2,865	1,620	4,485	0
Pass Through Tennessee Department of Transportation						
20.607	DUI Offender Countermeasures Z12GHS159	U. S. Dept. of Transportation	(7,986)	14,596	6,610	0
20.607	Impaired Driving Countermeasures 154AL-13-125	U. S. Dept. of Transportation	0	10,953	19,452	(8,499) *
Total Special Revenue General Projects Fund			<u>(173,232)</u>	<u>620,736</u>	<u>473,502</u>	<u>(25,998)</u>
<u>COMMUNITY DEVELOPMENT FUND:</u>						
Direct Programs:						
14.218	Community Development Block Grants	U.S. Department of HUD	(25,400)	341,583	370,287	(54,104) *
Pass-Through Tennessee Department of Health & Human Services:						
14.231	Emergency Shelter Grant Program	U.S. Department of HUD	<u>(1,913)</u>	<u>9,249</u>	<u>52,598</u>	<u>(45,262) *</u>
Total Community Development Fund			<u>(27,313)</u>	<u>350,832</u>	<u>422,885</u>	<u>(99,366)</u>
<u>FEDERAL TRANSIT ADMINISTRATION FUND:</u>						
Direct Programs:						
ARRA	20.507 FTA Capital/Operating/Planning TN-90-X318	U.S. Department of Transportation	(124,599)	124,599	0	0
	20.507 FTA Capital/Operating/Planning TN-90-X334	U.S. Department of Transportation	(99,730)	497,413	544,052	(146,369) *
	20.507 FTA Capital/Operating/Planning TN-90-X353	U.S. Department of Transportation	0	0	158	(158) *
	20.507 FTA Capital ARRA Grant TN-96-X008 ARRA	U.S. Department of Transportation	<u>0</u>	<u>141,588</u>	<u>141,588</u>	<u>0</u>
Total Federal Transit Administration Fund			<u>(224,329)</u>	<u>763,600</u>	<u>685,798</u>	<u>(146,527)</u>

(continued)

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2012	Cash Receipts	Expend- itures	Balance June 30, 2013
<u>CAPITAL PROJECTS FUND:</u>						
Direct Programs:						
ARRA 81.128	Energy Efficiency and Conservation Block Grant ARRA EE0002433	U.S. Department of Energy	8,501	0	8,501	0
Pass-Through Tennessee Department of Transportation:						
20.219	STP-EN-8200(22/29)	U.S. Department of Transportation	0	18,054	18,054	0
20.219	STP-EN-8200(24)	U.S. Department of Transportation	0	7,402	13,431	(6,029) *
20.205	Safe Routes to Schools SRTS-9108(30)	U.S. Department of Transportation	(3,732)	3,732	51,967	(51,967) *
Pass-Through Appalachian Regional Commission						
23.011	TN-16331-09	Appalachian Regional Commission	(159,425)	166,398	6,973	0
Total Capital Projects Fund			(154,656)	195,586	98,926	(57,996)
<u>GENERAL PURPOSE SCHOOL FUND:</u>						
Pass-Through Tennessee Department of Labor:						
84.002	Adult Basic Education	U.S. Department of Education	(48,647)	124,147	169,157	(93,657) *
Total General Purpose School Fund			(48,647)	124,147	169,157	(93,657)
<u>GENERAL FUND:</u>						
Direct Programs:						
16.012	Organized Crime Drug Enforcement SE-TNE-0231H		0	1,873	1,873	0
Pass-Through First Tennessee Development District:						
93.044	Title III-B Transportation& III-D Health Promotion	U.S. Dept of Health & Human Services	(1,158)	11,283	15,000	(4,875) *
Pass-Through Financial Commission for Appalachia HIDTA:						
95.001	High Intensity Drug Trafficking Area	Executive Office of the President	0	16,425	16,425	0
Total General Fund			(1,158)	29,581	33,298	(4,875)
<u>JUSTICE ASSISTANCE GRANT FUND:</u>						
Direct Programs:						
ARRA 16.579	Justice Assistance Grant / 2012-DJ-BX-0073	U.S. Department of Justice	0	26,844	26,844	0
ARRA 16.804	Justice Assistance Grant / 2009-SB-B9-0981 ARRA	U.S. Department of Justice	0	11,631	11,631	0
Pass Through Tennessee Office of Criminal Justice Programs:						
16.738	Kingsport Targeted Community Crime Reduction DG1132208-00	U.S. Department of Justice	(17,960)	180,494	199,733	(37,199) *
Total Justice Assistance Grant Fund			(17,960)	218,969	238,208	(37,199)

(continued)

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2012	Cash Receipts	Expend- itures	Balance June 30, 2013	
<u>METROPOLITAN PLANNING OFFICE FUND:</u>							
Pass-Through Tennessee Department of Transportation:							
20.205	FHWA Project No. SPR-PL-1-(268) 2012	Federal Highway Administration	(38,464)	125,765	110,111	(22,810)	*
20.505	FTA Capital / Operating / Planning Section 5303 10	U.S. Department of Transportation	(10,413)	36,442	36,512	(10,483)	*
20.205	Resurfacing STP-M-9108(30) 82956-3578-54	U.S. Department of Transportation	(40,298)	40,298	450,030	(450,030)	*
Pass-Through Virginia Department of Transportation:							
20.205	FHWA Project VA PL Funds 2012	Federal Highway Administration	(1,254)	5,279	4,496	(471)	*
20.505	FTA Capital / Operating / Planning VA 2012	U.S. Department of Transportation	(1,532)	3,614	3,430	(1,348)	*
Total Metropolitan Planning Office Fund			(91,961)	211,398	604,579	(485,142)	
<u>SEWER FUND:</u>							
Pass - Through Tennessee Dept of Environment & Conservation:							
ARRA 66.458	Clean Water SRF Loan ARRA Funded Loan	U.S. Dept. of Environmental Protection	0	38,010	38,010	0	
ARRA 66.458	Clean Water SRF ARRA Funded Principal Forgiveness	U.S. Dept. of Environmental Protection	0	152,040	152,040	0	
Total Sewer Fund			0	190,050	190,050	0	
Total Federal Awards			<u>\$ (1,475,001)</u>	<u>\$ 9,508,260</u>	<u>\$ 9,797,036</u>	<u>\$ (1,763,777)</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 \$47,460; \$15,294; and \$34,581 respectively.

NOTE D: LOAN RECOGNITION

The City recognizes loan proceeds as income or liability depending on the applicable fund at the time the draw request is submitted. Any related debt forgiveness is also recognized at the time the draw request is submitted.

* 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, 2013

State Grant Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2012	Cash Receipts	Expend- itures	Balance June 30, 2013
<u>GENERAL FUND:</u>						
31625	Arts Program Categorical Grants	Tennessee Arts Commission	\$ 0	\$ 8,570	\$ 8,570	\$ 0
Pass-Through First Tennessee Development District:						
KINGS-2012-HOOT-12	State Senior Center Operations Grant	TN Department of Health & Human Services	(1,667)	16,667	20,000	(5,000) *
Total General Fund			(1,667)	25,237	28,570	(5,000)
<u>SPECIAL REVENUE GENERAL PROJECTS FUND:</u>						
DGA 19734	Kingsport Art and Sculpture Walk	Tennessee Arts Commission	0	6,100	6,100	0
Total Special Revenue General Projects Fund			0	6,100	6,100	0
<u>METROPOLITAN PLANNING ORGANIZATION FUND:</u>						
GG-11-35738-00	TN-80-0004-00 Operating 82-5303-S3-012	Tennessee Department of Transportation	(907)	908	1	0
GG-13-34888-00	TN-80-0004-01 Operating 82-5303-S3-013	Tennessee Department of Transportation	(395)	3,648	3,685	(432) *
GG-13-34888-00	TN-80-0004-01 Operating 82-5303-S3-013	Tennessee Department of Transportation	0	0	878	(878) *
Total Metropolitan Planning Organization Fund			(1,302)	4,556	4,564	(1,310)
<u>FEDERAL TRANSIT ADMINISTRATION FUND:</u>						
GG-11-34501	TN-90-X-318 Operating 82-5307-S3-009	Tennessee Department of Transportation	(63,332)	63,332	0	0
GG-12-38186	TN-90-X-334 Operating 82-5307-S3-011	Tennessee Department of Transportation	(28,509)	224,614	268,024	(71,919) *
GG-13-35508	TN-90-X-353 Operating 82UROP-S3-013	Tennessee Department of Transportation	0	0	60,846	(60,846) *
Total Federal Transit Administration Fund			(91,841)	287,946	328,870	(132,765)
<u>SPECIAL SCHOOL PROJECTS FUND:</u>						
GG-12-30644	Truancy Intervention Program	Tennessee Department of Children's Services	(22,749)	58,934	53,720	(17,535) *
119-12-02-041	LEAPS Program	Tennessee Department of Education	(64,999)	209,736	231,741	(87,004) *
GP-46590	Safe Schools	Tennessee Department of Education	4,008	10,342	30,075	(15,725) *
MX0-AAX	Pre-Kindergarten- Lottery	Tennessee Department of Education	(71,275)	412,966	493,276	(151,585) *
MTE-AAX	Family Resource	Tennessee Department of Education	(13,252)	26,700	27,184	(13,736) *
GZB-AAX	Coordinated School Health	Tennessee Department of Education	(27,023)	96,307	101,157	(31,873) *
Total Special School Projects Fund			(195,290)	814,985	937,153	(317,458)

