

**City of Kingsport, Tennessee**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2009**



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



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**CITY OF KINGSPORT, TENNESSEE  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Fiscal Year Ended June 30, 2009**

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## CITY OF KINGSPORT, TENNESSEE

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December 18, 2009

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, 2009.

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.

Blackburn, Childers & Steagall, PLC, a firm of licensed certified public accountants, have issued an unqualified ("clean") opinion on the City of Kingsport's financial statements for the fiscal year ended June 30, 2009. 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 49 square miles and serves a population of 47,356. 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 and general administrative services. In addition, water and sewer service, solid waste collection, convention center and golf course are provided under an Enterprise Fund concept with user charges established by the BMA to ensure adequate coverage of operating expenses and payments on outstanding debt. Vehicle maintenance and replacement and self-insurance activities are provided through Internal Service Funds. The City of Kingsport provides water and sewer service and solid waste collection service outside the city limits.

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

The annual budget serves as the foundation for the City of Kingsport's financial planning and control. All departments of the City of Kingsport are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the BMA for review by May 15<sup>th</sup>. The BMA is required to hold two public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Kingsport's fiscal year. The appropriation budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department and between departments within any fund. Transfers of appropriations between funds, however, require the approval of the BMA. Budget-to-actual comparisons are provided in this report. The general fund comparison is presented on pages 31 through 33 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.** The City of Kingsport encompasses approximately 49 square miles and has an estimated 2008 population of 47,356 with 173,700 persons residing within a 5 mile radius of the existing City limits. It is located in northeast Tennessee and is part of a Metropolitan Statistical Area (MSA) Kingsport – Bristol, TN – Bristol, VA. This MSA has a population of approximately 302,000. On a regional

basis, there are approximately 401,000 persons living within a radius of 25 miles, 863,000 persons living within a radius of 50 miles and 1,305,000 persons living within a radius of 75 miles.

Throughout its history, the foundation of Kingsport's prosperity has always rested with the strength of its manufacturing center. The largest member of that sector, Eastman Chemical Company (Eastman), has begun work on Project Reinvest, a \$1.3 billion project to expand production lines, reduce production bottlenecks, improve air quality and modernize base infrastructure.

Among the first projects is a new \$20 million plant to produce a new, proprietary plastic product. Project Reinvest will add \$10.4 million in property tax revenues to the city over the next 13 years in addition to \$8 million currently paid annually by Eastman.

In October 2009, Eastman easily beat Wall Street earnings expectations by a wide margin, and announced that it may restore a 5 percent pay cut instituted company-wide in early 2009.

Ten years ago, Eastman accounted for approximately 29% of the total property taxes received by the City. Even though the amount of property taxes they pay to the City has increased significantly since that time, they currently contribute approximately 26% of the total property taxes. This reduction is attributed to an increased diversification of the City's tax base as other industries and developments continue to expand within the City.

Other industrial developments in 2009 include a \$3.15 million project by LeClerc Foods adding to its manufacturing facilities, while Cherokee Distributing undertook a \$1.14 million expansion of distribution facilities that consolidated its operations on Eastern Star Road.

Medical related business also continues to be strong in Kingsport. Mountain Region Family Medicine, a 19 physician practice group, has agreed to purchase a large portion of the former Quebecor book plant for development of a multi-use professional complex. Phase 1 will redevelop 115,000 square feet for medical and professional office, at a cost of \$12 to \$18 million. The effort will also generate an estimated 70,000 trips a year to the downtown area. The Quebecor site was donated to the City in 2007.

Additionally, Wellmont Health System opened a new emergency room at its flagship Holston Valley Medical Center hospital, as the system nears the completion of its \$110 million Project Platinum makeover for its facilities.

On the commercial/retail front, Kingsport welcomed new stores in 2009 including Best Buy, Fleet Feet Sports, Zaxby's, Walgreens, Decorator's Warehouse, US Nails, Five Guys Burgers & Fries, CosmoProf, Sonali Spa & Salon, Scott Trade and Verizon.

Also, Olive Garden has submitted plans necessary to obtain a building permit for a new restaurant in Kingsport, while the owners of the Town Center (formerly Fort Henry Mall) have also begun major renovations at their facility, beginning with a completely new interior lighting package at the mall. Only one small suite in the mall facility is currently not occupied.

In the area of tourism development, Marriott opened its \$15 million hotel expansion that added 110 rooms at the MeadowView Conference, Resort & Convention Center, and is recognizing strong occupancy rates despite added capacity and a soft economy.

Sullivan County saw by far the largest increase in tourism related business in Tennessee for 2008 as well, with a 7.3 percent increase in tourism spending and 150 new tourism jobs created. According to the U.S. Travel Association, travel-related spending in Sullivan County grew from \$602.9 million to \$640.6 million in 2008.

Finally, on the single-family home construction front, Kingsport saw 82 new single family building permits for the fiscal year ending June 2009, down only 20 permits from the previous fiscal year.

Foreclosure rates continue to be well below regional and national averages according to several national metrics, while home prices continue to appreciate in the marketplace. Home prices appreciated 11<sup>th</sup> fastest in the country for the third quarter of 2009. Prices rose by .95 percent for the quarter, and are up 25.4 percent over the last five years. Kingsport-Bristol was one of only 31 metros to post any increase at all -- and the only one in Tennessee.

And, the latest data from the U.S. Census Bureau indicates a 36.6 percent increase in the population with an associate degree and a 34.1 percent jump in population with graduate and higher level degrees from 2005 to 2008.

**Long-term Financial Planning.** During the FY2009 and FY2010 budget planning processes, the BMA adopted multi-year capital improvement plans (CIP) for its City operations. 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 reserve issuance of new debt obligation for large major capital projects.

As a part of the budget process, the BMA re-evaluated the previous CIP for general government and school related activities to address needed improvements to existing City facilities, roads and infrastructure and several new economic development initiatives: a \$16,000,000 expansion of the City's MeadowView Conference and Convention Center, the renovation and development of a community and non-profit center, a new downtown parking garage, and improvements to various other City facilities. As a result, approximately \$34,500,000 in new general debt was issued to fund these improvements. Even with this significant increase in debt, the total outstanding general obligation debt is within 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.

### **Major Initiatives**

During 2009, The Kingsport Center for Higher Education, a \$13 million project, was under construction and opened in August 2009 with a strong response and immediately pushed the need to add additional classes at the facility due to strong demand.

Kingsport was also honored this year by Harvard University with the Innovations in Government Awards for the city's efforts to develop higher education opportunities in the region.

Another major project under construction for most of 2009, a new school (John Adams Elementary School) opened in August 2009. This is the first new elementary school in 40 years that was not a replacement for an existing facility. This school will serve the population of the Rock Springs area, where Kingsport has been engaged in comprehensive annexation.

Kingsport also began work in August on its \$16 million city expansion of the Conference Center at MeadowView. Upon completion, the facility will offer an additional 33,000 square feet of unique conference space, board rooms, and a new, divisible, ballroom to add to an already strong wedding book of business.

And, the newly renovated Planetarium at Bays Mountain Park, a \$1.3 million project, opened in the spring of 2009, again to strong demand. Bays Mountain Park is the 15<sup>th</sup> largest municipal park in the country with more than 3,500 acres of nature preserve. Park and Planetarium visitation are up more than 40 percent in 2009.

Several major steps were also taken forward towards Kingsport's embracing of its waterfront heritage along the Holston River. Projects are scheduled in the next six months to construct a new traffic roundabout serving as a gateway to the RiverWalk district, a full-size 14 foot by 53 foot replica flatboat was completed thanks to a generous \$100,000 private donation to the project at the Netherland Inn, and a third transportation project will add a 12 foot front yard to the Inn.

In December 2009, the City issued bonds to provide funding to develop a major new aquatics facility and water park in the MeadowView area. This project is projected to cost approximately \$16,000,000 and be completed in late 2011.

### **Awards and Acknowledgements**

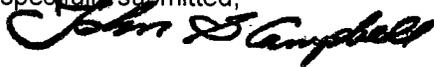
**Awards.** The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsport for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the ninth 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.

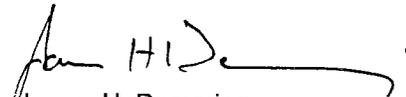
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2008. The annual budget document dated July 1, 2009 has been submitted to the GFOA for review and it is anticipated that it will also receive this award. In order to qualify 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 the 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 the Finance staff and other personnel from various departments, agencies, and authorities that assisted in its preparation. Also, we would 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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kingsport  
Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



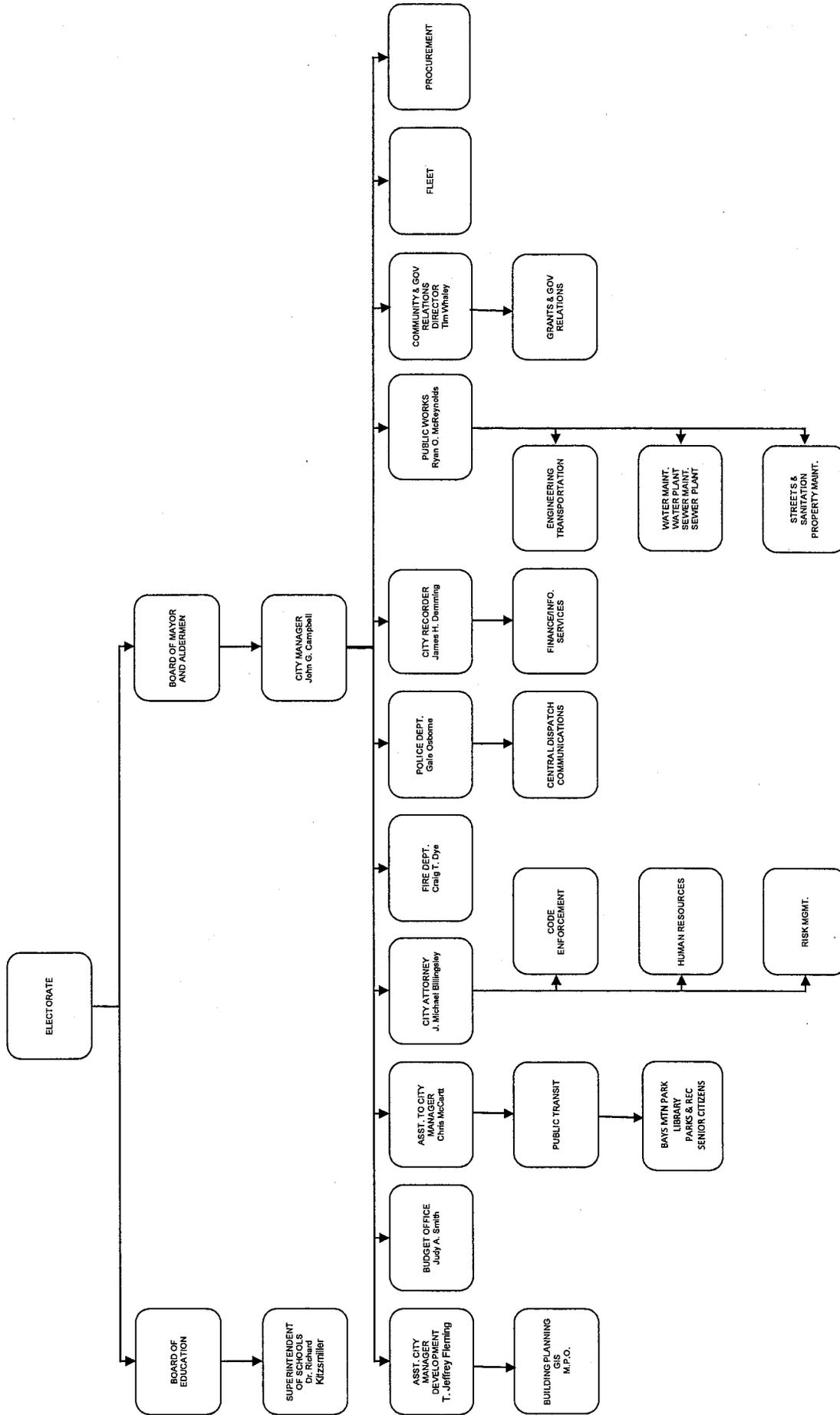
A handwritten signature in black ink, appearing to read "M. L. R.", is written above the printed name.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is written above the printed name.

Executive Director

# CITY OF KINGSPORT



## **CITY OF KINGSPORT, 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, 2009

BOARD OF MAYOR AND ALDERMEN

Dennis R. Phillips	Mayor
Benjamin K. Mallicote	Vice Mayor
Valerie Joh	Alderman
C. Ken Marsh, Jr.	Alderman
Larry A. Munsey	Alderman
Patrick W. Shull	Alderman
Jantry Shupe	Alderman

CHARTER OFFICERS

John G. Campbell	City Manager
James H. Demming	City Recorder/Chief Financial Officer
J. Michael Billingsley	City Attorney
Gale Osborne	Police Chief
J. Robert Boatright	City Judge
Dr. Richard Kitzmiller	Superintendent of Schools

DEPARTMENT HEADS

Thomas J. Bowman	Interim Manager
Craig T. Dye	Fire Chief
Ryan O. McReynolds	Public Works Director
T. Jeffrey Fleming	Assistant City Manager for Development
Barbara A. Duncan	Human Resources Manager
Judy A. Smith	Budget Officer

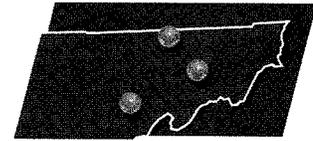
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CITY OF KINGSPORT, TENNESSEE

BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2009



INDEPENDENT AUDITORS' REPORT

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

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 (the City), as of and for the fiscal year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 15 percent, 19 percent, and 22 percent, respectively, of the assets, net assets, 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 on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the basic 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 as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and general purpose school fund for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and schedules of funding progress on pages 12 through 22 and 117 through 118, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual major and nonmajor fund financial statements, supplemental information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The combining and individual nonmajor fund financial statements, the supplemental information, including the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and in our opinion, based on our audit and the report of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Blackburn, Childers & Steagall, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLLC

December 18, 2009

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## A. MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2009  
(amounts expressed in thousands)**

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As management of the City of Kingsport (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. 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 5 of this report.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$444,373 (net assets). Of this amount, \$15,942 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,842.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$61,632 a decrease of \$9,699 in comparison with the prior year. Approximately 70% of this total amount, \$43,117, is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$12,927 or 20% of total general fund expenditures including transfers out.
- The City's total gross debt increased by \$40,341 (30%) during the current fiscal year. The \$11,510 governmental activities increase funded renovation of the V. O. Dobbins Building, road projects and other public improvement projects. The \$28,831 business-type activities increase funded major renovations and improvements to the sewer treatment plant; acquisition and installation of an automated meter reading and leak detection system; and an expansion project for the MeadowView Conference Resort and Convention Center.

### **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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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.).