(continued)

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2013

<u>State Grant Number</u>	<u>Program Name / Grant Number</u>	<u>Grantor Agency</u>	<u>Balance June 30, 2012</u>	<u>Cash Receipts</u>	<u>Expend- itures</u>	<u>Balance June 30, 2013</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-11-34696-00	Phase 3 Enhancements Domtar & Eastman Parks	Tennessee Dept of Environment & Conservation	(10,154)	78,154	68,000	0	
GG-11-34695-00	Local Park and Recreation Fund	Tennessee Dept of Environment & Conservation	(14,405)	16,000	110,234	(108,639)	*
Total Capital Projects Fund			<u>2,941</u>	<u>94,154</u>	<u>178,234</u>	<u>(81,139)</u>	
<u>FLEET MAINTENANCE FUND:</u>							
32701-01383	Clean Tennessee Energy Grant Program	Tennessee Dept of Environment & Conservation	<u>0</u>	<u>0</u>	<u>34,954</u>	<u>(34,954)</u>	*
Total Fleet Maintenance Fund			<u>0</u>	<u>0</u>	<u>34,954</u>	<u>(34,954)</u>	
<u>SEWER FUND:</u>							
SRF-2007-197	State Revolving Loan Fund	Tennessee Dept of Environment & Conservation	(491,691)	491,691	-	0	
CGA-2009-240 ARRA	State Revolving Loan Fund State Funded	Tennessee Dept of Environment & Conservation	<u>0</u>	<u>190,051</u>	<u>190,051</u>	<u>0</u>	
Total Sewer Fund			<u>(491,691)</u>	<u>681,742</u>	<u>190,051</u>	<u>0</u>	
Total State Awards for the Primary Government			<u>(778,850)</u>	<u>1,914,720</u>	<u>1,708,496</u>	<u>(572,626)</u>	
<u>COMPONENT UNIT</u>							
<u>INDUSTRIAL DEVELOPMENT BOARD:</u>							
GG-10-30537-00	Advanced Manufacturing Partnership	TN Dept of Economic and Community Development	<u>218,895</u>	<u>0</u>	<u>218,895</u>	<u>0</u>	
Total Industrial Development Board			<u>218,895</u>	<u>0</u>	<u>218,895</u>	<u>0</u>	
Total State Awards			<u>\$ (559,955)</u>	<u>\$ 1,914,720</u>	<u>\$ 1,927,391</u>	<u>\$ (572,626)</u>	

* Receivable ** Unused Revenue *** Inventory on Hand

See Independent's 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.

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Financial Trends

Tables 1 - 6 contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

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Revenue Capacity

Tables 7 - 12 contain information to help the reader assess the government's most significant local revenue sources, the property tax and local option sales tax.

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Debt Capacity

Tables 13 - 17 present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

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Demographic and Economic Information

Tables 18 - 19 offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

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Operating Information

Tables 20 - 29 contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 236,295,000	\$ 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
Restricted	6,694,000	1,081,000	4,099,000	33,768,000	30,399,946	22,286,383	184,626	184,662	178,140	195,625
Unrestricted	38,668,000	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)
Total Governmental Activities Net Position	<u>\$ 281,657,000</u>	<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>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 113,859,000	\$ 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
Restricted	562,000	897,000	838,000	952,000	1,119,119	939,246	882,421	1,432,126	619,678	364,708
Unrestricted	43,000	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
Total Business-Type Activities Net Position	<u>\$ 114,464,000</u>	<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>
Primary Government										
Invested in Capital Assets, Net of Related Debt	\$ 350,154,000	\$ 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
Restricted	7,256,000	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
Unrestricted	38,711,000	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
Total Primary Government Net Position	<u>\$ 396,121,000</u>	<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>

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
<u>Governmental Activities:</u>										
General Government	\$ 6,571,000	\$ 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
Public Safety	13,918,000	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
Public Works	10,151,000	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
Highway Transportation Planning	2,693,000	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
Economic and Physical Development	2,829,000	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
Culture and Recreation	4,294,000	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
Education	52,939,000	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
Interest on Long-Term Debt	2,228,000	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
Other	475,000	0	0	0	0	0	0	0	0	0
Total Governmental Activities Expenses	96,098,000	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
<u>Business-Type Activities:</u>										
Water	7,483,000	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
Sewer	7,631,000	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
Solid Waste Management	3,078,000	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
Storm Water Management	0	0	0	0	0	0	0	0	671,575	848,997
Aquatic Center	0	0	0	0	0	0	0	0	0	753,495
MeadowView Conference Center	2,321,000	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
Cattails at MeadowView Golf Course	1,255,000	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
Total Business-Type Activities Expenses	21,768,000	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
Total Primary Government Expenses	\$ 117,866,000	\$ 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
Program Revenues										
<u>Governmental Activities:</u>										
Charges for Services:										
General Government	\$ 322,000	\$ 368,000	\$ 507,000	\$ 821,000	\$ 138,937	\$ 194,323	\$ 687,263	\$ 1,596,808	\$ 681,275	\$ 683,997
Public Safety	216,000	287,000	288,000	314,000	2,478,198	2,384,667	1,789,496	1,820,625	1,179,259	1,106,058
Highway Transportation Planning	98,000	95,000	88,000	97,000	97,070	120,520	103,207	110,713	122,236	127,303
Economic and Physical Development	321,000	308,000	435,000	519,000	513,595	562,536	1,192,238	1,079,506	996,925	1,028,954
Culture and Recreation	495,000	571,000	679,000	678,000	748,935	754,137	818,919	987,328	988,565	991,503
Education	2,571,000	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
Operating Grants and Contributions	25,195,000	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
Capital Grants and Contributions	940,000	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
Total Governmental Activities Program Revenues	30,158,000	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
<u>Business-Type Activities:</u>										
Charges for Services:										
Water	11,198,000	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
Sewer	11,120,000	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
Solid Waste Management	441,000	580,000	489,000	580,000	783,960	679,518	772,999	829,411	944,641	802,090
Storm Water Management	0	0	0	0	0	0	0	0	910,822	1,809,829
Aquatic Center	0	0	0	0	0	0	0	0	0	331,444
MeadowView Conference Center	248,000	267,000	253,000	287,000	283,188	259,746	251,800	303,648	321,915	188,114
Cattails at MeadowView Golf Course	958,000	950,000	982,000	1,025,000	1,095,861	1,042,420	981,837	938,658	1,011,026	945,421
Operating Grants and Contributions	0	0	0	0	0	0	0	229,976	186,888	238,749
Capital Grants and Contributions	0	0	0	0	2,660,735	2,123,441	1,296,823	655,174	65,871	507,015
Total Business-Type Activities Program Revenues	23,965,000	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
Total Primary Government Program Revenues	\$ 54,123,000	\$ 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