**CITY OF KINGSPORT, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2009**  
**(amounts expressed in thousands)**

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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, conference center and golf course. The government-wide financial statements can be found on pages 23 and 24 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 citywide 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-four (24) individual governmental funds. Twenty (20) 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 25-35 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, 2009  
(amounts expressed in thousands)**

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**Proprietary funds**

The City maintains nine (9) 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, 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, solid waste, convention center and golf course activities, which are considered to be major funds of the City. Conversely, 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 36-40 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 41-116 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 119-145 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceed liabilities by \$444,373 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (91%) 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, 2009  
(amounts expressed in thousands)**

**City of Kingsport's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 138,977	\$ 143,185	\$ 44,633	\$ 24,699	\$ 183,610	\$ 167,884
Capital Assets	309,577	290,561	212,969	189,984	522,546	480,545
<b>Total Assets</b>	<b>448,554</b>	<b>433,746</b>	<b>257,602</b>	<b>214,683</b>	<b>706,156</b>	<b>648,429</b>
Long-term Liabilities Outstanding	104,900	88,299	83,761	54,309	188,661	142,608
Other Liabilities	66,182	61,255	6,940	3,035	73,122	64,290
<b>Total Liabilities</b>	<b>171,082</b>	<b>149,554</b>	<b>90,701</b>	<b>57,344</b>	<b>261,783</b>	<b>206,898</b>
<b>Net Assets:</b>						
Invested in Capital Assets, net of Related Debt	255,889	251,707	149,317	142,404	405,206	394,111
Restricted	22,286	30,400	939	1,119	23,225	31,519
Unrestricted	(703)	2,085	16,645	13,816	15,942	15,901
<b>Total Net Assets</b>	<b>\$ 277,472</b>	<b>\$ 284,192</b>	<b>\$ 166,901</b>	<b>\$ 157,339</b>	<b>\$ 444,373</b>	<b>\$ 441,531</b>

A portion of the City's net assets, \$23,225 or (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$15,942 may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year, the government's net assets increased by \$2,842. Net assets for governmental activities decreased by \$6,720 while net assets for business-type activities increased by \$9,562. The primary reason for the decrease in net assets in the governmental activities was a result of recording the annual OPEB liability of \$5,341 in accordance with GASB 45. The primary reason for the increase in net assets in the business-type activities is due to the favorable results of the City's water and sewer utility funds. Water rates increased 3.5% for customers outside the City limits while customers inside the City remained at the same rates. Sewer rates increased 8% for outside customers and 2.8% for inside customers respectively. 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, 2009  
(amounts expressed in thousands)**

The following is a summary of financed activities for the City during the fiscal year ended June 30, 2009

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

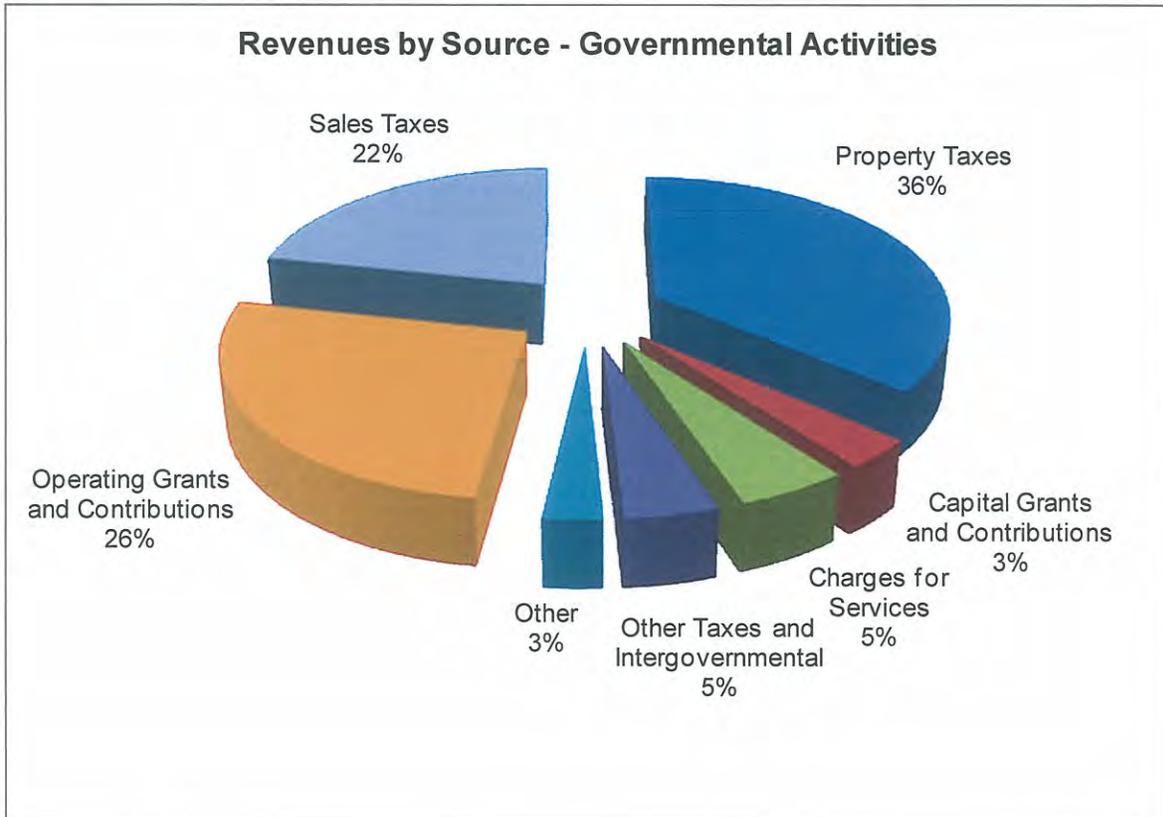
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 6,469	\$ 6,449	\$ 28,045	\$ 27,978	\$ 34,514	\$ 34,427
Operating Grants and Contributions	32,758	31,848	0	0	32,758	31,848
Capital Grants and Contributions	4,179	6,983	2,123	2,661	6,302	9,644
General Revenues						
Property Taxes	45,003	43,181	0	0	45,003	43,181
Sales Taxes	27,004	27,531	0	0	27,004	27,531
Other Taxes and Intergovernmental	5,448	6,118	0	0	5,448	6,118
Unrestricted Investment Earnings	1,625	3,392	600	1,025	2,225	4,417
Grants and Contributions Not Restricted to Specific Programs	970	642	0	0	970	642
Other	808	1,307	(12)	0	796	1,307
<b>Total Revenues</b>	<b>124,264</b>	<b>127,451</b>	<b>30,756</b>	<b>31,664</b>	<b>155,020</b>	<b>159,115</b>
<b>Expenses:</b>						
General Government	8,346	10,448	0	0	8,346	10,448
Public Safety	19,956	19,845	0	0	19,956	19,845
Public Works	12,872	13,371	0	0	12,872	13,371
Highway Transportation Planning	3,533	3,121	0	0	3,533	3,121
Economic and Physical Development	4,397	4,098	0	0	4,397	4,098
Culture and Recreation	6,535	6,803	0	0	6,535	6,803
Education	69,061	66,063	0	0	69,061	66,063
Interest on Long-term Debt	3,276	3,244	0	0	3,276	3,244
Water	0	0	9,208	8,971	9,208	8,971
Sewer	0	0	8,528	7,941	8,528	7,941
Solid Waste Management	0	0	3,643	3,799	3,643	3,799
MeadowView Conference Resort and Convention Center	0	0	1,462	1,247	1,462	1,247
Cattails at MeadowView Golf Course	0	0	1,361	1,448	1,361	1,448
<b>Total Expenses</b>	<b>127,976</b>	<b>126,993</b>	<b>24,202</b>	<b>23,406</b>	<b>152,178</b>	<b>150,399</b>
Increase (Decrease) in Net Assets before Transfers	(3,712)	458	6,554	8,258	2,842	8,716
Transfers	(3,008)	(4,035)	3,008	4,035	0	0
<b>Change in Net Assets</b>	<b>(6,720)</b>	<b>(3,577)</b>	<b>9,562</b>	<b>12,293</b>	<b>2,842</b>	<b>8,716</b>
Net Assets, beginning of period	284,192	287,769	157,339	145,046	441,531	432,815
<b>Net Assets, end of period</b>	<b>\$ 277,472</b>	<b>\$ 284,192</b>	<b>\$ 166,901</b>	<b>\$ 157,339</b>	<b>\$ 444,373</b>	<b>\$ 441,531</b>

**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2009  
(amounts expressed in thousands)**

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**Governmental activities**

Governmental activities reduced the City's net assets by \$6,720. The City's governmental revenues totaling \$124,264 was less than the prior year by \$3,187.

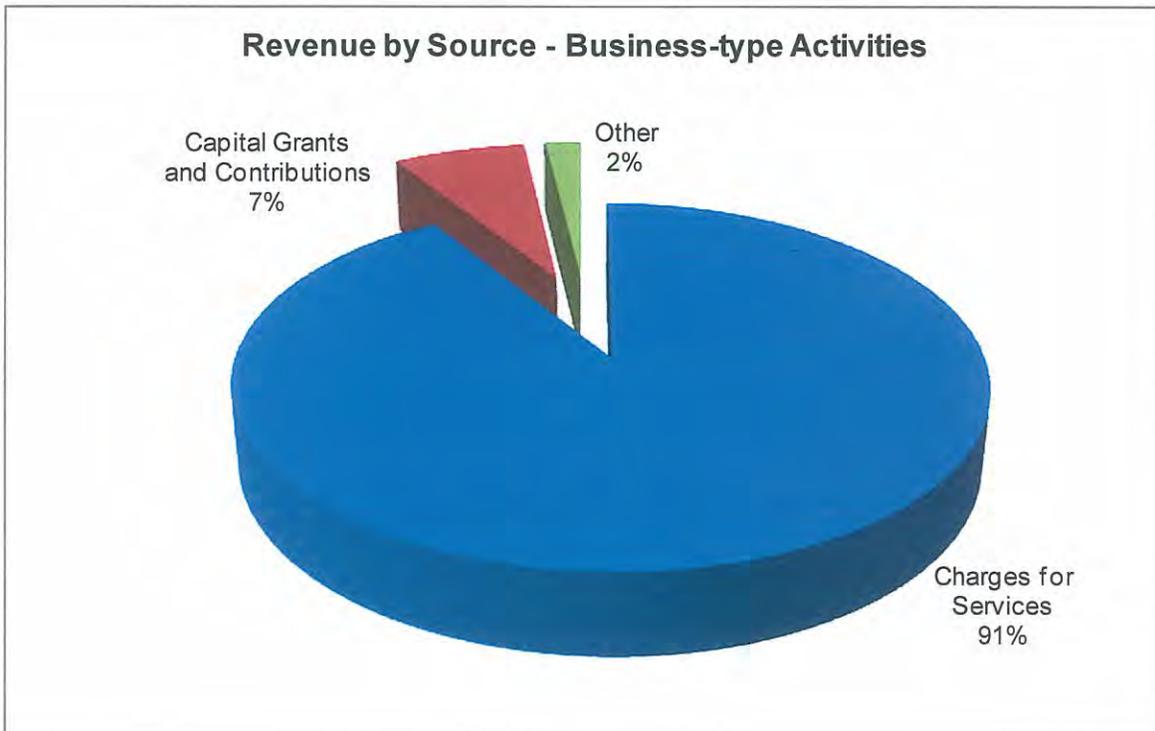


**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2009  
(amounts expressed in thousands)**

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**Business-type activities**

Business-type activities increased the City's net assets by \$9,562. The City's business-type revenues totaling \$30,756 was less than the prior year by \$908.



**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 \$61,632 a decrease of \$9,699 in comparison with the prior year. Approximately 70% of this total amount, \$43,117, constitutes unreserved fund balance, which is available for spending at the City's discretion. However, of this unreserved amount \$22,102 represents funds designated to be used in various capital projects. The remainder of fund balance is reserved to indicate that it is not available for spending because it has already been committed to: 1) advances to golf course (\$2,270), 2) liquidate contracts and purchase orders of the prior period (\$15,439) and for 3) a variety of other restricted purposes (\$806).

**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2009  
(amounts expressed in thousands)**

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The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$12,927 while total fund balance was \$15,312. As a matter of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out.

Unreserved fund balance represents 20% of total general fund expenditures and transfers out, while total fund balance represents 23% of that same amount. During 2009, the fund balance of the City's General Fund decreased by \$2,928. This decrease is less than the fund balance appropriations approved by the City's Board of Mayor and Aldermen totaling \$3,120. The section General Fund Budgetary Highlights on page 20 provides additional information on the use of these funds.

The general purpose school fund has a total fund balance of \$3,492, of which most is unreserved. The net decrease in fund balance during the current year in the general purpose school fund was \$649.

The capital project fund has a total fund balance of \$36,185 of which \$14,083 is encumbered at year-end and \$22,102 is unreserved but designated for approved capital projects. The net decrease in this fund balance of \$6,737 was primarily due to project expenditures during the year.

The debt service fund has a total fund balance of \$676. This represents a decrease of \$497 as compared to the previous fiscal year. This decrease is primarily a result of decreased investment earnings on bond proceeds. Debt service expenditures (principal and interest) totaled \$10,512 for fiscal year 2009. This was approximately \$4,130 less than the debt service expenditures paid in fiscal year 2008. However, \$4,000 of this is attributed to early payoff of a short term capital outlay note after long term bonds were issued in fiscal year 2008.

Nonmajor (other) governmental funds have a fund balance of \$5,967. The net increase in fund balance during the current year in nonmajor governmental funds was \$1,112. This increase is primarily due to increased grant funding received during the year.

**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 assets of the water and sewer funds at the end of the year amounted to \$9,571 and \$9,907 respectively. Other factors concerning the financial position of these funds have already been addressed in the discussion of the City's business-type activities.

**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2009  
(amounts expressed in thousands)**

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**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget represent a \$1,806 increase in appropriations and include the following:

\$	451	Capital projects funded from interfund loan from Fleet Maintenance Fund
	281	Provide funding for prior year encumbrances
	248	Provide funding for Veteran Memorial
	200	Appropriate funding from Sullivan County for Pavilion Center incentive
	190	Provide funding to purchase Lynn View property from Sullivan County
	94	Provide funding to purchase bulk rock salt
	75	Provide funding to IDBK for redevelopment incentive program
	75	Provide funding to IDBK for facade grant program
	36	Provide funding for restrooms at dog park
	36	Appropriate funding from ECD 911 for dispatch consoles
	27	Appropriate funding from class fees for adult education classes
	12	Appropriate funds from Rotary Club for playground improvements
	81	Other miscellaneous
	<hr/>	
\$	<u>1,806</u>	

Of this increase, approximately \$406 was funded from miscellaneous growth related revenue sources, one-time receipts or grant activity. The remaining \$1,400 was budgeted from available fund balance.

**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, 2009, amounts to \$522,546 (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:

- Construction continued and/or began on various utility renovations and expansion projects including several water projects to enhance water pressure, improvements to the sewer collection system to address inflow/infiltration problems and lift station renovation projects. The most significant business-type construction projects during fiscal year 2009 were renovations and improvements at the sewer treatment plant and the building expansion project at MeadowView Conference Center. Business-type construction in progress at the close of the fiscal year was \$40,610.
- Construction continued and/or began on a variety of general governmental facilities including the Higher Education Center, John Adams Elementary School, V. O. Dobbins Building renovation and various street and bridge improvement projects. Construction in progress at the close of the fiscal year pertaining to these type facilities is \$50,421.

**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2009  
(amounts expressed in thousands)**

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 19,579	\$ 18,789	\$ 5,234	\$ 4,961	\$ 24,813	\$ 23,750
Buildings and Systems	65,766	45,057	161,422	160,219	227,188	205,276
Improvements other than Buildings	6,018	4,769	4,756	4,979	10,774	9,748
Machinery and Equipment	9,740	9,946	882	834	10,622	10,780
Software	113	73	65	0	178	73
Infrastructure	157,940	160,718	0	0	157,940	160,718
Construction in Progress	50,421	51,209	40,610	18,991	91,031	70,200
<b>Total Capital Assets</b>	<b>\$ 309,577</b>	<b>\$ 290,561</b>	<b>\$ 212,969</b>	<b>\$ 189,984</b>	<b>\$ 522,546</b>	<b>\$ 480,545</b>

Additional information on the City's capital assets can be found in Note 4.C on pages 59-63 of this report.

**Long-term debt**

At the end of the current fiscal year, the City had total gross debt outstanding of \$174,300. 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	
	2009	2008	2009	2008	2009	2008
Notes Payable	\$ 5,872	\$ 6,419	\$ 0	\$ 0	\$ 5,872	\$ 6,419
General Obligation Bonds	86,349	74,292	66,500	47,657	152,849	121,949
Loans from Other Governments	0	0	15,579	5,591	15,579	5,591
<b>Total Long-term Debt</b>	<b>\$ 92,221</b>	<b>\$ 80,711</b>	<b>\$ 82,079</b>	<b>\$ 53,248</b>	<b>\$ 174,300</b>	<b>\$ 133,959</b>

During the current fiscal year, the City's total gross debt increased by \$40,341 (30%). The \$11,510 governmental activities increase funded renovation of the V. O. Dobbins Building, road projects and other public improvement projects. The \$28,831 business-type activities increase funded major renovations and improvements to the sewer treatment plant; acquisition and installation of an automated meter reading and leak detection system; and an expansion project for the MeadowView Conference Resort and Convention Center. The City received a rating of AA- from Standard & Poor's Ratings Services.

**CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2009  
(amounts expressed in thousands)**

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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 debt limitation for the City of Kingsport is in excess of the outstanding general obligation debt. Additional information on the City's long-term debt can be found in Note 4.E on pages 66-102 of this report.

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

- The unemployment rate for the municipal service area is currently 9.4%, which is an increase of 3.2% from a year ago. This compares to the state's average unemployment rate of 10.8 %.
- Inflationary trends in the region are comparable to national indices.
- 631 building permits with an estimated value of \$123,744 were issued during this fiscal year, compared to 884 building permits with an estimated value of \$180,938 for the previous year.

Short term interest rates on investments for the City's operating funds decreased to approximately 0.5% in fiscal year 2009 as the federal funding rate was decreased by the Federal Reserve Board.

All of these factors were considered in preparing the City's budget for the 2010 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$12,927. The City has appropriated \$640 of this amount for spending in the fiscal year 2010 budget.

Water and sewer rates were increased for the 2010 budget year. The water rates were increased 2% for customers outside City limits while customers inside the City remained at the same rates. Sewer rates increased 8% for outside customers while customers inside the City remained at the same rates. These rate increases were necessary to fund operations and to finance debt service on the new debt scheduled to be issued during the fiscal year.

**Requests for Information**

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



## B. BASIC FINANCIAL STATEMENTS

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**CITY OF KINGSPORT, TENNESSEE**  
**STATEMENT OF NET ASSETS**  
June 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	Industrial Development Board	Emergency Communications District
<b>ASSETS:</b>					
Cash	\$ 1,218,123	\$ 0	\$ 1,218,123	\$ 758,105	\$ 1,819,657
Cash with Fiscal Agent	0	36,762	36,762	0	0
Equity in Pooled Cash and Investments	31,368,209	19,962,735	51,330,944	0	0
Long Term Certificates of Deposit	369,833	0	369,833	0	0
Investments	1,414,549	0	1,414,549	0	0
Accounts Receivable, net	32,845,257	3,641,482	36,486,739	15,411	37,607
Accrued Interest Receivable	231,521	2,442	233,963	0	34,761
Due from Other Governments	24,208,738	1,854,065	26,062,803	0	76,938
Due from Primary Government	0	0	0	2,139,012	0
Due from Component Units	68,830	25,511	94,341	0	0
Internal Balances	3,030,283	(3,030,283)	0	0	0
Inventories	580,917	513,875	1,094,792	0	0
Prepays	175,585	39,942	215,527	0	22,250
Land Held for Sale or Development	0	0	0	5,580,124	0
<b>Restricted Assets:</b>					
Cash	31,118,176	19,880,265	50,998,441	844,959	0
Long Term Certificates of Deposit	4,300,000	56,000	4,356,000	0	0
Investments	6,802,536	803,979	7,606,515	239,963	0
Receivables	0	0	0	552,623	0
<b>Capital Assets:</b>					
Land	19,579,034	5,234,314	24,813,348	0	0
Buildings and Systems	116,254,878	247,974,909	364,229,787	0	0
Improvements Other Than Buildings	13,926,395	8,510,473	22,436,868	75,725	0
Machinery and Equipment	35,281,275	3,609,294	38,890,569	0	695,540
Software	355,647	66,400	422,047	0	0
Infrastructure	260,746,734	0	260,746,734	0	0
Construction in Progress	50,421,336	40,610,056	91,031,392	2,061,745	0
Less: Accumulated Depreciation	(186,987,982)	(93,036,556)	(280,024,538)	(65,641)	(469,917)
Other Assets, net	1,244,471	846,387	2,090,858	0	0
<b>Total Assets</b>	<b>448,554,345</b>	<b>257,602,052</b>	<b>706,156,397</b>	<b>12,202,026</b>	<b>2,216,836</b>
<b>LIABILITIES:</b>					
Accounts Payable and Other Current Liabilities	15,892,158	4,492,354	20,384,512	755,942	4,814
Due to Primary Government	0	0	0	41,103	53,238
Due to Other Governments	164,848	100,704	265,552	0	0
Compensated Absences Payable	3,332,449	501,933	3,834,382	0	0
Arbitrage Rebate Payable	0	379,003	379,003	0	0
Matured Bonds and Interest Payable	0	287,819	287,819	0	0
Accrued Interest Payable	1,311,698	498,626	1,810,324	82,401	0
Unearned Revenue	45,480,389	0	45,480,389	92,025	0
Liabilities Payable from Restricted Assets	0	679,428	679,428	0	0
<b>Noncurrent Liabilities:</b>					
Due Within One Year	4,786,391	6,204,644	10,991,035	487,105	0
Due in More Than One Year	89,317,020	76,563,054	165,880,074	1,580,706	0
OPEB Liability	10,796,751	993,268	11,790,019	0	0
<b>Total Liabilities</b>	<b>171,081,704</b>	<b>90,700,833</b>	<b>261,782,537</b>	<b>3,039,282</b>	<b>58,052</b>
<b>NET ASSETS:</b>					
Invested in Capital Assets, Net of Related Debt	255,888,658	149,317,029	405,205,687	2,071,829	225,623
Restricted for Debt Service	0	430,285	430,285	0	0
Restricted for Capital Improvements	22,133,692	508,961	22,642,653	5,152	0
Restricted for Perpetual Care (Nonexpendable)	152,691	0	152,691	0	0
Unrestricted	(702,400)	16,644,944	15,942,544	7,085,763	1,933,161
<b>Total Net Assets</b>	<b>\$ 277,472,641</b>	<b>\$ 166,901,219</b>	<b>\$ 444,373,860</b>	<b>\$ 9,162,744</b>	<b>\$ 2,158,784</b>

See accompanying notes to the basic financial statements.

**CITY OF KINGSFORD, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2009

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Industrial Development Board	Emergency Communications District	
					Governmental Activities	Business - Type Activities			Total
<b>Primary Government:</b>									
Governmental Activities:									
General Government	\$ 8,346,300	\$ 194,323	\$ 171,928	\$ 3,690,745	\$ (4,289,304)	\$ 0	\$ (4,289,304)		
Public Safety	19,955,908	2,384,667	331,464	0	(17,239,777)	0	(17,239,777)		
Public Works	12,871,747	0	0	0	(12,871,747)	0	(12,871,747)		
Highways and Transportation	3,532,489	120,520	2,028,390	488,533	(895,056)	0	(895,056)		
Economic and Physical Development	4,397,024	562,536	549,388	0	(3,285,100)	0	(3,285,100)		
Culture and Recreation	6,535,076	754,137	126,921	0	(5,654,018)	0	(5,654,018)		
Education	69,060,256	2,452,987	29,549,303	0	(37,057,966)	0	(37,057,966)		
Interest on Long Term Debt	3,276,319	0	0	0	(3,276,319)	0	(3,276,319)		
<b>Total Governmental Activities</b>	<b>127,975,129</b>	<b>6,469,170</b>	<b>32,757,394</b>	<b>4,179,278</b>	<b>(84,569,287)</b>	<b>0</b>	<b>(84,569,287)</b>		
<b>Business - Type Activities:</b>									
Water	9,208,308	12,981,541	0	612,732	0	4,385,965	4,385,965		
Sewer	8,527,859	13,081,940	0	1,510,709	0	6,064,790	6,064,790		
Solid Waste Management	3,643,156	679,518	0	0	0	(2,963,638)	(2,963,638)		
MeadowView Conference Resort and Convention Center	1,461,629	259,746	0	0	0	(1,201,883)	(1,201,883)		
Cattails at MeadowView Golf Course	1,361,077	1,042,420	0	0	0	(318,657)	(318,657)		
<b>Total Business - Type Activities</b>	<b>24,202,029</b>	<b>28,045,165</b>	<b>0</b>	<b>2,123,441</b>	<b>0</b>	<b>5,966,577</b>	<b>5,966,577</b>		
<b>Total Primary Government</b>	<b>\$ 152,177,158</b>	<b>\$ 34,514,335</b>	<b>\$ 32,757,394</b>	<b>\$ 6,302,719</b>	<b>(84,569,287)</b>	<b>5,966,577</b>	<b>(78,602,710)</b>		
<b>Component Units:</b>									
Industrial Development Board	\$ 568,111	\$ 225,341	\$ 0	\$ 2,061,745			\$ 1,718,975	\$ 0	\$ 0
Emergency Communications District	572,580	599,032	0	0			0	26,452	26,452
<b>Total Component Units</b>	<b>\$ 1,140,691</b>	<b>\$ 824,373</b>	<b>\$ 0</b>	<b>\$ 2,061,745</b>			<b>1,718,975</b>	<b>26,452</b>	<b>26,452</b>
<b>General Revenues:</b>									
Property Taxes					45,003,403	0	45,003,403	0	0
Sales Taxes					27,003,900	0	27,003,900	0	0
Alcoholic Beverage Taxes					1,575,636	0	1,575,636	0	0
Occupational Licenses and Business Taxes					1,673,312	0	1,673,312	0	0
Hotel / Motel Taxes					1,241,227	0	1,241,227	0	0
Income Taxes					957,062	0	957,062	0	0
Grants and Contributions Not Restricted to Specific Programs					970,035	0	970,035	0	0
Unrestricted Investment Earnings					1,624,800	600,431	2,225,231	99,865	54,208
Gain (Loss) on Disposal of Capital Assets					18,322	(12,605)	5,717	0	0
Miscellaneous Transfers					790,029	0	790,029	0	0
					(3,007,600)	3,007,600	0	0	0
<b>Total General Revenues and Transfers</b>					<b>77,850,126</b>	<b>3,595,426</b>	<b>81,445,552</b>	<b>99,865</b>	<b>81,035</b>
<b>Change in Net Assets</b>					<b>(6,719,161)</b>	<b>9,562,003</b>	<b>2,842,842</b>	<b>1,818,840</b>	<b>107,487</b>
<b>Net Assets - Beginning</b>					<b>284,191,802</b>	<b>157,339,216</b>	<b>441,531,018</b>	<b>7,343,904</b>	<b>2,051,297</b>
<b>Net Assets - Ending</b>					<b>\$ 277,472,641</b>	<b>\$ 166,901,219</b>	<b>\$ 444,373,860</b>	<b>\$ 9,162,744</b>	<b>\$ 2,158,784</b>

See accompanying notes to the basic financial statements.

**CITY OF KINGSPOINT, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 June 30, 2009

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Cash	\$ 6,844	\$ 0	\$ 0	\$ 40,923	\$ 1,170,356	\$ 1,218,123
Equity in Pooled Cash and Investments	11,273,424	5,977,279	169,995	3,460,488	1,801,299	22,682,485
Long-Term Certificates of Deposit	0	0	0	0	369,833	369,833
Investments	0	0	0	0	1,414,549	1,414,549
Taxes Receivable, net	32,301,563	0	0	0	0	32,301,563
Accounts Receivable, net	517,088	18,787	0	0	225	536,100
Accrued Interest Receivable	0	0	79,131	0	6,657	85,788
Due from Other Governments	4,632,332	15,683,392	0	1,695,116	2,197,898	24,208,738
Due from Other Funds	2,520,080	771,489	0	0	41,731	3,333,300
Due from Component Unit	68,830	0	0	0	0	68,830
Inventories	2,340	10,871	0	0	200,980	214,191
Prepays	29,650	0	0	0	0	29,650
Cash - Restricted	0	0	78,396	30,855,791	183,989	31,118,176
Investments - Restricted	0	0	348,560	6,261,906	46,859	6,657,325
<b>Total Assets</b>	<b>\$ 51,352,151</b>	<b>\$ 22,461,818</b>	<b>\$ 676,082</b>	<b>\$ 42,314,224</b>	<b>\$ 7,434,376</b>	<b>\$ 124,238,651</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 375,851	\$ 447,702	\$ 0	\$ 5,019,512	\$ 373,494	\$ 6,216,559
Compensated Absences Payable	19,766	592	0	0	0	20,358
Other Liabilities	2,414,078	4,550,020	0	0	5,966	6,970,064
Due to Other Governments	158,261	0	0	0	6,587	164,848
Due to Other Funds	451,113	0	0	0	1,022,022	1,473,135
Contracts Payable	0	0	0	1,109,896	0	1,109,896
Deferred Revenue	32,621,251	13,971,224	0	0	59,652	46,652,127
<b>Total Liabilities</b>	<b>36,040,320</b>	<b>18,969,538</b>	<b>0</b>	<b>6,129,408</b>	<b>1,467,721</b>	<b>62,606,987</b>

(continued)

**CITY OF KINGSFORT, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2009**

	<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:						
Reserved for:						
Encumbrances	62,107	368,867	49,243	14,082,983	875,547	15,438,747
Cattails at Meadowview	2,269,547	0	0	0	0	2,269,547
Industrial Park	20,927	0	0	0	0	20,927
Career Ladder	0	247,021	0	0	0	247,021
Leader Academy	0	21,500	0	0	0	21,500
Safe Schools	0	23,004	0	0	0	23,004
Inventories	2,340	10,871	0	0	200,980	214,191
Prepays	29,650	0	0	0	0	29,650
Perpetual Care	0	0	0	0	152,691	152,691
Projects	0	15,000	0	0	16,859	31,859
State BEP	0	65,648	0	0	0	65,648
Unreserved, Reported in:						
General Fund	12,927,260	0	0	0	0	12,927,260
Debt Service Fund	0	0	626,839	0	0	626,839
Special Revenue Funds	0	2,740,369	0	0	4,692,346	7,432,715
Capital Projects Fund	0	0	0	22,101,833	0	22,101,833
Permanent Fund	0	0	0	0	28,232	28,232
<b>Total Fund Balances</b>	<u>15,311,831</u>	<u>3,492,280</u>	<u>676,082</u>	<u>36,184,816</u>	<u>5,966,655</u>	<u>61,631,664</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 51,352,151</u>	<u>\$ 22,461,818</u>	<u>\$ 676,082</u>	<u>\$ 42,314,224</u>	<u>\$ 7,434,376</u>	<u>\$ 124,238,651</u>

See accompanying notes to the basic financial statements.