(continued)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental Activities	\$ (65,940,000)	\$ (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)
Business-Type Activities	2,197,000	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
Total Primary Government Net (Expense) Revenue	<u>\$ (63,743,000)</u>	<u>\$ (55,767,000)</u>	<u>\$ (65,802,000)</u>	<u>\$ (70,674,000)</u>	<u>\$ (74,480,533)</u>	<u>\$ (78,602,710)</u>	<u>\$ (83,872,459)</u>	<u>\$ (88,729,137)</u>	<u>\$ (90,234,163)</u>	<u>\$ (94,081,531)</u>
General Revenues and Other Changes in Net Position										
<u>Governmental Activities:</u>										
Taxes:										
Property Taxes	\$ 38,532,000	\$ 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
Sales Taxes	24,394,000	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
Other Taxes	3,826,000	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
Grants and Contributions Not Restricted	581,000	524,000	589,000	713,000	641,999	970,035	1,040,878	986,665	1,361,422	1,370,621
Unrestricted Investment Earnings	598,000	1,015,000	1,662,000	2,801,000	3,392,236	1,624,800	786,056	421,579	401,451	332,967
Gain (Loss) on Disposal of Capital Assets	13,000	30,000	2,000	4,000	269,917	18,322	(869,975)	0	0	0
Miscellaneous	1,589,000	944,000	972,000	1,340,000	1,036,779	790,029	742,259	755,400	960,663	875,719
Transfers	(3,757,000)	(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)
Total Governmental Activities	<u>65,776,000</u>	<u>66,696,000</u>	<u>71,549,000</u>	<u>76,544,000</u>	<u>78,135,762</u>	<u>77,850,126</u>	<u>75,085,414</u>	<u>77,632,774</u>	<u>82,448,054</u>	<u>84,597,924</u>
<u>Business-Type Activities:</u>										
Unrestricted Investment Earnings	239,000	351,000	877,000	1,334,000	1,024,862	600,431	409,331	146,328	153,080	161,664
Gain (Loss) on Disposal of Capital Assets	4,000	(8,000)	0	2,000	50	(12,605)	0	0	5,812	0
Miscellaneous	7,000	5,000	22,000	0	0	0	0	0	0	0
Transfers	3,757,000	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
Total Business-Type Activities	<u>4,007,000</u>	<u>4,204,000</u>	<u>4,798,000</u>	<u>5,146,000</u>	<u>5,060,231</u>	<u>3,595,426</u>	<u>4,284,018</u>	<u>4,571,666</u>	<u>3,773,919</u>	<u>3,983,390</u>
Total Primary Government	<u>\$ 69,783,000</u>	<u>\$ 70,900,000</u>	<u>\$ 76,347,000</u>	<u>\$ 81,690,000</u>	<u>\$ 83,195,993</u>	<u>\$ 81,445,552</u>	<u>\$ 79,369,432</u>	<u>\$ 82,204,440</u>	<u>\$ 86,221,973</u>	<u>\$ 88,581,314</u>
Change in Net Position										
Governmental Activities	\$ (164,000)	\$ 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)
Business-Type Activities	6,204,000	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
Total Primary Government	<u>\$ 6,040,000</u>	<u>\$ 15,133,000</u>	<u>\$ 10,545,000</u>	<u>\$ 11,016,000</u>	<u>\$ 8,715,460</u>	<u>\$ 2,842,842</u>	<u>\$ (4,503,027)</u>	<u>\$ (6,524,697)</u>	<u>\$ (4,012,190)</u>	<u>\$ (5,500,217)</u>

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)

Fiscal Year	Property Tax	Sales Tax	Income Tax	Business Tax	Alcoholic Beverage	Hotel / Motel Tax	Total
2004	\$ 38,532,000	\$ 24,394,000	\$ 379,000	\$ 1,416,000	\$ 1,296,000	\$ 735,000	\$ 66,752,000
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

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									
	2004	2005	2006	2007	2008	2009	2010	2011*	2012	2013
General Fund										
Reserved	\$ 3,950,000	\$ 3,607,000	\$ 3,232,000	\$ 3,510,000	\$ 3,391,331	\$ 2,384,571	\$ 1,574,013	\$ 0	\$ 0	\$ 0
Unreserved	12,720,000	12,078,000	15,420,000	17,409,000	14,848,415	12,927,260	13,155,138	0	0	0
Nonspendable	0	0	0	0	0	0	0	44,571	23,543	23,773
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	0	1,440,450	739,876	73,750
Unassigned	0	0	0	0	0	0	0	12,099,373	11,809,520	11,537,853
Total General Fund	<u>\$ 16,670,000</u>	<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>
All Other Governmental Funds										
Reserved	\$ 4,713,000	\$ 7,797,000	\$ 4,747,000	\$ 5,695,000	\$ 14,961,015	\$ 16,130,214	\$ 9,018,913	\$ 0	\$ 0	\$ 0
Unreserved, reported in:										
Debt Service	71,000	33,000	69,000	1,022,000	1,140,765	626,839	411,923	0	0	0
Special Revenue Funds	5,956,000	5,385,000	5,050,000	7,556,000	6,895,192	7,432,715	6,594,744	0	0	0
Capital Project Funds	6,532,000	688,000	3,757,000	33,434,000	30,073,388	22,101,833	38,247,760	0	0	0
Permanent Fund	0	0	0	0	20,293	28,232	36,804	0	0	0
Nonspendable	0	0	0	0	0	0	0	335,358	391,421	431,092
Restricted	0	0	0	0	0	0	0	29,898,833	32,898,517	12,101,368
Committed	0	0	0	0	0	0	0	195,000	15,000	15,000
Assigned	0	0	0	0	0	0	0	10,303,693	8,663,697	7,907,282
Total all Other Governmental Funds	<u>\$ 17,272,000</u>	<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>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Taxes	\$ 46,524,000	\$ 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
Licenses and Permits	324,000	350,000	350,000	526,000	778,788	544,797	354,400	339,843	390,916	357,816
Intergovernmental	46,457,000	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
Charges for Services	3,561,000	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
Fines and Forfeitures	297,000	443,000	560,000	787,000	2,233,346	2,083,918	1,404,126	1,475,914	888,013	808,164
Contributions and Donations	272,000	579,000	459,000	316,000	385,508	343,405	417,259	544,308	478,234	445,475
Investment Earnings	395,000	731,000	1,188,000	2,123,000	2,754,996	1,209,675	534,657	285,622	301,300	273,394
Miscellaneous	327,000	332,000	360,000	555,000	714,899	438,420	620,950	1,087,540	712,967	296,538
Total Revenues	98,157,000	104,426,000	108,353,000	114,496,000	120,498,500	122,007,821	124,896,333	128,147,882	132,024,912	131,779,634
Expenditures:										
General Government	5,657,000	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
Public Safety	13,085,000	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
Public Works	5,207,000	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
Transportation	2,693,000	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
Development	2,556,000	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
Recreation	3,022,000	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
Maintenance	0	0	0	0	0	0	0	0	0	320
Education	48,581,000	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
Miscellaneous	348,000	516,000	722,000	878,000	1,019,288	860,350	1,164,299	1,179,584	1,108,609	1,045,894
Capital Outlay	10,048,000	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
Debt Service:										
Principal	11,060,000	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
Interest	2,170,000	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
Bond Issuance Costs	211,000	43,000	100,000	300,000	389,556	405,059	459,043	20,479	435,261	126,829
Arbitrage Rebate	0	0	0	0	0	0	0	0	0	0
Other Charges	30,000	15,000	20,000	11,000	7,590	19,516	9,744	33,061	7,387	12,122
Total Expenditures	104,668,000	107,728,000	110,632,000	110,317,000	137,540,308	147,646,711	143,341,082	143,297,642	150,648,425	140,593,325
Excess (deficiency) of revenues over (under) expenditures	(6,511,000)	(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)

(Continued)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other Financing Sources (Uses):										
Transfers In	28,792,000	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
Transfers Out	(32,606,000)	(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)
Transfer Bonds to										
Enterprise Funds	0	0	0	0	0	0	0	0	0	(10,596,258)
Issuance of Debt	13,725,000	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
Premiums on Debt Issued	561,000	0	0	0	112,398	211,590	520,024	0	740,813	1,068,429
Sale of Building	0	0	0	0	800,000	0	0	0	0	0
Payments to Refunded										
Bond Escrow Agent	(6,340,000)	0	0	0	0	0	0	0	(4,654,178)	(13,115,262)
Total Other Financing Sources (Uses)	4,132,000	(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)
Net Change in Fund Balances	<u>\$ (2,379,000)</u>	<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>
Debt Service as a Percentage of Noncapital Expenditures	<u>14.0%</u>	<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>

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 KINGSFORT, TENNESSEE
GENERAL GOVERNMENT TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Income Tax	Business Tax	Alcoholic Beverage	Hotel / Motel Tax	Total
2004	\$ 37,775,000	\$ 24,394,000	\$ 379,000	\$ 1,416,000	\$ 1,296,000	\$ 735,000	\$ 65,995,000
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

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				
2004	2003	\$ 386,620,196	\$ 381,988,450	\$ 337,980,179	\$ 43,108,340	\$ 1,149,697,165	\$ 2.29	\$ 3,705,828,043	31.02%
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%