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**CITY OF KINGSPORT, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2009**

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

Total Fund Balance of Governmental Funds	\$ 61,631,664
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	302,088,618
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.	1,171,738
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,214,471
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 assets.	20,791,610
Long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(109,425,460)</u>
Net Assets of Governmental Activities	<u>\$ 277,472,641</u>

See accompanying notes to the basic financial statements.

**CITY OF KINGSPORT, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2009

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Taxes	\$ 34,956,317	\$ 20,585,070	\$ 0	\$ 0	\$ 3,156,462	\$ 58,697,849
Licenses and Permits	544,797	0	0	0	0	544,797
Intergovernmental	20,387,165	23,081,587	0	1,980,822	9,183,564	54,633,138
Charges for Services	1,412,505	958,290	0	0	1,685,824	4,056,619
Fines and Forfeitures	1,840,622	0	0	0	243,296	2,083,918
Investment Earnings	388,048	0	769,097	1,434	51,096	1,209,675
Contributions and Donations	2,074	0	0	50,200	291,131	343,405
Miscellaneous	225,927	212,493	0	0	0	438,420
<b>Total Revenues</b>	<b>59,757,455</b>	<b>44,837,440</b>	<b>769,097</b>	<b>2,032,456</b>	<b>14,611,373</b>	<b>122,007,821</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General Government	8,056,430	0	0	0	231,069	8,287,499
Public Safety	17,763,626	0	0	0	98,753	17,862,379
Public Works	6,162,895	0	0	0	0	6,162,895
Economic & Physical Development	3,333,384	0	0	0	550,742	3,884,126
Transportation	0	0	0	0	3,532,499	3,532,499
Culture and Recreation	4,693,900	0	0	0	190,651	4,884,551
Education	0	52,649,489	0	0	7,678,841	60,328,330
Miscellaneous	860,350	0	0	0	0	860,350
Debt Service:						
Principal	0	0	7,750,015	0	0	7,750,015
Interest	0	0	2,761,593	0	0	2,761,593
Bond Issuance Costs	0	0	0	405,059	0	405,059
Other Costs	0	0	19,516	0	0	19,516
Capital Outlay	50,170	494,672	0	29,604,691	758,366	30,907,899
<b>Total Expenditures</b>	<b>40,920,755</b>	<b>53,144,161</b>	<b>10,531,124</b>	<b>30,009,750</b>	<b>13,040,921</b>	<b>147,646,711</b>

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2009

	General Fund	General Purpose School Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,836,700	(8,306,721)	(9,762,027)	(27,977,294)	1,570,452	(25,638,890)
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	2,587,824	14,710,851	9,273,193	2,319,649	4,242,560	33,134,077
Transfers Out	(24,352,439)	(7,053,396)	(7,862)	(550,578)	(4,701,237)	(36,665,512)
Issuance of Debt	0	0	0	19,260,000	0	19,260,000
Premiums on Debt Issued	0	0	0	211,590	0	211,590
Total Other Financing Sources (Uses)	(21,764,615)	7,657,455	9,265,331	21,240,661	(458,677)	15,940,155
Net Change in Fund Balances	(2,927,915)	(649,266)	(496,696)	(6,736,633)	1,111,775	(9,698,735)
Fund Balances, July 1, 2008	18,239,746	4,141,546	1,172,778	42,921,449	4,854,880	71,330,399
Fund Balances, June 30, 2009	<u>\$ 15,311,831</u>	<u>\$ 3,492,280</u>	<u>\$ 676,082</u>	<u>\$ 36,184,816</u>	<u>\$ 5,966,655</u>	<u>\$ 61,631,664</u>

**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, 2009**

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

Net Change in Fund Balance of Governmental Funds	\$ (9,698,735)
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 outlay in the current period exceeded depreciation of general fixed assets.	19,805,370
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is a decrease to net assets.	(1,077,522)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	253,984
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 revenue of certain activities of internal service funds is reported with governmental activities.	879,847
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated Absences	(105,292)
OPEB Liability	(5,370,676)
Accrued Interest	(506,161)
The issuance of long term debt (e.g. bonds) provide current financial resources to governmental funds, while the repayment of the principal of long term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.	<u>(10,899,976)</u>
Change in Net Assets of Governmental Activities	<u>\$ (6,719,161)</u>

See accompanying notes to the basic financial statements.

**CITY OF KINGSPORT, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Taxes:				
General Property	\$ 30,579,600	\$ 30,707,982	\$ 30,661,810	\$ (46,172)
Gross Receipts	4,315,300	4,315,300	4,294,507	(20,793)
Licenses and Permits	812,300	812,300	544,797	(267,503)
Intergovernmental:				
State	5,100,800	5,109,450	4,961,685	(147,765)
County	15,110,800	15,310,800	15,093,748	(217,052)
Local	277,500	313,910	331,732	17,822
Charges for Services	1,449,700	1,503,790	1,412,505	(91,285)
Fines and Forfeitures	2,037,700	2,037,700	1,840,622	(197,078)
Investment Earnings	546,000	546,000	388,048	(157,952)
Contributions and Donations	50,000	50,500	2,074	(48,426)
Miscellaneous	268,100	246,262	225,927	(20,335)
<b>Total Revenues</b>	<u>60,547,800</u>	<u>60,953,994</u>	<u>59,757,455</u>	<u>(1,196,539)</u>
<b>EXPENDITURES:</b>				
General Government:				
Board of Mayor and Aldermen	157,400	128,516	127,938	578
Judicial	30,800	27,248	27,122	126
City Attorney	495,950	487,811	475,177	12,634
City Manager	442,100	417,484	401,724	15,760
Deputy City Manager	135,000	114,153	0	114,153
Assistant to City Manager	125,700	123,924	109,771	14,153
Budget Office	161,000	158,714	146,743	11,971
Special Programs	2,084,300	2,504,300	2,449,948	54,352
Public Information Office	167,400	175,669	172,052	3,617
Personnel	1,050,500	1,070,470	777,923	292,547
Purchasing	225,000	224,767	216,676	8,091
Finance Administration	1,592,700	1,621,030	1,594,932	26,098
Records Administration	96,900	94,960	87,311	7,649
Information Services	981,600	1,047,838	1,027,027	20,811
Geographic Information	299,400	378,573	371,725	6,848
Grant Office	74,200	74,211	70,361	3,850
<b>Total General Government</b>	<u>8,119,950</u>	<u>8,649,668</u>	<u>8,056,430</u>	<u>593,238</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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public Safety:</b>				
Police Administration	1,899,600	1,763,303	1,755,255	8,048
Jail Operations	324,800	321,252	319,359	1,893
Training	288,400	265,276	262,223	3,053
Traffic School	22,800	17,822	5,864	11,958
Investigations	1,478,400	1,652,252	1,650,461	1,791
Patrol Division	5,183,300	5,289,598	5,288,330	1,268
Animal Control	126,600	119,108	116,816	2,292
Central Dispatch	921,700	955,054	952,340	2,714
Communications	248,700	248,145	241,261	6,884
Fire Control and Prevention	7,222,500	7,206,449	7,171,717	34,732
<b>Total Public Safety</b>	<u>17,716,800</u>	<u>17,838,259</u>	<u>17,763,626</u>	<u>74,633</u>
<b>Public Works:</b>				
Administration	117,000	131,880	130,480	1,400
Streets and Sanitation Administration	270,000	278,085	270,660	7,425
Street Cleaning	440,800	429,434	424,340	5,094
Street Maintenance	1,719,700	1,772,707	1,763,733	8,974
Building Maintenance	1,645,600	1,704,201	1,688,394	15,807
Grounds Maintenance	1,061,800	1,048,773	1,036,896	11,877
Park Maintenance	390,500	387,408	380,183	7,225
Landscaping	498,400	496,912	468,209	28,703
<b>Total Public Works</b>	<u>6,143,800</u>	<u>6,249,400</u>	<u>6,162,895</u>	<u>86,505</u>
<b>Economic and Physical Development:</b>				
Administration	320,700	359,687	348,494	11,193
Planning	411,400	409,558	395,030	14,528
Transportation	1,030,200	1,030,504	960,058	70,446
Charter Bus Service	36,700	36,792	8,233	28,559
Engineering	1,129,900	1,125,951	1,089,042	36,909
Code Enforcement	573,100	566,748	532,527	34,221
<b>Total Economic and Physical Development</b>	<u>3,502,000</u>	<u>3,529,240</u>	<u>3,333,384</u>	<u>195,856</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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Culture and Recreation:				
Administration	359,800	341,359	282,067	59,292
Adult Education	0	16,675	1,789	14,886
Parks and Recreation Centers	466,400	485,250	480,700	4,550
Swimming Pools	125,800	170,176	159,523	10,653
Athletics	612,700	602,812	596,220	6,592
Cultural Arts	274,700	270,833	258,014	12,819
Allandale	208,800	216,032	207,930	8,102
K - Play	197,200	214,325	201,972	12,353
Senior Citizens Center	440,300	442,101	434,529	7,572
Bays Mountain Park	997,100	1,037,674	1,015,011	22,663
Library	1,087,500	1,081,818	1,056,145	25,673
Total Culture and Recreation	<u>4,770,300</u>	<u>4,879,055</u>	<u>4,693,900</u>	<u>185,155</u>
Miscellaneous	<u>1,129,735</u>	<u>1,022,109</u>	<u>860,350</u>	<u>161,759</u>
Capital Outlay	<u>198,500</u>	<u>113,860</u>	<u>50,170</u>	<u>63,690</u>
Total Expenditures	<u>41,581,085</u>	<u>42,281,591</u>	<u>40,920,755</u>	<u>1,360,836</u>
Excess of Revenues Over Expenditures	<u>18,966,715</u>	<u>18,672,403</u>	<u>18,836,700</u>	<u>164,297</u>
Other Financing Sources (Uses):				
Transfers In	3,583,400	2,783,400	2,587,824	(195,576)
Transfers Out	<u>(23,470,115)</u>	<u>(24,576,289)</u>	<u>(24,352,439)</u>	<u>223,850</u>
Net Other Financing Sources (Uses)	<u>(19,886,715)</u>	<u>(21,792,889)</u>	<u>(21,764,615)</u>	<u>28,274</u>
Net Change in Fund Balances	(920,000)	(3,120,486)	(2,927,915)	192,571
Fund Balances, July 1, 2008	<u>920,000</u>	<u>3,120,486</u>	<u>18,239,746</u>	<u>15,119,260</u>
Fund Balances, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,311,831</u>	<u>\$ 15,311,831</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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
County Taxes:				
Property Taxes	\$ 13,860,000	\$ 14,010,000	\$ 14,087,609	\$ 77,609
Gross Receipts Taxes	6,710,000	6,600,000	6,426,279	(173,721)
Other Taxes	62,000	62,000	71,182	9,182
Intergovernmental:				
Federal	256,500	298,432	295,555	(2,877)
State	21,687,250	21,856,571	22,243,581	387,010
County	0	542,451	542,451	0
Charges for Services	1,053,700	1,064,700	958,290	(106,410)
Miscellaneous	145,000	188,201	212,493	24,292
<b>Total Revenues</b>	<u>43,774,450</u>	<u>44,622,355</u>	<u>44,837,440</u>	<u>215,085</u>
<b>EXPENDITURES:</b>				
Instruction:				
Regular	27,708,227	28,424,073	28,421,211	2,862
Special Education	3,953,000	4,021,392	4,021,202	190
Vocational	1,400,600	1,421,329	1,371,848	49,481
Adult Education	121,500	140,635	139,046	1,589
<b>Total Instruction</b>	<u>33,183,327</u>	<u>34,007,429</u>	<u>33,953,307</u>	<u>54,122</u>
Student Support Services:				
Attendance	105,550	109,999	68,052	41,947
Health Services	490,966	496,184	495,800	384
Other	1,900,400	1,895,135	1,866,545	28,590
<b>Total Student Support Services</b>	<u>2,496,916</u>	<u>2,501,318</u>	<u>2,430,397</u>	<u>70,921</u>
Instructional Staff Support Services:				
Regular	2,667,347	2,699,431	2,549,041	150,390
Special Education	382,050	401,905	379,791	22,114
Vocational	145,950	151,654	151,649	5
Adult Education	93,350	100,599	95,821	4,778
<b>Total Instructional Staff Support Services</b>	<u>3,288,697</u>	<u>3,353,589</u>	<u>3,176,302</u>	<u>177,287</u>
General Administrative Support Services:				
Board of Education	977,038	953,924	953,061	863
Office of Superintendent	1,050,350	1,081,258	1,081,246	12
<b>Total General Administrative Support Services</b>	<u>2,027,388</u>	<u>2,035,182</u>	<u>2,034,307</u>	<u>875</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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
School Administrative Support Services	2,454,315	2,538,447	2,534,845	3,602
Business Administrative Support Services	305,550	309,372	309,135	237
Operations and Maintenance Support Services:				
Operations	3,649,067	3,934,685	3,932,482	2,203
Plant Maintenance	1,842,600	2,303,371	2,300,323	3,048
Total Operations and Maintenance Support Services	5,491,667	6,238,056	6,232,805	5,251
Student Transportation Support Services	1,402,050	1,298,906	1,267,358	31,548
Noninstructional Services:				
After School Programs	184,700	192,341	188,983	3,358
Community Service	552,500	555,098	522,050	33,048
Total Noninstructional Services	737,200	747,439	711,033	36,406
Capital Outlay	1,233,190	575,493	494,672	80,821
Total Expenditures	52,620,300	53,605,231	53,144,161	461,070
Deficiency of Revenues Under Expenditures	(8,845,850)	(8,982,876)	(8,306,721)	676,155
OTHER FINANCING SOURCES (USES):				
Transfers In	14,893,300	14,893,300	14,710,851	(182,449)
Transfers Out	(6,426,600)	(7,260,952)	(7,053,396)	207,556
Total Other Financing Sources (Uses)	8,466,700	7,632,348	7,657,455	25,107
Net Change in Fund Balances	(379,150)	(1,350,528)	(649,266)	701,262
Fund Balances, July 1, 2008	379,150	1,350,528	4,141,546	2,791,018
Fund Balances, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,492,280</u>	<u>\$ 3,492,280</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPOUR, TENNESSEE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

Business -Type Activities - Enterprise Funds

	Water Fund	Sewer Fund	Solid Waste Management Fund	MeadowView Conference Resort and Convention Center Fund	Cattails at MeadowView Golf Course Fund	Total Enterprise Funds	Governmental Activities - Internal Service Funds
ASSETS:							
Current Assets:							
Cash with Fiscal Agent	\$ 36,762	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,762	\$ 0
Equity in Pooled Cash and Investments	9,171,900	10,189,431	199,576	401,828	0	19,962,735	8,685,724
Accounts Receivable	1,834,710	1,718,171	40,840	0	47,761	3,641,482	7,594
Accrued Interest Receivable	2,442	0	0	0	0	2,442	145,733
Due from Other Governments	192,946	1,661,119	0	0	0	1,854,065	0
Due from Other Funds	0	0	0	0	0	0	1,170,118
Due from Component Units	10,715	14,796	0	0	0	25,511	0
Inventories	409,380	0	0	0	104,495	513,875	366,726
Prepays	39,942	0	0	0	0	39,942	145,935
Total Current Assets	11,698,797	13,583,517	240,416	401,828	152,256	26,076,814	10,521,830

Noncurrent Assets:							
Restricted Assets:							
Cash	50,903	628,525	0	85,000	0	764,428	0
Cash from Unspent Bonds	1,182,775	3,221,110	6,809	14,705,143	0	19,115,837	0
Long Term Certificates of Deposit	56,000	0	0	0	0	56,000	4,300,000
Investments	94,858	225,097	135	444,366	39,523	803,979	145,211
Total Restricted Assets	1,384,536	4,074,732	6,944	15,234,509	39,523	20,740,244	4,445,211
Capital Assets:							
Land	639,744	789,352	1,308,121	1,515,497	981,600	5,234,314	14,695
Buildings and Systems	82,197,952	142,767,752	155,508	21,695,541	1,158,156	247,974,909	0
Improvements Other Than Buildings	0	0	2,200,702	338,344	5,971,427	8,510,473	0
Software	66,400	0	0	0	0	66,400	0
Machinery and Equipment	1,047,075	701,274	503,873	922,876	434,196	3,609,294	22,412,517
Construction in Progress	15,167,010	24,466,865	0	976,181	0	40,610,056	0
Less: Accumulated Depreciation	(32,653,244)	(48,765,352)	(1,218,153)	(7,236,579)	(3,163,228)	(93,036,556)	(14,938,513)
Total Capital Assets	66,464,937	119,959,891	2,950,051	18,211,860	5,382,151	212,968,890	7,488,699
Other Assets:							
Deposits	0	0	0	0	0	0	30,000
Unamortized Bond Costs	191,756	293,141	3,991	344,791	12,708	846,387	0
Total Other Assets	191,756	293,141	3,991	344,791	12,708	846,387	30,000
Total Noncurrent Assets	68,041,229	124,327,764	2,960,986	33,791,160	5,434,382	234,555,521	11,963,910
Total Assets	79,740,026	137,911,281	3,201,402	34,192,988	5,586,638	260,632,335	22,485,740

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2009**

**Business -Type Activities - Enterprise Funds**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Solid Waste Management Fund</b>	<b>MeadowView Conference Resort and Convention Center Fund</b>	<b>Cattails at MeadowView Golf Course Fund</b>	<b>Total Enterprise Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>LIABILITIES:</b>							
Current Liabilities:							
Accounts Payable	811,913	2,740,394	62,532	309,095	46,191	3,970,125	520,704
Due to Other Governments	100,704	0	0	0	0	100,704	0
Due to Other Funds	0	0	719,005	0	2,311,278	3,030,283	0
Compensated Absences Payable	259,091	153,949	88,893	0	0	501,933	98,491
Retainages Payable	50,903	628,525	0	0	0	679,428	0
Arbitrage Rebate Payable	76,316	295,884	6,803	0	0	379,003	0
Matured Bonds Payable	35,262	0	0	0	0	35,262	0
Matured Interest Payable	5,500	0	0	247,057	0	252,557	0
Accrued Interest Payable	145,981	347,155	5,490	0	0	498,626	0
General Obligation Bonds - Current	1,882,244	3,307,756	22,500	0	539,000	5,751,500	0
State Revolving Loan Current	126,576	326,568	0	0	0	453,144	0
Other Payables	379,201	143,028	0	0	0	522,229	1,074,935
<b>Total Current Liabilities</b>	<b>3,873,691</b>	<b>7,943,259</b>	<b>905,223</b>	<b>556,152</b>	<b>2,896,469</b>	<b>16,174,794</b>	<b>1,694,130</b>
Noncurrent Liabilities:							
General Obligation Bonds Payable (Net of Deferred Refunding Costs, Discounts and Premiums)	18,974,210	25,508,500	319,499	15,344,865	1,290,500	61,437,574	0
State Revolving Loan Payable	1,084,756	14,040,724	0	0	0	15,125,480	0
OPEB Liability	503,272	288,891	201,105	0	0	993,268	0
<b>Total Noncurrent Liabilities</b>	<b>20,562,238</b>	<b>39,838,115</b>	<b>520,604</b>	<b>15,344,865</b>	<b>1,290,500</b>	<b>77,556,322</b>	<b>0</b>
<b>Total Liabilities</b>	<b>24,435,929</b>	<b>47,781,374</b>	<b>1,425,827</b>	<b>15,901,017</b>	<b>4,186,969</b>	<b>93,731,116</b>	<b>1,694,130</b>
<b>NET ASSETS:</b>							
Invested in Capital Assets, Net of Related Debt	45,579,926	79,997,453	2,614,861	17,572,138	3,552,651	149,317,029	7,488,699
Restricted for Debt Service	153,300	225,097	135	51,753	0	430,285	0
Restricted for Capital Improvements	0	0	0	463,408	45,553	508,961	0
Unrestricted	9,570,871	9,907,357	(839,421)	204,672	(2,198,535)	16,644,944	13,302,911
<b>Total Net Assets</b>	<b>\$ 55,304,097</b>	<b>\$ 90,129,907</b>	<b>\$ 1,775,575</b>	<b>\$ 18,291,971</b>	<b>\$ 1,399,669</b>	<b>\$ 166,901,219</b>	<b>\$ 20,791,610</b>

See accompanying notes to the basic financial statements.

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**CITY OF KINGSPORT, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2009

	Business - Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Solid Waste Management Fund	MeadowView Conference Resort and Convention Center Fund	Cattails at MeadowView Golf Course Fund	Total Enterprise Funds	
<b>OPERATING REVENUES:</b>							
Charges and Fees	\$ 12,532,449	\$ 12,870,791	\$ 657,322	\$ 259,746	\$ 1,041,624	\$ 27,361,932	\$ 13,078,392
Penalties and Fines	431,642	206,108	0	0	0	637,750	0
Miscellaneous	17,450	5,041	22,196	0	796	45,483	12,508
<b>Total Operating Revenue</b>	<b>12,981,541</b>	<b>13,081,940</b>	<b>679,518</b>	<b>259,746</b>	<b>1,042,420</b>	<b>28,045,165</b>	<b>13,090,900</b>
<b>OPERATING EXPENSES:</b>							
Operating Costs	6,860,377	4,249,266	3,542,444	772,705	1,042,539	16,467,331	11,624,079
Depreciation	1,936,494	3,325,217	86,831	588,511	272,424	6,209,477	1,544,255
<b>Total Operating Expenses</b>	<b>8,796,871</b>	<b>7,574,483</b>	<b>3,629,275</b>	<b>1,361,216</b>	<b>1,314,963</b>	<b>22,676,808</b>	<b>13,168,334</b>
<b>Operating Income (Loss)</b>	<b>4,184,670</b>	<b>5,507,457</b>	<b>(2,949,757)</b>	<b>(1,101,470)</b>	<b>(272,543)</b>	<b>5,368,357</b>	<b>(77,434)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Investment Earnings	224,110	262,637	12,411	99,603	1,670	600,431	415,124
Interest Expense	(391,854)	(916,482)	(13,536)	(93,108)	(41,475)	(1,456,455)	0
Gain (Loss) on Disposal of Fixed Assets	(1,504)	(9,762)	(1,339)	0	0	(12,605)	18,322
Amortization Expense	(19,583)	(36,894)	(345)	(7,305)	(4,639)	(68,766)	0
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(188,831)</b>	<b>(700,501)</b>	<b>(2,809)</b>	<b>(810)</b>	<b>(44,444)</b>	<b>(937,395)</b>	<b>433,446</b>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<b>3,995,839</b>	<b>4,806,956</b>	<b>(2,952,566)</b>	<b>(1,102,280)</b>	<b>(316,987)</b>	<b>4,430,962</b>	<b>356,012</b>
Capital Contributions	612,732	1,510,709	0	0	0	2,123,441	0
Transfers In	122,826	0	2,622,000	1,252,063	1,353,055	5,349,944	523,835
Transfers Out	(1,173,281)	(1,169,063)	0	0	0	(2,342,344)	0
<b>Change in Net Assets</b>	<b>3,558,116</b>	<b>5,148,602</b>	<b>(330,566)</b>	<b>149,783</b>	<b>1,036,068</b>	<b>9,562,003</b>	<b>879,847</b>
<b>Net Assets, July 1, 2008</b>	<b>51,745,981</b>	<b>84,981,305</b>	<b>2,106,141</b>	<b>18,142,188</b>	<b>363,601</b>	<b>157,339,216</b>	<b>19,911,763</b>
<b>Net Assets, June 30, 2009</b>	<b>\$ 55,304,097</b>	<b>\$ 90,129,907</b>	<b>\$ 1,775,575</b>	<b>\$ 18,291,971</b>	<b>\$ 1,399,669</b>	<b>\$ 166,901,219</b>	<b>\$ 20,791,610</b>

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, 2009

	Business Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Solid Waste Management Fund	MeadowView Conference Resort and Convention Center Fund	Cattails at MeadowView Golf Course Fund	Total Enterprise Funds	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from Customers and Users	\$ 12,902,736	\$ 12,815,969	\$ 681,406	\$ 317,813	\$ 1,044,484	\$ 27,763,408	\$ 0
Receipts from Interfund Services Provided	126,604	258,893	0	0	0	385,497	13,094,715
Payments to Suppliers	(2,235,942)	978,191	(1,971,869)	(564,459)	(1,008,718)	(4,802,797)	(10,169,174)
Payments to Employees	(3,871,935)	(2,164,928)	(1,473,564)	0	0	(7,510,427)	(1,359,048)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>6,921,463</b>	<b>11,889,125</b>	<b>(2,764,027)</b>	<b>(246,646)</b>	<b>35,766</b>	<b>15,835,681</b>	<b>1,566,493</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Transfers from Other Funds	122,826	0	2,622,000	1,252,063	1,353,055	5,349,944	500,000
Transfers to Other Funds	(1,173,281)	(1,169,063)	0	0	0	(2,342,344)	0
Advances From Other Funds	0	0	(157,717)	0	(804,035)	(961,752)	(293,396)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(1,050,455)</b>	<b>(1,169,063)</b>	<b>2,464,283</b>	<b>1,252,063</b>	<b>549,020</b>	<b>2,045,848</b>	<b>206,604</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Proceeds from Capital Debt	8,463,328	9,133,672	0	14,996,262	0	32,593,262	0
Capital Transfers from Other Funds	0	0	0	0	0	0	23,835
County Revenue Received for Capital Projects	0	656,400	0	0	0	656,400	0
Acquisition and Construction of Capital Assets	(12,229,963)	(14,514,725)	(122,247)	(1,118,494)	(35,110)	(28,020,539)	(1,832,869)
Principal Paid on Capital Debt	(1,473,318)	(3,493,902)	(21,875)	0	(510,500)	(5,499,595)	0
Interest Paid on Capital Debt	(402,519)	(993,844)	(13,997)	150,455	(41,475)	(1,301,180)	0
Proceeds from Sales of Capital Assets	0	300	0	0	0	300	18,322
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(5,642,472)</b>	<b>(9,211,899)</b>	<b>(158,119)</b>	<b>14,028,223</b>	<b>(587,085)</b>	<b>(1,571,352)</b>	<b>(1,790,712)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Proceeds from Sales and Maturities of Investments	47,221	152,201	3,220	0	629	203,271	0
Purchase of Investments	0	0	0	(33,207)	0	(33,207)	(24,867)
Interest Received	221,730	262,637	12,411	99,603	1,670	598,051	510,295
<b>Net Cash Provided by Investing Activities</b>	<b>268,951</b>	<b>414,838</b>	<b>15,631</b>	<b>66,396</b>	<b>2,299</b>	<b>768,115</b>	<b>485,428</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>497,487</b>	<b>1,923,001</b>	<b>(442,232)</b>	<b>15,100,036</b>	<b>0</b>	<b>17,078,292</b>	<b>467,813</b>
<b>Cash and Cash Equivalents, July 1, 2008</b>	<b>9,944,853</b>	<b>12,116,065</b>	<b>648,617</b>	<b>91,935</b>	<b>0</b>	<b>22,801,470</b>	<b>8,217,911</b>
<b>Cash and Cash Equivalents, June 30, 2009</b>	<b>\$ 10,442,340</b>	<b>\$ 14,039,066</b>	<b>\$ 206,385</b>	<b>\$ 15,191,971</b>	<b>\$ 0</b>	<b>\$ 39,879,762</b>	<b>\$ 8,685,724</b>

(continued)

CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2009

	Business Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Solid Waste Management Fund	MeadowView Conference Resort and Convention Center Fund	Cattails at MeadowView Golf Course Fund	Total Enterprise Funds	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating Income (Loss)	\$ 4,184,670	\$ 5,507,457	\$ (2,949,757)	\$ (1,101,470)	\$ (272,543)	\$ 5,368,357	\$ (77,434)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	1,936,494	3,325,217	86,831	588,511	272,424	6,209,477	1,544,255
(Increase) Decrease in Assets:							
Accounts Receivable	37,202	(6,078)	1,888	58,067	2,064	93,143	3,815
Inventory	4,850	0	0	0	(5,352)	(502)	20,197
Prepays	(38,498)	0	0	0	0	(38,498)	(20,704)
Increase (Decrease) in Liabilities:							
Accounts Payable	568,650	2,343,951	13,910	208,246	39,173	3,173,930	253,542
Benefits Payable	0	0	0	0	0	0	(166,734)
Compensated Absences	(1,433)	8,620	(16,899)	0	0	(9,712)	9,556
OPEB Liability	250,000	150,000	100,000	0	0	500,000	0
Other Payables	(36,981)	36,392	0	0	0	(589)	0
Retainages Payable	16,509	523,566	0	0	0	540,075	0
Net Cash Provided (Used) by Operating Activities	\$ 6,921,463	\$ 11,889,125	\$ (2,764,027)	\$ (246,646)	\$ 35,766	\$ 15,835,681	\$ 1,566,493
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
Equity in Pooled Cash and Investments	9,171,900	10,189,431	199,576	401,828	0	19,962,735	8,685,724
Restricted Cash from Unspent Bonds	1,182,775	3,221,110	6,809	14,705,143	0	19,115,837	0
Restricted Cash	50,903	628,525	0	85,000	0	764,428	0
Cash and Cash Equivalents, June 30, 2009	\$ 10,442,340	\$ 14,039,066	\$ 206,385	\$ 15,191,971	\$ 0	\$ 39,879,762	\$ 8,685,724
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:							
Capital Assets Contributed by Developers	\$ 612,732	\$ 574,488	\$ 0	\$ 0	\$ 0	\$ 1,187,220	\$ 0

See accompanying notes to the basic financial statements.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

The financial statements of the City have been prepared in accordance 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 standard-setting body for governmental accounting and financial reporting. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance. The Governmental Accounting and Financial Reporting Standards, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

**A. Reporting entity**

**Primary Government**

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

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

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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

**A. Reporting entity (continued)**

**Discretely Presented Component Units**

Proprietary Fund Type

***The Industrial Development Board of the City of Kingsport, Tennessee (IDBK)*** – The IDBK was incorporated on February 11, 1986, under the provisions of the State of Tennessee constitution and general statutes. The purpose of the IDBK is to finance, acquire, own, lease, and/or dispose of properties to maintain and increase employment opportunities in the City. The IDBK consists of nine members, all of whom are appointed by the City's BMA. Separately issued financial statements of the IDBK are not available.

***Emergency Communications District of the City of Kingsport, Tennessee (ECD)*** – The ECD was created by referendum on January 11, 1994, the results of which were certified on January 20, 1994. The purpose of the ECD is to oversee the operations of the 911 emergency telephone service. Their Board consists of nine members, all of whom are appointed by the City's BMA. 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

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule the effect of interfund 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*.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

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.

**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. Business taxes are not considered measurable and therefore are not susceptible to accrual. 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 in another fund.

The *general purpose school fund* accounts for transactions of the City School System. The major sources of funding are state-shared revenues and local property and sales taxes.

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

The *capital projects fund* accounts for financial resources used for the acquisition or construction of major capital facilities related to the general operation of the City (excluding capital improvements financed by enterprise funds).

The *debt service fund* accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt other than that payable from enterprise funds.

The City reports the following nonmajor governmental funds:

The *school nutrition services fund* accounts for the activities of the City School System cafeterias.

The *special school projects fund* accounts for the activities of various grant funded school projects.

The *public law 93-380 fund* accounts for the activities of providing specific academic programs in compliance with federal grant entitlements.

The *Palmer Center fund* accounts for 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* accounts for federal and state grants matched with local revenues to fund general government programs or non-capital improvement projects.

The *community development fund* accounts for the activities funded by community block grant entitlements from the United States Department of Housing and Urban Development.

The *federal transit administration fund* accounts for the activities funded by federal and state grants for support of local government transportation programs.

The *state street aid fund* accounts for the activities funded by state gasoline taxes.

The *drug fund* accounts for the activities of drug investigations and enforcement.

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

The *criminal forfeiture fund* accounts for the 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* accounts for the proceeds from a \$.0025 local 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.

The *public library commission fund* accounts for contributions from patrons, civic organizations, private corporations and other supporters of the Kingsport Public Library.

The *Bays Mountain Park fund* accounts for contributions from individuals, civic organizations and private corporations for the support and continued development of the Bays Mountain Park.

The *Steadman cemetery fund* accounts for 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* accounts for revenues earned from various programs and events conducted by participating senior citizens and contributions from individuals, civic organizations and private corporations.

The *metropolitan planning office fund* accounts for federal grant funds received from the federal highway administration, federal transit administration, and state grant funds granted to the State for support of local MPO programs.

The *Eastman annexation tax fund* accounts for funds generated from the annexation of the Long Island section of Eastman Chemical Company located in Kingsport, TN. The revenues derived from the annexation are to be allocated toward net value adding capital improvements to infrastructure, education, recreation, and general city use.

The *justice assistance grant fund* accounts for 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* accounts for 25% of the hotel and motel taxes collected in Kingsport from hotel and motel room rentals. This revenue is intended to fund special visitor enhancement projects.

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

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

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 *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 *permanent fund* accounts for nonexpendable assets left to the City by the late Harvey Brooks, consisting of his home (Allandale Mansion) and other tangible and intangible assets.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 nonoperating 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.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

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 assets 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; nonconvertible 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, 2009**

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

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

*2. Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). 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 sinking fund accounts established to meet the requirements of certain bonds issues, escrow for construction contractors established to fund retainages of outstanding construction projects upon their completion, subdivision developer deposits that are refunded upon acceptable completion of project, 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.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

5. *Capital assets*

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and sewer funds during the current fiscal year was \$391,854 and \$916,482, respectively. Of these amounts, \$246,460 and \$568,498, respectively, were included as part of the cost of capital assets under construction in each of these funds in connection with water and sewer line replacement and extension construction projects.

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.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

*6. Compensated absences (continued)*

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

Because of the City's policy limits on the amount of accumulated compensated absences an employee can carry forward and the fact that this benefit is available to be taken as soon as it is earned, the entire outstanding balance is considered a current liability and recorded as compensated absences payable on the statement of net assets 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 assets as governmental activities will primarily be liquidated from the general fund.

*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 assets. 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. Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*9. 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, 2009**

**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 assets**

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. 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 \$302,088,618 difference are as follows:

Governmental funds capital assets	\$ 474,138,087
Less: accumulated depreciation	<u>(172,049,469)</u>
 Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$ 302,088,618</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 \$1,214,471 difference are as follows:

Deferred bond issuance costs	\$ 1,534,841
Less: accumulated amortization	<u>(320,370)</u>
 Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$ 1,214,471</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 \$(109,425,460) difference are as follows:

Bonds payable, net of deferred refunding, premiums, and discounts	\$ (86,231,128)
Notes payable	(4,393,283)
Interlocal cooperative agreement	(2,000,000)
Capital outlay notes payable	(1,479,000)
Compensated absences	(3,213,600)
OPEB liability	(10,796,751)
Accrued interest payable	<u>(1,311,698)</u>
 Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$(109,425,460)</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**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 a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation of the general fixed assets in the current period.” The details of this \$19,805,370 difference are as follows:

Capital outlays	\$ 30,907,899
Depreciation expense	<u>(11,102,529)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 19,805,370</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 to decrease net assets.” The details of this \$(1,077,522) difference are as follows:

Capital asset donations reported in statement of activities	\$ 1,659,722
Capital project expenditures not meeting capitalization requirements	(2,620,984)
Asset disposals	<u>(116,260)</u>
Net adjustment to reduce <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (1,077,522)</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 \$253,984 difference are as follows:

Deferred property taxes as of June 30, 2009	\$ 1,171,738
Prior years' property taxes collected during current year	<u>(917,754)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 253,984</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**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 \$879,847 difference are as follows:

Investment earnings	\$ 415,124
Gain on disposal of capital assets	18,322
Operating loss	(77,434)
Transfers In	<u>523,835</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 879,847</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 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." The details of this \$(10,899,976) difference are as follows:

Principal payments	\$ 7,750,016
Interlocal cooperative agreement payments	500,000
Issuance of general obligation bonds	(19,260,000)
Premium on issuance of general obligation bonds	(211,590)
Amortization of premiums, discounts and refunding costs	(8,566)
Bond issue costs	405,059
Amortization of deferred bond issue costs	<u>(74,895)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (10,899,976)</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**A. Budgetary Information**

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

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

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

Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund, general purpose school fund, certain special revenue funds (criminal forfeiture, drug, state street aid, regional sales tax revenue, visitors enhancement, Eastman annexation tax, 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 reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. Encumbrance reservations are presented in the general, general purpose school, debt service, capital projects, community development, special revenue general projects, fleet maintenance, federal transit administration, special school projects, public law 93-380, state street aid, justice assistance grant, and visitor's enhancement funds.

**B. Excess of expenditures over appropriations**

For the fiscal year ended June 30, 2009, there were no instances of expenditures exceeding appropriations in any funds.

**C. Deficit fund equity**

For the fiscal year ended June 30 2009, 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, 2009**

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**4. DETAILED NOTES ON ALL FUNDS:**

**A. Deposits and investments**

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

***Custodial Credit Rate Risk***

**Deposits**

The policy for custodial credit rate risk on deposits is to follow state guidelines.

At year end, the City's carrying amount of deposits was \$103,499,743 and the bank balance was \$105,568,971. Of the bank balance, \$1,250,000 was covered by federal depository insurance with the remaining balance of \$104,318,971 being collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the City's name.

The carrying amount of deposits for the IDBK, a discretely presented component unit, was \$1,603,064 and the bank balance was \$1,603,064. Of the bank balance, \$535,609 was covered by federal depository insurance. Of the remaining balance, \$1,067,455 was collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the IDBK's name.

The carrying amount of deposits for the ECD, also a discretely presented component unit, was \$1,819,657 and the bank balance was \$1,829,788. Of the bank balance, \$1,187,742 was covered by federal depository insurance, with the remaining balance of \$642,046 being collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department of agent in the ECD's name.

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

***Custodial Credit Rate Risk (continued):***

*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.

At year end, 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 Tennessee Local Government Investment Pool	\$ 4,725,833	1.17
	<u>9,021,064</u>	0.21
Total	<u>\$ 13,746,897</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, 2009.

***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, 2009**

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

**B. Receivables**

Receivables as of June 30, 2009 for the City's individual major funds and nonmajor, 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	Solid Waste Management	Meadow View Resort and Convention Center	Cattails at Meadow View Golf Course	Internal Service	NonMajor and Other Funds	Total Primary Government	Component Units
Receivables:												
Taxes	\$ 33,148,209	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,148,209	\$ 0
Accounts	525,073	61,609	0	1,912,401	1,993,044	55,783	0	47,761	7,594	225	4,603,490	53,018
Intergovernmental	4,632,332	15,683,392	1,695,116	192,946	1,661,119	0	0	0	0	2,197,898	26,062,803	76,938
Gross receivables	38,305,614	15,745,001	1,695,116	2,105,347	3,654,163	55,783	0	47,761	7,594	2,198,123	63,814,502	129,956
Less: Allowances for uncollectibles	(854,631)	(42,822)	0	(77,691)	(274,873)	(14,943)	0	0	0	0	(1,264,960)	0
Net total receivables	\$ 37,450,983	\$ 15,702,179	\$ 1,695,116	\$ 2,027,656	\$ 3,379,290	\$ 40,840	\$ 0	\$ 47,761	\$ 7,594	\$ 2,198,123	\$ 62,549,542	\$ 129,956

Revenues of the general, general purpose school, water, sewer and solid waste 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	\$ 44,629
Uncollectibles related to water sales	747
Uncollectibles related to sewer charges	6,815
Uncollectibles related to solid waste charges	7,693
Total uncollectibles of the current fiscal year	<u>\$ 59,884</u>

CITY OF KINGSPORT, TENNESSEE  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2009

**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:

	Unavailable	Unearned
Property taxes receivable (general fund)	\$ 0	\$ 31,049,513
Delinquent property taxes receivable (general fund)	1,171,738	0
Other taxes receivable (general fund)	0	400,000
Property taxes receivable (general purpose school fund)	0	13,965,000
Grant drawdowns receivable (general purpose school fund)	0	6,224
Grant drawdowns receivable (special school project fund)	0	4,886
Grant drawdowns receivable (public law 93-380 fund)	0	25,439
Receipts for meals not yet served (school nutrition services)	0	29,327
	\$ 1,171,738	\$ 45,480,389
Total deferred / unearned revenue for governmental funds		

Property taxes which are delinquent at year end are earned but not available. The tax year 2009 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 assets. 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, 2009**

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

**C. Capital assets**

Capital asset activity for the year ended June 30, 2009, was as follows:

**Primary government**

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 18,788,827	\$ 887,630	\$ (97,423)	\$ 0	\$ 19,579,034
Construction in Progress	51,209,271	27,426,572	(28,214,507)	0	50,421,336
<b>Total capital assets, not being depreciated</b>	<b>69,998,098</b>	<b>28,314,202</b>	<b>(28,311,930)</b>	<b>0</b>	<b>70,000,370</b>
Capital assets, being depreciated:					
Buildings	91,008,318	25,246,560	0	0	116,254,878
Improvements other than buildings	11,774,469	1,997,619	(56,264)	210,571	13,926,395
Equipment	34,218,594	2,223,671	(950,419)	(210,571)	35,281,275
Software	283,042	72,605	0	0	355,647
Infrastructure	258,598,229	2,148,505	0	0	260,746,734
<b>Total capital assets, being depreciated</b>	<b>395,882,652</b>	<b>31,688,960</b>	<b>(1,006,683)</b>	<b>0</b>	<b>426,564,929</b>
Less accumulated depreciation for:					
Buildings	(45,951,183)	(4,538,259)	0	0	(50,489,442)
Improvements other than buildings	(7,005,596)	(942,267)	39,678	0	(7,908,185)
Equipment	(24,273,082)	(2,206,921)	939,019	0	(25,540,984)
Software	(209,080)	(33,623)	0	0	(242,703)
Infrastructure	(97,880,954)	(4,925,714)	0	0	(102,806,668)
<b>Total accumulated depreciation</b>	<b>(175,319,895)</b>	<b>(12,646,784)</b>	<b>978,697</b>	<b>0</b>	<b>(186,987,982)</b>
<b>Total capital assets, being depreciated, net</b>	<b>220,562,757</b>	<b>19,042,176</b>	<b>(27,986)</b>	<b>0</b>	<b>239,576,947</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 290,560,855</b>	<b>\$ 47,356,378</b>	<b>\$ (28,339,916)</b>	<b>\$ 0</b>	<b>\$ 309,577,317</b>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**C. Capital assets (continued)**