Source: City of Kingsport Finance Department

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

Table 8

CITY OF KINGSFORT, TENNESSEE
PROPERTY TAX RATES (PER \$100 ASSESSED VALUE)
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

Fiscal Year Ended June 30	City Direct Rates	Overlapping Rates	
		Sullivan County	Hawkins County
2004	\$ 2.2900	\$ 2.3500	\$ 2.4100
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

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	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Eastman Chemical Company	\$ 396,770,268	1	23.7%	\$ 330,747,000	1	28.8%
Domtar, Inc (Weyerhaeuser Co/ Willamette Industries)	34,209,411	2	2.0%	20,590,000	2	1.8%
Kingsport Power Company	19,588,933	3	1.2%	14,660,000	4	1.3%
Holston Family Practice	17,574,295	4	1.0%			
Wellmont Health System/ Holston Valley Health Care	15,667,099	5	0.9%	11,850,000	6	1.0%
Brandy Mill Apartments, LLC	15,612,012	6	0.9%			
Kingsport Town Center (Fort Henry Mall- Baltry, LLC)	15,577,020	7	0.9%	11,449,000	7	1.0%
Inland Western Kpt East Stone LLC - Clara F Jackson	15,285,960	8	0.9%			
Mountain States Health / HCA	15,110,872	9	0.9%	8,183,000	9	0.7%
Eastman Credit Union	12,141,208	10	0.7%			
Wal Mart Properties/Real Estate				9,618,000	8	0.8%
Sprint/United Inter-Mountain Telephone Southeast				14,376,000	5	1.3%
Quebecor				15,715,000	3	1.4%
AFG/AGC Industries				7,938,000	10	0.7%
Totals	\$ 557,537,078		33.1%	\$ 445,126,000		38.8%
Total Taxable Assessed Value:						
FYE 2013 (Tax Year 2012)	\$ 1,676,379,066					
FYE 2004 (Tax Year 2003)	1,149,697,165					

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	
2004	\$ 26,332,293	\$ (44,182)	\$ 26,288,111	\$ 25,315,529	96.30%	\$ 946,894	\$ 26,262,423	99.90%	\$ 25,688
2005	26,616,925	(48,751)	26,568,174	25,793,768	97.09%	746,764	26,540,532	99.90%	27,642
2006	28,738,644	(48,134)	28,690,510	27,985,510	97.54%	664,240	28,649,750	99.86%	40,760
2007	29,564,326	(34,364)	29,529,962	28,769,796	97.43%	732,261	29,502,057	99.91%	27,905
2008	29,582,951	19,154	29,602,105	28,616,818	96.67%	927,765	29,544,583	99.81%	57,522
2009	30,553,586	(46,830)	30,506,756	29,616,908	97.08%	776,250	30,393,158	99.63%	113,598
2010	31,362,309	(190,961)	31,171,348	30,151,757	96.73%	874,844	31,026,601	99.54%	144,747
2011	32,011,845	214,509	32,226,354	31,071,305	96.42%	926,903	31,998,208	99.29%	228,146
2012	32,276,181	348,844	32,625,025	31,684,065	97.12%	586,841	32,270,906	98.91%	354,119
2013	32,988,793	994,972	33,983,765	32,509,744	95.66%	0	32,509,744	95.66%	1,474,021

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, 2013

Tax Year	Property Tax Receivable Balance June 30, 2012	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Net Receivable Balance June 30, 2013
2003	\$ 27,343			\$ (1,051)	\$ (604)	\$ 25,688
2004	28,336			(47)	(647)	27,642
2005	42,344			(219)	(1,365)	40,760
2006	32,815			(281)	(4,629)	27,905
2007	65,530			(131)	(7,877)	57,522
2008	125,263			(450)	(11,215)	113,598
2009	196,587			(80)	(51,760)	144,747
2010	358,352			(23,125)	(107,081)	228,146
2011	996,503			(55,543)	(586,841)	354,119
2012		\$ 32,988,793		994,972	(32,509,744)	1,474,021
2013			\$ 34,483,625			34,483,625
Totals	\$ 1,873,073	\$ 32,988,793	\$ 34,483,625	\$ 914,045	\$ (33,281,763)	\$ 36,977,773

NOTES: All uncollected real property taxes for years prior to 2012 have been turned over to the Clerk & Master for collection.

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

Source: City of Kingsport Finance Department

Table 12

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

FISCAL YEAR ENDED JUN 30	TOTAL LOCAL OPTION SALES TAX COLLECTIONS	GENERAL FUND	REGIONAL SALES TAX FUND
2004	\$ 16,621,795	\$ 13,649,100	\$ 2,972,695
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

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			
2004	\$ 49,288,000	\$ 346,000	\$ 63,890,000	\$ 240,000	\$ 7,920,000	\$ 121,684,000	11.01%	\$ 2,751
2005	44,395,000	241,000	63,045,000	225,000	6,293,000	114,199,000	9.85%	2,591
2006	38,931,000	3,932,000	60,303,000	210,000	5,829,000	109,205,000	9.11%	2,475
2007	63,481,000	6,302,000	53,665,000	195,000	5,423,000	129,066,000	10.23%	2,921
2008	74,292,500	6,419,174	47,477,500	180,000	5,591,065	133,960,239	10.68%	3,015
2009	86,349,375	5,872,283	66,339,999	160,000	15,578,624	174,300,281	12.81%	3,809
2010	111,818,918	5,323,392	72,989,778	140,000	22,190,263	212,462,351	15.09%	4,486
2011	107,172,668	8,795,620	66,372,528	0	24,288,460	206,629,276	13.23%	4,193
2012	121,844,913	10,615,303	68,975,283	0	23,658,574	225,094,073	13.74%	4,452
2013	96,398,159	10,240,943	102,852,036	0	0	209,491,138	11.68%	4,087

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 KINGSFORT, TENNESSEE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Reserves	Net General Obligation Bonds	Percentage of Estimated Actual Taxable Value of	Per Capita
2004	\$ 113,178,000	\$ 158,000	\$ 113,020,000	3.05%	\$ 2,555
2005	107,440,000	410,000	107,030,000	2.86%	2,429
2006	99,234,000	338,000	98,896,000	2.44%	2,241
2007	117,146,000	765,000	116,381,000	2.77%	2,634
2008	121,770,000	971,096	120,798,904	2.92%	2,719
2009	152,689,374	600,280	152,089,094	3.58%	3,323
2010	184,808,696	468,937	184,339,759	3.60%	3,893
2011	173,545,196	1,230,382	172,314,814	3.28%	3,497
2012	190,820,196	148,495	190,671,701	3.62%	3,771
2013	199,250,195	139,984	199,110,211	3.68%	3,884

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, 2013

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping</u>
Debt Repaid with Property Taxes:			
Net Direct Debt:			
City of Kingsport	\$ 130,382,038 (1)	100.00%	\$ 130,382,038
Total Direct Debt	130,382,038	100.00%	130,382,038
Overlapping Debt:			
Sullivan County	70,918,922	44.90% (2)	31,844,707
Hawkins County	83,928,572	6.44% (2)	5,402,304
Subtotal, Overlapping Debt	154,847,494		37,247,011
Total Direct and Overlapping Debt	<u>\$ 285,229,532</u>		<u>\$ 167,629,049</u>

(1) Includes Solid Waste Management, Aquatic Center, MeadowView Conference and Resort Center and Cattails Golf Course General Obligation Bonds.

(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**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 229,939,433	\$ 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
Total Net Debt Applicable to Limit	56,978,000	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
Legal Debt Margin	<u>\$ 172,961,433</u>	<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>
Applicable to the Limit as a Percentage of Debt Limit	<u>24.78%</u>	<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>
Legal Debt Margin Calculation for Fiscal Year 2013										
Total Taxable Assessed Value										<u>\$ 1,676,379,066</u>
Debt Limit (20% of Taxable Assessed Value)										335,275,813
Debt Applicable to Limit:										
General Obligation Bonds										96,398,159
Add: Solid Waste Management General Obligation Bonds										1,678,129
Add: Aquatic Center General Obligation Bonds										17,438,680
Add: MeadowView Conference Center General Obligation Bonds										14,349,349
Add: Cattails Golf Course General Obligation Bonds										<u>517,721</u>
Total Net Debt Applicable to Limit										<u>130,382,038</u>
Legal Debt Margin										<u>\$ 204,893,775</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:	Net Available Revenue	Debt Service			Coverage
		Operating Expenses		(2) Principal	Interest	Total	
<u>Water, Sewer and Storm Water Revenue Bonds:</u>							
2004	\$ 22,318,000	\$ 9,321,000	\$ 12,997,000	\$ 6,851,000	\$ 1,775,000	\$ 8,626,000	1.51
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

(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**

Fiscal Year Ended June 30	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
2004	44,231	\$ 1,105,023,073	\$ 24,983	*	*	6,382	5.5%
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%

* Information was not available.