**Primary government (continued)**

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
<u>Water</u>					
Land	\$ 639,744	\$ 0	\$ 0	\$ 0	\$ 639,744
Construction in Progress	6,730,271	11,397,939	(2,961,200)	0	15,167,010
<u>Sewer</u>					
Land	516,352	273,000	0	0	789,352
Construction in Progress	12,201,869	13,589,760	(1,324,764)	0	24,466,865
<u>Solid waste management</u>					
Land	1,308,121	0	0	0	1,308,121
Construction in Progress	0	0	0	0	0
<u>MeadowView Conference Resort and Convention Center</u>					
Land	1,515,497	0	0	0	1,515,497
Construction in Progress	59,200	916,981	0	0	976,181
<u>Cattails at MeadowView Golf Course</u>					
Land	981,600	0	0	0	981,600
<b>Total capital assets, not being depreciated</b>	<b>23,952,654</b>	<b>26,177,680</b>	<b>(4,285,964)</b>	<b>0</b>	<b>45,844,370</b>
Capital assets, being depreciated:					
<u>Water</u>					
Buildings and system	77,888,704	4,466,525	(157,277)	0	82,197,952
Equipment and machinery	1,179,707	29,433	(162,065)	0	1,047,075
Software	0	66,400	0	0	66,400
<u>Sewer</u>					
Buildings and system	140,279,319	2,771,675	(283,242)	0	142,767,752
Equipment and machinery	886,799	26,005	(211,530)	0	701,274
<u>Solid waste management</u>					
Buildings and system	155,508	0	0	0	155,508
Improvements other than Buildings	2,255,794	68,895	(123,987)	0	2,200,702
Equipment and machinery	455,543	53,353	(5,023)	0	503,873
<u>MeadowView Conference Resort and Convention Center</u>					
Buildings	21,545,085	150,456	0	0	21,695,541
Improvements other than Buildings	332,973	5,371	0	0	338,344
Equipment	879,944	45,686	(2,754)	0	922,876
<u>Cattails at MeadowView Golf Course</u>					
Buildings	1,158,156	0	0	0	1,158,156
Improvements other than Buildings	5,971,427	0	0	0	5,971,427
Equipment	422,858	35,610	(24,272)	0	434,196
<b>Total capital assets, being depreciated</b>	<b>253,411,817</b>	<b>7,719,409</b>	<b>(970,150)</b>	<b>0</b>	<b>260,161,076</b>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**C. Capital assets (continued)**

**Primary government (continued)**

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Less accumulated depreciation for:					
<u>Water</u>					
Buildings and system	(29,983,694)	(1,893,716)	2,445	0	(31,874,965)
Equipment and machinery	(894,492)	(41,671)	158,991	0	(777,172)
Software	0	(1,107)	0	0	(1,107)
<u>Sewer</u>					
Buildings and system	(44,841,666)	(3,309,475)	28,342	0	(48,122,799)
Equipment and machinery	(836,716)	(15,742)	209,905	0	(642,553)
<u>Solid waste management</u>					
Buildings and system	(71,499)	(4,834)	0	0	(76,333)
Improvements other than Buildings	(1,155,078)	(26,945)	123,987	0	(1,058,036)
Equipment and machinery	(32,416)	(55,052)	3,684	0	(83,784)
<u>MeadowView Conference Resort and Convention Center</u>					
Buildings	(5,619,736)	(538,131)	0	0	(6,157,867)
Improvements other than Buildings	(167,119)	(40,358)	0	0	(207,477)
Equipment	(863,967)	(10,022)	2,754	0	(871,235)
<u>Cattails at MeadowView Golf Course</u>					
Buildings	(291,645)	(29,299)	0	0	(320,944)
Improvements other than Buildings	(2,259,310)	(229,988)	0	0	(2,489,298)
Equipment	(363,621)	(13,137)	23,772	0	(352,986)
Total accumulated depreciation	(87,380,959)	(6,209,477)	553,880	0	(93,036,556)
Total capital assets, being depreciated, net	166,030,858	1,509,932	(416,270)	0	167,124,520
Business-type activities capital assets, net	\$ 189,983,512	\$ 27,687,612	\$ (4,702,234)	\$ 0	\$ 212,968,890

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

Governmental activities:	
General government	\$ 451,293
Economic and physical development	236,774
Public safety	893,979
Public works	5,711,533
Culture and recreation	999,884
Education	<u>4,353,321</u>
Total depreciation expense -- governmental activities	<u>\$ 12,646,784</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**C. Capital assets (continued)**

**Primary government (continued)**

Business-type activities:	
Water	\$ 1,936,494
Sewer	3,325,217
Solid waste management	86,831
MeadowView Conference Resort and Convention Center	588,511
Cattails at MeadowView Golf Course	<u>272,424</u>
Total depreciation expense – business-type activities	<u>\$ 6,209,477</u>

**Construction commitments**

The City has active construction projects as of June 30, 2009. The governmental projects of the City are reflected in the capital projects and special revenue general project funds and the City has provided funding for the future commitments in the amounts of \$35,970,874 and \$183,989 respectively, through bonded debt and local funding. In the proprietary funds, funding for construction projects has been provided and is in segregated deposit and investment accounts totaling \$19,115,837. Except for projects which are shared with counties or the State of Tennessee, the City could terminate any project at their discretion.

**Discretely presented component units**

Activity for the IDBK for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital assets, not being depreciated:					
Construction in Progress	\$ 0	\$ 2,061,745	\$ 0	\$ 0	\$ 2,061,745
Total capital assets, not being depreciated	<u>0</u>	<u>2,061,745</u>	<u>0</u>	<u>0</u>	<u>2,061,745</u>
Capital assets, being depreciated:					
Signs	55,422	0	0	0	55,422
Improvements other than buildings	20,303	0	0	0	20,303
Total capital assets, being depreciated	<u>75,725</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>75,725</u>
Less accumulated depreciation for:					
Signs	(42,253)	(3,085)	0	0	(45,338)
Improvements other than buildings	(20,303)	0	0	0	(20,303)
Total accumulated depreciation	<u>(62,556)</u>	<u>(3,085)</u>	<u>0</u>	<u>0</u>	<u>(65,641)</u>
Total capital assets, being depreciated, net	<u>13,169</u>	<u>(3,085)</u>	<u>0</u>	<u>0</u>	<u>10,084</u>
IDBK capital assets, net	<u>\$ 13,169</u>	<u>\$ 2,058,660</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,071,829</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

**C. Capital assets (continued)**

**Discretely presented component units (continued)**

Activity for the ECD for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 695,540	\$ 0	\$ 0	\$ 0	\$ 695,540
Total capital assets, being depreciated	695,540	0	0	0	695,540
Less accumulated depreciation for:					
Equipment	(382,199)	(87,718)	0	0	(469,917)
Total accumulated depreciation	(382,199)	(87,718)	0	0	(469,917)
Total capital assets, being depreciated, net	313,341	(87,718)	0	0	225,623
ECD capital assets, net	\$ 313,341	\$ (87,718)	\$ 0	\$ 0	\$ 225,623

**D. Interfund receivables, payables, and transfers**

***Interfund receivables and payables***

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General (major)	Cattails at MeadowView Golf Course (major)	\$ 2,269,547
	Metropolitan Planning Office (nonmajor)	8,889
	Federal Transit Administration (nonmajor)	111,869
	Community Development (nonmajor)	24,249
	Regional Sales Tax (nonmajor)	105,526
General Purpose School (major)	Public Law 93-380 (nonmajor)	556,495
	Special School Projects (nonmajor)	214,994
Regional Sales Tax (nonmajor)	Cattails at MeadowView Golf Course (major)	41,731
Fleet Maintenance	General (major)	451,113
	Solid Waste Management (major)	719,005
Total		<u>\$ 4,503,418</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

**D. Interfund receivables, payables, and transfers (continued)**

***Interfund receivables and payables (continued)***

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.

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	\$ 15,592
Primary government-Sewer Fund	Component unit - IDBK	14,796
Primary government-Water Fund	Component unit - IDBK	10,715
Primary government-General Fund	Component unit - ECD	<u>53,238</u>
 Total		 <u>\$ 94,341</u>

***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 also to 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, 2009**

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

**D. Interfund receivables, payables, and transfers (continued)**

**Interfund transfers (continued)**

Transfers in:

Transfers out:	Transfers in:										Total		
	General	General Purpose School	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental	Water	Solid Waste Management	MeadowView Conference Resort and Convention Center	Cattails at MeadowView		Total Proprietary	Total Internal Service
General Purpose School	\$ 0	\$ 14,187,486	\$ 2,272,451	\$ 1,096,507	\$ 3,650,160	\$ 21,206,604	\$ 0	\$ 2,622,000	\$ 0	\$ 0	\$ 2,622,000	\$ 523,895	\$ 24,352,499
Debt Service	177,426	0	5,989,450	792,451	94,069	7,053,396	0	0	0	0	0	0	7,053,396
Capital Projects	0	0	0	7,862	0	7,862	0	0	0	0	0	0	7,862
Nonmajor Governmental	0	0	550,578	0	0	550,578	0	0	0	0	0	0	550,578
Governmental	190,880	523,365	460,714	422,829	498,331	2,096,119	0	0	1,252,063	1,353,055	2,605,118	0	4,701,237
Total Governmental	368,306	14,710,851	9,273,193	2,319,649	4,242,560	30,914,559	0	2,622,000	1,252,063	1,353,055	5,227,118	523,895	36,665,512
Water	1,173,281	0	0	0	0	1,173,281	0	0	0	0	0	0	1,173,281
Sewer	1,046,237	0	0	0	0	1,046,237	122,826	0	0	0	122,826	0	1,169,063
Total Proprietary	2,219,518	0	0	0	0	2,219,518	122,826	0	0	0	122,826	0	2,342,344
Total	\$ 2,587,824	\$ 14,710,851	\$ 9,273,193	\$ 2,319,649	\$ 4,242,560	\$ 33,134,077	\$ 122,826	\$ 2,622,000	\$ 1,252,063	\$ 1,353,055	\$ 5,349,944	\$ 523,895	\$ 39,007,856

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

**E. Long-term debt**

In prior years, the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in an escrow account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2009, the following bonds outstanding are considered to be defeased:

<u>Date of Refunding</u>		<u>Amount</u>	<u>Issues Refunded</u>
03/15/04	General Obligation	\$1,290,000	2001
03/15/04	Water & Sewer System Revenue	<u>2,430,000</u>	2001
		<u>\$ 3,720,000</u>	

Governmental Activities:

**Notes Payable**

The City issued a Note Payable with the State of Tennessee as a Loan for Qualified Zone Academy Projects in November 1999 for \$413,697 with a maturity date of November 11, 2011. Annual principal payments are \$34,474 and the interest is variable. As of June 30, 2009, \$103,431 is outstanding. The City also issued a loan 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, 2009, \$2,643,509 is outstanding. The City also issued a loan 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, 2009, \$1,239,200 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, 2009, \$1,479,000 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, 2009, \$407,143 is outstanding.

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (continued):

**Notes Payable (continued)**

Payments to maturity on the notes payable are as follows:

Fiscal Year Ending June 30	1999 QZAB	2004 QZAB	2005 QZAB	Capital Outlay Note	Energy Efficiency Loan
2010	\$ 34,474	\$ 220,293	\$ 103,267	\$ 123,000	\$ 67,857
2011	34,474	220,292	103,266	128,000	67,857
2012	34,483	220,292	103,267	133,000	67,857
2013	0	220,293	103,266	139,000	67,857
2014	0	220,292	103,267	144,000	67,857
2015	0	220,293	103,266	150,000	67,858
2016	0	220,292	103,267	156,000	0
2017	0	220,293	103,266	162,000	0
2018	0	220,292	103,267	169,000	0
2019	0	220,293	103,267	175,000	0
2020	0	220,292	103,267	0	0
2021	0	220,292	103,267	0	0
	<u>\$ 103,431</u>	<u>\$ 2,643,509</u>	<u>\$ 1,239,200</u>	<u>\$ 1,479,000</u>	<u>\$ 407,143</u>

**Interlocal Cooperative Agreement**

The City entered into an interlocal cooperative agreement in October 2006 to contribute \$2,500,000 to IDBK for the purchase of property for commercial development in the City. This contribution is to be made in five installments of \$500,000 per year beginning July 2008. As of June 30, 2009, \$2,000,000 is outstanding.

**Bonds Payable**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. 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.

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (continued):

**Bonds Payable (continued)**

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

Debt Service Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2009
2001 General Obligation	03/01, 09/01	11/06/01	\$ 2,620,000	1.750%-4.000%	\$ 185,000
2003 General Obligation	04/01, 10/01	12/01/03	7,900,000	2.000%-4.200%	5,460,000
2004 General Obligation Refunding	03/01, 09/01	03/15/04	5,825,000	2.200%-5.000%	5,580,000
2004 General Obligation School	05/01, 11/01	12/06/04	2,850,000	3.000%-4.000%	2,155,000
2005 General Obligation	02/01, 08/01	12/06/05	2,826,250	3.750%-5.000%	2,384,375
2006 General Obligation	02/01, 08/01	12/20/06	13,320,000	3.625%-4.100%	13,320,000
2007 General Obligation	08/01, 02/01	06/08/07	19,360,000	4.000%-5.000%	19,360,000
2008-A General Obligation	03/01, 09/01	06/12/08	7,480,000	3.500%-4.375%	7,480,000
2008-B General Obligation	03/01, 09/01	06/12/08	11,165,000	3.500%-4.375%	11,165,000
2009-A General Obligation	03/01, 09/01	01/22/09	12,160,000	2.000%-5.000%	12,160,000
2009-B General Obligation	03/01, 09/01	01/22/09	7,100,000	2.000%-5.000%	7,100,000
Total General Obligation Bonds (before deferred debt refunding costs and net premiums of \$118,247)					<u>\$ 86,349,375</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (continued):

**Bonds Payable (continued)**

General Obligation Bonds issued November 6, 2001, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 185,000	\$ 7,400	\$ 192,400
	<u>\$ 185,000</u>	<u>\$ 7,400</u>	<u>\$ 192,400</u>

General Obligation Bonds, Series 2003, issued December 1, 2003, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 525,000	\$ 203,114	\$ 728,114
2011	550,000	187,364	737,364
2012	560,000	169,489	729,489
2013	580,000	149,889	729,889
2014	600,000	129,589	729,589
2015	625,000	107,089	732,089
2016	650,000	82,870	732,870
2017	670,000	56,870	726,870
2018	700,000	29,400	729,400
	<u>\$ 5,460,000</u>	<u>\$ 1,115,674</u>	<u>\$ 6,575,674</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (continued):