Source:

City of Kingsport Planning Department

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	2013			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Eastman Chemical Company	6,742	1	9.0%	8,000	1	10.9%
Wellmont Health Systems	2,730	2	3.7%	2,400	2	3.3%
Brock	1,500	3	2.0%	N/A	-	-
Kingsport City Schools	1,041	4	1.4%	974	5	1.3%
Wal-Mart	753	5	1.0%	980	4	-
City of Kingsport	734	6	1.0%	689	7	0.9%
Jacobs	706	7	0.9%	N/A	-	-
Holston Medical Group	646	8	0.9%	N/A	-	-
Mountain States Health	630	9	0.8%	700	6	0.9%
BAE Systems Ordnance Systems, Inc.	609	10	0.8%	379	9	0.5%
AFG Industries	N/A	-	-	1,160	3	1.6%
Quebecor World	N/A	-	-	500	8	0.7%
Weyerhaeuser Company	N/A	-	-	360	10	0.5%
	<u>16,091</u>		<u>21.5%</u>	<u>16,142</u>		<u>20.6%</u>

Total Sullivan County Employment:

FYE 2013	74,670
FYE 2004	73,720

Source:

-NETWORKS/Sullivan Partnership & Employers

Table 20

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	79	80	81	80	92	96	96	93	95	112
Public Safety	235	237	237	243	254	257	262	264	267	265
Public Works	105	109	106	113	119	120	122	123	124	130
Development	46	47	47	36	25	24	25	22	23	23
Recreation	54	56	57	57	58	59	58	58	58	58
Education	945	961	970	978	982	993	1,010	1,013	1,040	1,041
Water	78	80	80	80	78	78	76	74	73	73
Sewer	45	40	40	40	40	41	40	41	42	42
Solid Waste	36	36	35	31	30	30	30	30	32	33
	<u>1,623</u>	<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>

Sources:

- City of Kingsport Finance Department
- Kingsport City School System

Table 21

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Education:										
Student Transportation:										
Miles	388,964	361,607	369,438	368,869	377,916	355,694	371,912	371,726	392,811	422,471
Average Daily Ridership	2,136	1,784	1,864	1,949	1,943	1,754	1,717	1,505	1,526	1,373
Public Safety:										
Police:										
Physical Arrests	3,605	3,605	3,251	3,206	3,348	3,587	4,584	5,066	4,029	3,641
Parking Citations	4,990	4,990	3,509	3,722	3,016	2,804	1,814	1,074	1,560	1,037
Traffic Citations	7,246	10,163	12,484	12,895	12,957	12,030	7,579	5,127	12,442	11,647
Calls for Service	41,206	41,206	44,236	47,934	48,981	46,249	57,153	59,755	59,147	60,210
Fire:										
Calls for Service	5,820	5,775	5,752	5,987	6,445	6,515	6,468	7,388	8,106	7,851
Inspections	2,812	2,507	2,873	3,403	2,899	3,378	3,378	3,339	1,951	1,942
Fire Loss	\$ 998,465	\$ 4,063,555	\$ 2,402,520	\$ 1,471,657	\$ 1,565,342	\$ 1,909,032	\$ 3,390,231	\$ 846,950	\$ 664,820	\$ 933,338
Public Works:										
Potholes Repaired	*	701	735	538	924	1,102	2,762	4,985	4,147	4,822
Streets Swept (linear miles)	*	4,320	4,500	7,853	6,339	6,247	6,456	5,105	7,409	5,520
Traffic Signal Maintenance Calls	552	607	630	650	547	598	599	610	557	736
Leaves Collected (Tons)	1,416	1,649	1,703	1,716	1,595	1,907	1,497	1,628	1,780	1,526
Parks and Recreation:										
Civic Auditorium Rentals	651	857	825	1,127	899	881	1,349	796	539	686
Civic Auditorium Attendance	69,927	55,573	53,000	54,219	70,197	72,773	147,764	96,248	106,807	110,635
Pool Attendance	21,347	29,516	29,500	27,552	25,231	18,120	22,886	8,548	23,209	10,307
Participation in Athletic Division events	56,342	175,379	176,000	180,766	187,561	198,544	201,225	265,231	278,829	280,119
Participation in Cultural Arts Division events	7,101	15,238	15,028	16,708	9,891	13,088	10,057	12,761	9,276	11,143
Participation in Community Services Division events	16,571	26,483	33,229	34,673	76,402	78,918	141,772	138,817	167,631	162,496
Renaissance Center Rentals	531	2,073	2,000	1,908	1,870	2,135	2,110	1,959	1,861	1,660
Renaissance Center Attendance	87,003	192,270	190,000	181,650	198,575	222,294	211,738	188,576	166,175	158,227
Allandale Rentals	176	305	315	297	293	274	342	304	226	231
Allandale Visitors	26,572	33,023	33,000	29,808	23,591	22,598	27,435	25,986	32,296	31,285
K - Play Games Played	n/a	1,200	1,300	1,350	1,428	1,560	1,768	1,825	1,875	1,847
K - Play Attendance	n/a	83,000	86,000	91,145	97,320	124,728	172,930	185,856	188,997	166,299
Lynn View Rentals	n/a	n/a	n/a	n/a	n/a	n/a	36	238	271	254
Lynn View Attendance	n/a	n/a	n/a	n/a	n/a	n/a	18,116	43,615	48,278	53,928
Senior Center:										
Active Members	2,287	1,876	2,000	1,842	2,365	2,673	2,591	2,801	3,012	2,978
Average Daily Attendance	171	159	175	188	226	241	247	252	325	308
Aquatic Center:										
Aquatic Center Attendance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31,244
YMCA Entering Pools Attendance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	19,714
Total Attendance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	50,958
Bays Mountain Park:										
Total Programs	2,103	1,400	1,400	1,667	1,259	2,090	1,771	1,422	3,658	3,080
Total Attendance	155,436	157,420	151,000	148,041	173,063	192,529	176,813	201,129	178,069	191,321
Library:										
Total Circulation	181,554	183,679	188,448	206,586	210,476	241,239	244,735	248,709	248,482	248,802
Building Attendance	177,729	170,014	169,122	176,854	193,344	209,234	213,379	206,533	199,875	187,837
Water:										
Average Daily Consumption in Gallons	14.8 mgd	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
Maximum Daily Capacity in Gallons	28.0 mgd	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
Water Taps	212	584	588	339	442	256	219	168	191	189
Sewer:										
Average Daily Treatment in Gallons	9.0 mgd	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
Maximum Daily Plant Capacity in Gallons	17.0 mgd	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
Sewer Taps	264	481	402	187	206	165	84	237	179	213
Solid Waste:										
Landfill Material Accepted (Tons)	46,547	33,681	25,056	24,434	32,574	26,958	25,077	61,326	34,268	27,198
Household Refuse Collected (Tons)	16,213	16,125	16,374	16,046	16,244	15,924	16,437	16,647	18,452	18,834
Recyclables Collected (Tons)	1,028	2,128	2,167	2,587	2,613	2,728	1,715	1,848	1,772	1,606
Golf Course:										
Rounds of Golf	26,376	25,900	26,925	26,175	27,338	26,233	24,225	23,515	25,915	24,090

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Education:										
Student Transportation:										
Buses	36	35	35	35	37	38	38	40	40	42
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	92	104	104	104	109	109	109	117	117	117
Motorcycle Units	1	1	1	1	1	1	1	0	0	0
Fire:										
Stations	6	6	6	6	6	6	7	7	7	8
Fire Trucks/Rescue Units	15	14	14	14	14	14	15	16	16	15
Public Works:										
Streets (Miles)	423	425	427	434	443	456	459	472	490	496
Street Lights	9,000	9,600	9,600	8,921	9,031	9,114	9,219	9,372	9,737	9,993
Traffic Signals	95	102	101	103	102	101	101	104	103	102
Leisure Services:										
Parks and Recreation:										
Park Sites	17	17	17	17	17	18	18	18	18	18
Park Acreage	191	191	191	191	191	237	237	237	237	237
Swimming Pools	2	2	2	2	2	1	1	1	1	0
Splash Pad	n/a	n/a	n/a	n/a	n/a	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:										
Bays Mountain Park & Nature Center -Acreage	3,461	3,461	3,461	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	n/a	3	3	3	3	3
Lynn View Facility - Acreage	n/a	n/a	n/a	n/a	n/a	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	7	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	750	817	826	828	828	832	838
Fire Hydrants	1,917	1,917	1,960	1,691	1,740	1,754	1,794	1,848	1,898	1,938
Sanitary Sewers (Miles)	480	495	525	515	515	518	524	533	540	549
Storm Sewers (Miles)	209	209	209	209	209	209	209	209	209	241
Solid Waste:										
Collection Trucks	14	14	15	14	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
Aquatic Center	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1
Aquatic Center - Acreage	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	17

Source: Various City Departments

Table 23

CITY OF KINGSPORT, TENNESSEE
UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
June 30, 2013

Water Rates:

		<u>Inside City</u>	
First	2,000 gallons	\$ 3.50	per 1000 gal
Next	13,000 gallons	2.82	per 1000 gal
Next	55,000 gallons	2.17	per 1000 gal
Over	70,000 gallons	1.56	per 1000 gal
		<u>Outside City</u>	
First	2,000 gallons	\$ 11.33	per 1000 gal
Next	13,000 gallons	6.86	per 1000 gal
Next	35,000 gallons	6.20	per 1000 gal
Next	70,000 gallons	5.76	per 1000 gal
Next	70,000 gallons	4.71	per 1000 gal
Over	190,000 gallons	4.43	per 1000 gal

Sewer Rates:

		<u>Inside City</u>	
Minimum charge		\$ 14.04	2,000 gal
Additional gallons		7.02	per 1000 gal
		<u>Outside City</u>	
Minimum charge		\$ 21.08	2,000 gal
Additional gallons		10.54	per 1000 gal

Number of Customers:

	<u>Inside City</u>	<u>Outside City</u>
Water	<u>22,437</u>	<u>12,145</u>
Sewer	<u>20,293</u>	<u>959</u>

Source: City of Kingsport Finance Department

Table 24

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER - AWWA METHOD
June 30, 2013

AWWA WLCC Free Water Audit Software: Reporting Worksheet Copyright © 2010, American Water Works Association. All Rights Reserved. WASv4.2																													
<div style="display: flex; justify-content: space-between; align-items: center;"> Click to access definition <div> Water Audit Report for: City of Kingsport Reporting Year: 2013 7/2012 - 6/2013 </div> <div>Back to</div> </div>																													
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 (1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades																													
All volumes to be entered as: MILLION GALLONS (US) PER YEAR																													
WATER SUPPLIED <div style="text-align: right; font-size: x-small;"><< Enter grading in column 'E'</div> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Volume from own sources:</td> <td style="width: 10%; text-align: center;">7</td> <td style="width: 30%; border: 1px solid black;">5,022.200</td> <td style="width: 20%; font-size: x-small;">Million gallons (US)/yr (MG/Yr)</td> </tr> <tr> <td>Master meter error adjustment (enter positive value):</td> <td style="text-align: center;">7</td> <td style="border: 1px solid black;">63.150</td> <td style="font-size: x-small;">under-registered MG/Yr</td> </tr> <tr> <td>Water imported:</td> <td style="text-align: center;">5</td> <td style="border: 1px solid black;">4.925</td> <td style="font-size: x-small;">MG/Yr</td> </tr> <tr> <td>Water exported:</td> <td style="text-align: center;">8</td> <td style="border: 1px solid black;"></td> <td style="font-size: x-small;">MG/Yr</td> </tr> <tr> <td colspan="2">WATER SUPPLIED:</td> <td style="border: 1px solid black; background-color: #fff9c4;">5,090.275</td> <td style="font-size: x-small;">MG/Yr</td> </tr> </table>										Volume from own sources:	7	5,022.200	Million gallons (US)/yr (MG/Yr)	Master meter error adjustment (enter positive value):	7	63.150	under-registered MG/Yr	Water imported:	5	4.925	MG/Yr	Water exported:	8		MG/Yr	WATER SUPPLIED:		5,090.275	MG/Yr
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AUTHORIZED CONSUMPTION <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Billed metered:</td> <td style="width: 10%; text-align: center;">9</td> <td style="width: 30%; border: 1px solid black;">3,132.680</td> <td style="width: 20%; font-size: x-small;">MG/Yr</td> </tr> <tr> <td>Billed unmetered:</td> <td style="text-align: center;">n/a</td> <td style="border: 1px solid black;">0.000</td> <td style="font-size: x-small;">MG/Yr</td> </tr> <tr> <td>Unbilled metered:</td> <td style="text-align: center;">9</td> <td style="border: 1px solid black;">192.920</td> <td style="font-size: x-small;">MG/Yr</td> </tr> <tr> <td>Unbilled unmetered:</td> <td style="text-align: center;">8</td> <td style="border: 1px solid black;">105.194</td> <td style="font-size: x-small;">MG/Yr</td> </tr> <tr> <td colspan="2">AUTHORIZED CONSUMPTION:</td> <td style="border: 1px solid black; background-color: #fff9c4;">3,430.794</td> <td style="font-size: x-small;">MG/Yr</td> </tr> </table> <div style="margin-top: 10px;"> <div style="display: flex; justify-content: space-between;"> Click here: ? for help using option buttons below </div> <div style="display: flex; justify-content: space-between;"> Pcnt: 0.25% Value: 105.194 </div> <div style="text-align: center; font-size: x-small;"> Use buttons to select percentage of water supplied OR value </div> </div>										Billed metered:	9	3,132.680	MG/Yr	Billed unmetered:	n/a	0.000	MG/Yr	Unbilled metered:	9	192.920	MG/Yr	Unbilled unmetered:	8	105.194	MG/Yr	AUTHORIZED CONSUMPTION:		3,430.794	MG/Yr
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AUTHORIZED CONSUMPTION:		3,430.794	MG/Yr																										
WATER LOSSES (Water Supplied - Authorized Consumption) <div style="display: flex; justify-content: space-between;"> 1,659.481 MG/Yr </div>																													
Apparent Losses <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Unauthorized consumption:</td> <td style="width: 10%; text-align: center;">7</td> <td style="width: 30%; border: 1px solid black;">12.726</td> <td style="width: 20%; font-size: x-small;">MG/Yr</td> </tr> <tr> <td colspan="4" style="font-size: x-small;">Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed</td> </tr> <tr> <td>Customer metering inaccuracies:</td> <td style="text-align: center;">10</td> <td style="border: 1px solid black;">33.592</td> <td style="font-size: x-small;">MG/Yr</td> </tr> <tr> <td>Systematic data handling errors:</td> <td style="text-align: center;">6</td> <td style="border: 1px solid black;">0.500</td> <td style="font-size: x-small;">MG/Yr</td> </tr> <tr> <td colspan="2">Apparent Losses:</td> <td style="border: 1px solid black; background-color: #fff9c4;">46.818</td> <td></td> </tr> </table> <div style="margin-top: 10px;"> <div style="display: flex; justify-content: space-between;"> Pcnt: 1.00% Value: </div> <div style="text-align: center; font-size: x-small;"> Choose this option to enter a percentage of billed metered consumption. This is NOT a default value </div> </div>										Unauthorized consumption:	7	12.726	MG/Yr	Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed				Customer metering inaccuracies:	10	33.592	MG/Yr	Systematic data handling errors:	6	0.500	MG/Yr	Apparent Losses:		46.818	
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Apparent Losses:		46.818																											
Real Losses (Current Annual Real Losses or CARL) <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Real Losses = Water Losses - Apparent Losses:</td> <td style="width: 10%; text-align: center;">7</td> <td style="width: 30%; border: 1px solid black;">1,612.663</td> <td style="width: 20%; font-size: x-small;">MG/Yr</td> </tr> <tr> <td colspan="2">WATER LOSSES:</td> <td style="border: 1px solid black; background-color: #fff9c4;">1,659.481</td> <td style="font-size: x-small;">MG/Yr</td> </tr> </table>										Real Losses = Water Losses - Apparent Losses:	7	1,612.663	MG/Yr	WATER LOSSES:		1,659.481	MG/Yr												
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NON-REVENUE WATER <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">NON-REVENUE WATER:</td> <td style="width: 10%; text-align: center;">7</td> <td style="width: 30%; border: 1px solid black;">1,957.595</td> <td style="width: 20%; font-size: x-small;">MG/Yr</td> </tr> </table> <p style="font-size: x-small;">= Total Water Loss + Unbilled Metered + Unbilled Unmetered</p>										NON-REVENUE WATER:	7	1,957.595	MG/Yr																
NON-REVENUE WATER:	7	1,957.595	MG/Yr																										
SYSTEM DATA <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Length of mains:</td> <td style="width: 10%; text-align: center;">10</td> <td style="width: 30%; border: 1px solid black;">838.0</td> <td style="width: 20%; font-size: x-small;">miles</td> </tr> <tr> <td>Number of active AND inactive service connections:</td> <td style="text-align: center;">10</td> <td style="border: 1px solid black;">38,608</td> <td></td> </tr> <tr> <td>Connection density:</td> <td></td> <td style="border: 1px solid black;">46</td> <td style="font-size: x-small;">conn./mile main</td> </tr> <tr> <td>Average length of customer service line:</td> <td style="text-align: center;">10</td> <td style="border: 1px solid black;">0.0</td> <td style="font-size: x-small;">ft (pipe length between curbstop and customer meter or property boundary)</td> </tr> <tr> <td>Average operating pressure:</td> <td style="text-align: center;">10</td> <td style="border: 1px solid black;">112.5</td> <td style="font-size: x-small;">psi</td> </tr> </table>										Length of mains:	10	838.0	miles	Number of active AND inactive service connections:	10	38,608		Connection density:		46	conn./mile main	Average length of customer service line:	10	0.0	ft (pipe length between curbstop and customer meter or property boundary)	Average operating pressure:	10	112.5	psi
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COST DATA <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Total annual cost of operating water system:</td> <td style="width: 10%; text-align: center;">10</td> <td style="width: 30%; border: 1px solid black;">\$14,068,608</td> <td style="width: 20%; font-size: x-small;">\$/Year</td> </tr> <tr> <td>Customer retail unit cost (applied to Apparent Losses):</td> <td style="text-align: center;">8</td> <td style="border: 1px solid black;">\$7.44</td> <td style="font-size: x-small;">\$/1000 gallons (US)</td> </tr> <tr> <td>Variable production cost (applied to Real Losses):</td> <td style="text-align: center;">8</td> <td style="border: 1px solid black;">\$397.22</td> <td style="font-size: x-small;">\$/Million gallons</td> </tr> </table>										Total annual cost of operating water system:	10	\$14,068,608	\$/Year	Customer retail unit cost (applied to Apparent Losses):	8	\$7.44	\$/1000 gallons (US)	Variable production cost (applied to Real Losses):	8	\$397.22	\$/Million gallons								
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PERFORMANCE INDICATORS																													
Financial Indicators <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Non-revenue water as percent by volume of Water Supplied:</td> <td style="width: 40%; border: 1px solid black; background-color: #fff9c4;">38.5%</td> </tr> <tr> <td>Non-revenue water as percent by cost of operating system:</td> <td style="border: 1px solid black; background-color: #fff9c4;">7.9%</td> </tr> <tr> <td>Annual cost of Apparent Losses:</td> <td style="border: 1px solid black; background-color: #fff9c4;">\$348,323</td> </tr> <tr> <td>Annual cost of Real Losses:</td> <td style="border: 1px solid black; background-color: #fff9c4;">\$640,582</td> </tr> </table>										Non-revenue water as percent by volume of Water Supplied:	38.5%	Non-revenue water as percent by cost of operating system:	7.9%	Annual cost of Apparent Losses:	\$348,323	Annual cost of Real Losses:	\$640,582												
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Operational Efficiency Indicators <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Apparent Losses per service connection per day:</td> <td style="width: 40%; border: 1px solid black; background-color: #fff9c4;">3.32 gallons/connection/day</td> </tr> <tr> <td>Real Losses per service connection per day*:</td> <td style="border: 1px solid black; background-color: #fff9c4;">114.44 gallons/connection/day</td> </tr> <tr> <td>Real Losses per length of main per day*:</td> <td style="border: 1px solid black; background-color: #fff9c4;">N/A</td> </tr> <tr> <td>Real Losses per service connection per day per psi pressure:</td> <td style="border: 1px solid black; background-color: #fff9c4;">1.02 gallons/connection/day/psi</td> </tr> <tr> <td>Unavoidable Annual Real Losses (UARL):</td> <td style="border: 1px solid black; background-color: #fff9c4;">423.96 million gallons/year</td> </tr> <tr> <td>From Above, Real Losses = Current Annual Real Losses (CARL):</td> <td style="border: 1px solid black; background-color: #fff9c4;">1,612.66 million gallons/year</td> </tr> <tr> <td>Infrastructure Leakage Index (ILI) [CARL/UARL]:</td> <td style="border: 1px solid black; background-color: #fff9c4;">3.80</td> </tr> </table> <p style="font-size: x-small;">* only the most applicable of these two indicators will be calculated</p>										Apparent Losses per service connection per day:	3.32 gallons/connection/day	Real Losses per service connection per day*:	114.44 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	Unavoidable Annual Real Losses (UARL):	423.96 million gallons/year	From Above, Real Losses = Current Annual Real Losses (CARL):	1,612.66 million gallons/year	Infrastructure Leakage Index (ILI) [CARL/UARL]:	3.80						
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Infrastructure Leakage Index (ILI) [CARL/UARL]:	3.80																												
WATER AUDIT DATA VALIDITY SCORE: <div style="border: 2px solid red; padding: 10px; text-align: center;"> <p style="color: red; font-weight: bold; font-size: 1.2em;">*** YOUR SCORE IS: 78 out of 100 ***</p> <p style="font-size: x-small;">A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score</p> <p>PRIORITY AREAS FOR ATTENTION:</p> <p style="font-size: x-small;">Based on the information provided, audit accuracy can be improved by addressing the following components:</p> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid red; padding: 2px 5px; background-color: #ffe0e0;">1: Volume from own sources</div> <div style="border: 1px solid red; padding: 2px 5px; background-color: #ffe0e0;">2: Water imported</div> <div style="border: 1px solid red; padding: 2px 5px; background-color: #ffe0e0;">3: Master meter error adjustment</div> </div> <div style="margin-top: 10px; text-align: center;"> <div style="border: 1px solid blue; padding: 2px 10px; background-color: #e0e0ff;">For more information, click here to see the Grading Matrix worksheet</div> </div> </div>																													

Table 25

**CITY OF KINGSPORT, TENNESSEE
TOP TEN WATER CUSTOMERS
For the Fiscal Year Ended June 30, 2013**

<u>Customer Name</u>	<u>Consumption (in gallons)</u>	<u>Revenue</u>	<u>Revenue as % of FY13 Water Sales</u>
Eastman Chemical Company	796,178,500	\$ 1,532,341	13.39%
Domtar Paper Company, LLC	70,153,100	125,802	1.10%
BAE Systems	61,925,200	97,895	0.86%
Warriors Path State Park	16,640,800	77,990	0.68%
Wellmont Health System	42,653,000	68,373	0.60%
Kingsport Housing Authority	32,290,800	61,481	0.54%
AGC	31,695,400	60,677	0.53%
Indian Path Hospital	20,423,000	32,578	0.28%
Tuscany Villas	12,065,400	20,113	0.18%
Allandale Falls Apt, LLC	11,966,800	19,314	0.17%
	<u>1,095,992,000</u>	<u>\$ 2,096,564</u>	<u>18.32%</u>

Source: City of Kingsport Finance Department

Table 26

**CITY OF KINGSPORT, TENNESSEE
TOP TEN SEWER CUSTOMERS
For the Fiscal Year Ended June 30, 2013**

<u>Customer Name</u>	<u>Consumption (in gallons)</u>	<u>Revenue</u>	<u>Revenue as % of FY13 Sewer User Fees</u>
Eastman Chemical Company	189,143,200	\$ 1,331,871	11.18%
Wellmont Health System	35,545,600	249,630	2.10%
Kingsport Housing Authority	32,209,900	227,597	1.91%
Domtar Paper Company, LLC	16,746,300	117,647	0.99%
Warriors Path State Park	15,625,300	164,691	1.38%
Indian Path Hospital	12,760,000	89,659	0.75%
Tuscany Villas	12,065,400	84,699	0.71%
Allandale Falls Apt, LLC	11,966,800	84,007	0.71%
Model City II, L.P.	11,921,100	83,686	0.70%
Rental Uniform	10,817,800	75,941	0.64%
	<u>348,801,400</u>	<u>\$ 2,509,428</u>	<u>21.07%</u>

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF BONDS PAYABLE - FUTURE REQUIREMENTS
JUNE 30, 2013

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	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Bonds and	Interest
2014	\$ 5,691,653	\$ 3,799,397	\$ 2,357,181	\$ 590,992	\$ 5,050,693	\$ 1,576,989	\$ 57,653	\$ 74,418	\$ 1,419,822	\$ 1,272,949	\$ 21,891,747	
2015	6,364,473	3,591,115	2,331,133	518,643	4,999,534	1,389,606	76,383	72,393	1,616,477	1,234,133	22,193,890	
2016	6,210,859	3,374,578	1,842,847	450,129	4,122,487	1,205,520	78,372	69,864	1,670,436	1,185,549	20,210,641	
2017	6,192,555	3,153,984	1,714,498	401,450	3,454,114	1,055,997	80,420	67,155	1,725,412	1,135,001	18,980,586	
2018	6,409,565	2,935,848	1,409,060	358,669	3,057,546	937,550	82,713	64,335	1,641,115	1,080,787	17,977,188	
2019	6,034,247	2,703,322	1,265,352	323,462	2,234,726	825,218	84,012	61,246	1,696,663	1,018,504	16,246,752	
2020	5,844,054	2,487,917	1,192,669	295,558	1,891,499	754,729	86,467	57,649	1,760,313	957,210	15,328,065	
2021	6,045,098	2,274,381	1,239,278	269,294	1,942,240	693,479	89,451	53,709	1,838,933	882,816	15,328,679	
2022	5,985,776	2,041,798	1,181,616	239,980	1,632,925	628,301	92,574	49,393	1,907,108	811,685	14,571,156	
2023	5,870,148	1,805,324	1,253,979	213,049	1,689,413	562,196	95,682	45,089	1,975,778	741,835	14,252,493	
2024	6,100,283	1,572,327	1,184,393	184,617	1,740,095	504,625	99,840	40,327	2,050,390	665,654	14,142,551	
2025	6,302,864	1,325,862	1,190,717	159,993	1,777,455	445,257	102,205	35,354	2,121,759	581,897	14,043,363	
2026	6,523,323	1,074,277	1,125,522	134,794	1,823,196	390,107	105,774	30,189	2,215,381	493,409	13,915,972	
2027	6,797,439	809,002	483,481	109,230	1,869,222	331,323	110,064	24,674	2,304,795	399,699	13,238,929	
2028	4,492,174	522,185	488,981	88,140	1,844,963	265,642	114,399	18,619	2,399,482	302,014	10,536,599	
2029	3,254,398	315,790	505,160	65,818	1,901,792	202,187	119,257	12,186	2,509,392	193,484	9,079,464	
2030	1,944,033	162,950	524,465	42,730	1,962,473	133,624	68,957	5,468	1,435,071	79,644	6,359,415	
2031	986,568	73,039	248,872	18,228	1,510,880	62,189	27,439	2,099	256,241	17,157	3,202,712	
2032	1,026,778	37,247	259,062	9,297	457,435	15,324	28,541	1,070	268,182	8,774	2,111,710	
	<u>\$ 98,076,288</u>	<u>\$ 34,060,343</u>	<u>\$ 21,798,266</u>	<u>\$ 4,474,073</u>	<u>\$ 44,962,688</u>	<u>\$ 11,979,863</u>	<u>\$ 1,600,203</u>	<u>\$ 785,237</u>	<u>\$ 32,812,750</u>	<u>\$ 13,062,201</u>	<u>\$ 263,611,912</u>	
						Principal	Interest	Total				
General Obligation						\$ 98,076,288	\$ 34,060,343	\$ 132,136,631				
Revenue and General Obligation						101,173,907	30,301,374	131,475,281				
TOTAL						<u>\$ 199,250,195</u>	<u>\$ 64,361,717</u>	<u>\$ 263,611,912</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 35% Federal interest subsidy.

Source: City of Kingsport Finance Department

Table 28

CITY OF KINGSPORT, TENNESSEE
SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
For the Fiscal Year Ended June 30, 2013

NAME	TITLE	ANNUAL SALARY	AMOUNT OF SURETY BOND
John Campbell	City Manager	\$ 170,028	\$ 5,000
J. Michael Billingsley	City Attorney	122,561	-
James H. Demming	City Recorder/Chief Financial Officer/ City Treasurer	111,035	385,000
Lyle Ailshie	Director of Schools	159,000	-
David Quillen	Interim Chief of Police	78,906	-
Dennis R. Phillips	Mayor	3,000	-
Tom C. Parham	Vice-Mayor	2,400	-
John Clark	Alderman	2,400	-
Valerie Joh	Alderman	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, 2013**

Type of Coverage/ Insurance Carrier	Policy Number	Policy Period	Details of Coverage	Claim Limits	Annual Premiums
<u>Comprehensive General Liability/ TML Risk Management Pool</u>	TML-21300	7/1/12-7/1/15 Annual Renewal 7/1/13-7/1/14	General Liability Auto Liability Auto Physical Damage Errors and Omissions	\$ 3,000,000 3,000,000 Replacement 3,000,000	\$ 139,921
Safety National Casualty Corporation	AGC-4045694 (reinsurance agreement)	1/1/13-1/1/14	Worker's Compensation	Statutory	119,754
<u>Government Crime</u>					
St. Paul / U.S. Fidelity & Guarantee Co.	105731214	1/1/13-1/1/14	Employee Blanket Dishonesty (City)	500,000	1,770
Travelers Insurance Co.	105981870	7/1/13-7/1/14	Employee Blanket Dishonesty (Schools)	500,000	6,640
<u>Unemployment Compensation</u>	Self insured				
<u>Property and Casualty</u>					
Travelers	KTK-CMB-9A14090-0-12	12/31/12-12/31/13	Buildings and Contents	377,579,897	180,732
Philadelphia Insurance Company	PHPK980410	2/13/13-2/13/14	Justice Center Commercial/ Gen Property	13,543,000	10,080
Hartford Insurance Co.	20MSCYQ7488	5/26/13-5/26/14	Grand Piano - Allandale		534
<u>Boiler and Machinery</u>					
The Cincinnati Insurance Co.	BEP2646328	3/1/13-3/1/14	Boilers and Machinery	100,000	4,556
<u>Public Officials Bond</u>					
Travelers Insurance Company	105376299	11/1/12-11/1/13	Bond - Treasurer (J. Demming) (State of Tennessee Schools)	1,277,000	1,980
Travelers Insurance Company	400NS5672	3/15/13-3/15/14	Bond - Recorder (J. Demming)	385,000	1,660
Travelers Insurance Company	104224291	10/1/12-10/1/13	Bond - City Manager (J. Campbell)	5,000	100
Travelers Insurance Company	105795556	1/1/13-12/31/14	Bond - City Judge (W. K. Rogers)	1,000	100
Western Surety Company	58368775	4/4/13-4/4/14	Blanket Notary Errors and Omissions	25,000	884
<u>Other</u>					
Stadium General Liability/ Hunter Wright Property - D.B. High School					
Montgomery Insurance Company	CBP9566738	3/8/13-3/8/14	General Liability/ Scoreboard/ Public Address system	2,000,000	1,359
Total Premium					<u>\$ 470,070</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 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, 2013, 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, 2013. Our report includes a reference to other auditors. Other auditors 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material

weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 13-1 that we consider 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 finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Kingsport, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, 2013

**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, 2013. 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, 2013.

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, 2013

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

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. **One significant deficiency** relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. **This deficiency is not 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 **no audit findings** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program</u>	<u>CFDA Number</u>
Highway Construction and Recreational Trails	20.205 & 20.219
Federal Transit – ARRA	20.507
Title I	84.010
IDEA Special Education and Preschool	84.027 & 84.173
COPS Hiring Program – ARRA	16.710
Race-to-the-Top – ARRA	84.395

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, 2013

Section II – Findings - 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.

Cause: The City failed to follow their capitalization policies properly.

Effect: The City's governmental capital assets were understated.

Recommendation: We recommend that the City implement procedures to examine all capital projects to determine if the project meets the capitalization policy or if the items should be expensed. This process can ensure that the capital asset listing is complete and accurate.

Management Response: Overall we feel staff does a good job keeping up with the City's \$330,440,558 of governmental capital assets. The problem identified relates to staff's decision to capitalize or not capitalize items in open general projects. These decisions have not been reviewed as closely while the project remains open as they are when the project is finally closed out. We believe reclassifications can be reduced by better communications between finance staff and project managers while the project is still ongoing.

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

None.

Section IV – Findings and Questioned Costs – State of Tennessee

None.

CITY OF KINGSPORT, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

Major Federal Award Programs Audit

There were no prior year audit findings.