**Bonds Payable (continued)**

General Obligation Refunding Bonds, Series 2004, issued March 15, 2004, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 730,000	\$ 248,975	\$ 978,975
2011	950,000	219,775	1,169,775
2012	985,000	181,775	1,166,775
2013	1,040,000	142,375	1,182,375
2014	1,085,000	90,375	1,175,375
2015	565,000	36,125	601,125
2016	225,000	7,875	232,875
	<u>\$ 5,580,000</u>	<u>\$ 927,275</u>	<u>\$ 6,507,275</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 185,000	\$ 79,515	\$ 264,515
2011	200,000	73,503	273,503
2012	200,000	67,002	267,002
2013	200,000	60,003	260,003
2014	200,000	53,002	253,002
2015	220,000	45,803	265,803
2016	225,000	37,662	262,662
2017	225,000	29,000	254,000
2018	250,000	20,000	270,000
2019	250,000	10,000	260,000
	<u>\$ 2,155,000</u>	<u>\$ 475,490</u>	<u>\$ 2,630,490</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 157,500	\$ 92,230	\$ 249,730
2011	166,250	86,324	252,574
2012	175,000	80,090	255,090
2013	175,000	73,527	248,527
2014	183,750	66,965	250,715
2015	192,500	57,777	250,277
2016	201,250	48,152	249,402
2017	218,750	38,090	256,840
2018	218,750	31,527	250,277
2019	227,500	24,965	252,465
2020	231,875	18,140	250,015
2021	236,250	9,155	245,405
	<u>\$ 2,384,375</u>	<u>\$ 626,942</u>	<u>\$ 3,011,317</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 525,000	\$ 525,221	\$ 1,050,221
2011	545,000	504,222	1,049,222
2012	565,000	482,421	1,047,421
2013	585,000	459,821	1,044,821
2014	610,000	437,884	1,047,884
2015	630,000	415,009	1,045,009
2016	655,000	391,384	1,046,384
2017	680,000	367,640	1,047,640
2018	710,000	342,990	1,052,990
2019	735,000	314,590	1,049,590
2020	765,000	285,190	1,050,190
2021	795,000	254,590	1,049,590
2022	830,000	222,790	1,052,790
2023	865,000	189,590	1,054,590
2024	900,000	154,990	1,054,990
2025	935,000	118,990	1,053,990
2026	975,000	81,590	1,056,590
2027	1,015,000	41,615	1,056,615
	<u>\$ 13,320,000</u>	<u>\$ 5,590,527</u>	<u>\$ 18,910,527</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

**E. Long-term debt (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
2010	\$ 745,000	\$ 818,050	\$ 1,563,050
2011	775,000	784,525	1,559,525
2012	810,000	751,588	1,561,588
2013	840,000	719,187	1,559,187
2014	875,000	685,588	1,560,588
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	387,737	1,547,737
2022	1,210,000	339,888	1,549,888
2023	1,260,000	289,975	1,549,975
2024	1,315,000	238,000	1,553,000
2025	1,370,000	182,112	1,552,112
2026	1,425,000	123,888	1,548,888
2027	1,490,000	63,325	1,553,325
	<u>\$ 19,360,000</u>	<u>\$ 8,640,188</u>	<u>\$ 28,000,188</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 275,000	\$ 300,738	\$ 575,738
2011	285,000	291,113	576,113
2012	295,000	281,138	576,138
2013	305,000	270,813	575,813
2014	315,000	258,613	573,613
2015	330,000	246,013	576,013
2016	340,000	232,813	572,813
2017	355,000	219,213	574,213
2018	370,000	206,788	576,788
2019	380,000	191,988	571,988
2020	400,000	176,788	576,788
2021	415,000	160,788	575,788
2022	430,000	144,188	574,188
2023	450,000	126,988	576,988
2024	465,000	108,425	573,425
2025	485,000	88,663	573,663
2026	505,000	68,050	573,050
2027	530,000	46,588	576,588
2028	550,000	24,063	574,063
	<u>\$ 7,480,000</u>	<u>\$ 3,443,771</u>	<u>\$ 10,923,771</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 410,000	\$ 448,900	\$ 858,900
2011	425,000	434,550	859,550
2012	440,000	419,675	859,675
2013	455,000	404,275	859,275
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	161,888	856,888
2025	725,000	132,350	857,350
2026	755,000	101,537	856,537
2027	790,000	69,450	859,450
2028	820,000	35,875	855,875
	<u>\$ 11,165,000</u>	<u>\$ 5,141,150</u>	<u>\$ 16,306,150</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 0	\$ 513,999	\$ 513,999
2011	475,000	476,906	951,906
2012	480,000	467,406	947,406
2013	495,000	455,406	950,406
2014	505,000	443,031	948,031
2015	520,000	427,881	947,881
2016	540,000	412,281	952,281
2017	555,000	396,081	951,081
2018	570,000	379,431	949,431
2019	590,000	362,331	952,331
2020	610,000	338,731	948,731
2021	635,000	314,331	949,331
2022	660,000	288,931	948,931
2023	685,000	262,531	947,531
2024	720,000	231,706	951,706
2025	750,000	199,306	949,306
2026	785,000	165,556	950,556
2027	820,000	129,250	949,250
2028	860,000	88,250	948,250
2029	905,000	45,250	950,250
	<u>\$ 12,160,000</u>	<u>\$ 6,398,595</u>	<u>\$ 18,558,595</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**E. Long-term debt (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
2010	\$ 0	\$ 299,925	\$ 299,925
2011	275,000	278,281	553,281
2012	280,000	272,781	552,781
2013	290,000	265,781	555,781
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>\$ 7,100,000</u>	<u>\$ 3,728,975</u>	<u>\$ 10,828,975</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 3,737,500	\$ 3,538,067	\$ 7,275,567
2011	4,646,250	3,336,563	7,982,813
2012	4,790,000	3,173,365	7,963,365
2013	4,965,000	3,001,077	7,966,077
2014	5,138,750	2,809,653	7,948,403
Next Five Years	22,868,750	11,184,368	34,053,118
Next Five Years	21,308,125	6,880,798	28,188,923
Next Five Years	18,895,000	2,172,096	21,067,096
	<u>\$ 86,349,375</u>	<u>\$ 36,095,987</u>	<u>\$ 122,445,362</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities:

Bonds and notes issued for the acquisition of facilities for the enterprise funds and to be paid from enterprise funds are recorded in the applicable enterprise fund. Bonds of utility districts acquired by the City are reported in the appropriate fund. Maturities on July 1 are considered as maturing on the preceding June 30th.

**Notes Payable**

General obligation notes currently outstanding and the funds from which they will be paid are as follows:

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2009</u>
<u>Water Fund:</u>				
State Revolving Loan - DWF#98-009	03/25/98	\$ 1,937,015	3.675%	<u>\$ 1,211,332</u>
<u>Sewer Fund:</u>				
State Revolving Loan - SRF#98-119	02/28/99	2,364,929	3.550%	\$ 1,522,917
State Revolving Loan - SRF#99-123	06/28/99	2,731,550	3.550%	1,829,332
State Revolving Loan - SRF#07-197	11/29/07	19,366,647	3.140%	10,209,948
State Revolving Loan - SRF#07-200	07/15/07	2,850,000	3.200%	<u>805,095</u>
Total				<u>\$ 14,367,292</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):  
**Notes Payable (continued)**

The City has entered into agreements for revolving credit lines with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide 20 year financing for the following projects:

A \$1,937,015 line to provide for water system improvements consisting of the replacement of water lines along Sevier Avenue.

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 126,576	\$ 42,396	\$ 168,972
2011	131,304	37,668	168,972
2012	136,214	32,760	168,974
2013	141,305	27,672	168,977
2014	146,586	22,392	168,978
2015	152,065	16,908	168,973
2016	157,748	11,220	168,968
2017	163,644	5,328	168,972
2018	55,890	428	56,318
	<u>\$ 1,211,332</u>	<u>\$ 196,772</u>	<u>\$ 1,408,104</u>

A \$2,364,929 line to provide for the repair and replacement of sewer lines throughout the Mad Branch sewer shed and along Sevier Avenue.

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 152,802	\$ 51,588	\$ 204,390
2011	158,314	46,080	204,394
2012	164,027	40,368	204,395
2013	169,946	34,452	204,398
2014	176,078	28,320	204,398
2015	182,432	21,960	204,392
2016	189,015	15,384	204,399
2017	195,834	8,556	204,390
2018	134,469	1,800	136,269
	<u>\$ 1,522,917</u>	<u>\$ 248,508</u>	<u>\$ 1,771,425</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Notes Payable (continued)**

A \$2,731,550 line to provide for improvements.

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 173,766	\$ 62,136	\$ 235,902
2011	180,041	55,860	235,901
2012	186,538	49,368	235,906
2013	193,268	42,636	235,904
2014	200,243	35,664	235,907
2015	207,467	28,440	235,907
2016	214,954	20,952	235,906
2017	222,710	13,188	235,898
2018	230,746	5,160	235,906
2019	19,599	696	20,295
	<u>\$ 1,829,332</u>	<u>\$ 314,100</u>	<u>\$ 2,143,432</u>

In addition to the above loans, the City has two state revolving credit lines which are still being drawn against for projects that are not yet complete. Currently, the City is making interest payments only on these loans. Principal payments will begin upon substantial completion of the projects.

A \$19,366,647 credit line is available for upgrades to the waste water treatment facility. Upon completion of the project this loan will be paid over 20 years. \$10,209,948 had been drawn as of June 30, 2009.

A \$2,850,000 credit line is available for sewer system replacement projects in the West Kingsport area. Upon completion of the project, the loan will be paid over 20 years. \$805,095 had been drawn as of June 30, 2009.

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Notes Payable (continued)**

Total debt service requirements to maturity for enterprise fund long-term debt notes payable are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 453,144	\$ 156,120	\$ 609,264
2011	469,659	139,608	609,267
2012	486,779	122,496	609,275
2013	504,519	104,760	609,279
2014	522,907	86,376	609,283
Next Five Years	2,126,573	150,020	2,276,593
Thereafter	11,015,043	0	11,015,043
	<u>\$ 15,578,624</u>	<u>\$ 759,380</u>	<u>\$ 16,338,004</u>

The interest calculations for the State Revolving Loans are based on the outstanding balances at year end for the completed loans. It is unknown at this time when the City will begin principal payments on the construction loans in process; therefore, the entire \$10,209,948 and \$805,095 is included as "thereafter" information in the totals above.

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable**

General obligation bonds to be repaid from enterprise funds currently outstanding and the funds from which they will be paid are as follows:

	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2009
<u>Solid Waste Management Fund</u>					
2005 General Obligation	02/01, 08/01	12/06/05	\$ 403,750	3.000%-5.000%	\$ 340,625
Total Solid Waste Management Fund (before bond premiums of (\$1,374))					<u>\$ 340,625</u>
<u>MeadowView Conference Resort and Convention Center Fund</u>					
2009-C Local Option Sales Tax Revenue and Tax Bonds	03/01, 09/01	01/22/09	\$ 15,180,000	2.000%-5.000%	\$ 15,180,000
Total MeadowView Conference Resort and Convention Center Fund (before bond premiums of (\$164,865))					<u>\$ 15,180,000</u>
<u>Cattails at MeadowView Golf Course Fund</u>					
1995 Golf Course-TMBF	Monthly	05/22/95	\$ 4,750,000	Variable	\$ 914,500
1998 Golf Course-TMBF	Monthly	1998	1,450,000	Variable	915,000
Total Cattails at MeadowView Golf Course Fund					<u>\$ 1,829,500</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

Water Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2009
1978 Waterworks	01/01, 07/01	04/06/78	\$ 450,000	5.000%	\$ 160,000
2001 Water System Improvement	03/01, 09/01	11/06/01	2,140,000	2.300%-4.650%	150,000
2002 Water and Sewer Revenue and Tax	06/01, 12/01	12/12/02	2,725,000	3.000%-4.350%	1,720,000
2003 Water and Sewer Revenue and Tax	04/01, 10/01	12/01/03	1,315,000	2.000%-4.200%	905,000
2004 Water and Sewer Revenue and Tax Refunding	03/01, 09/01	03/01/04	4,126,955	2.050%-5.000%	3,440,000
2004 General Obligation Refunding	03/01, 09/01	03/15/04	2,200,000	3.500%-5.000%	2,200,000
2004 Water and Sewer Revenue and Tax	05/01, 11/01	12/06/04	1,625,000	2.750%-4.125%	1,230,000
2005 Water and Sewer Revenue and Tax	02/01, 08/01	12/06/05	870,000	3.000%-5.000%	735,000
2006 Water and Sewer Revenue and Tax	02/01, 08/01	12/20/06	316,463	3.750%-5.000%	295,742
2008 Water and Sewer Revenue and Tax	03/01, 09/01	06/12/08	1,200,000	3.500%-4.250%	1,200,000
2008 Tennessee Municipal Bond Fund	Monthly	10/15/08	9,800,000	Variable	<u>8,724,874</u>
Total Water Fund (before deferred debt refunding costs of \$326,386 and net premiums and discounts of (\$422,224))					<u>\$ 20,760,616</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

Sewer Fund	Interest Payable Dates	Issue Date	Amount Authorized and Issued	Interest Rates	Outstanding June 30, 2009
2001 Sewer System Improvement	03/01, 09/01	11/06/01	\$ 2,790,000	2.300%-4.650%	\$ 200,000
2002 Water and Sewer Revenue and Tax	06/01, 12/01	12/12/02	5,275,000	3.000%-4.350%	3,320,000
2003 Water and Sewer Revenue and Tax	04/01, 10/01	12/01/03	4,585,000	2.000%-4.200%	3,180,000
2004 Water and Sewer Revenue and Tax Refunding	03/01, 09/01	03/01/04	12,473,045	2.000%-5.000%	9,270,000
2004 General Obligation Refunding	03/01, 09/01	03/15/04	3,010,000	2.200%-5.000%	2,970,000
2004 Water and Sewer Revenue and Tax	11/01, 05/01	12/06/04	6,275,000	2.750%-4.125%	4,720,000
2005 Water and Sewer Revenue and Tax	02/01, 08/01	12/06/05	4,100,000	2.750%-4.125%	3,455,000
2006 Water and Sewer Revenue and Tax	02/01, 08/01	12/20/06	1,363,537	3.750%-5.000%	1,274,258
Total Sewer Fund (before deferred debt refunding costs of \$536,297 and net premiums and discounts of (\$963,295))					<u>\$ 28,389,258</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 22,500	\$ 13,176	\$ 35,676
2011	23,750	12,332	36,082
2012	25,000	11,441	36,441
2013	25,000	10,504	35,504
2014	26,250	9,566	35,816
2015	27,500	8,254	35,754
2016	28,750	6,879	35,629
2017	31,250	5,441	36,691
2018	31,250	4,504	35,754
2019	32,500	3,566	36,066
2020	33,125	2,591	35,716
2021	33,750	1,308	35,058
	<u>\$ 340,625</u>	<u>\$ 89,562</u>	<u>\$ 430,187</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 0	\$ 645,198	\$ 645,198
2011	585,000	598,638	1,183,638
2012	600,000	586,938	1,186,938
2013	615,000	571,938	1,186,938
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>\$ 15,180,000</u>	<u>\$ 7,978,938</u>	<u>\$ 23,158,938</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

Payments on the Cattails at MeadowView Golf Course TMBF bonds issued in 1995 totaling \$4,750,000 and in 1998 totaling \$1,450,000 are made to the State monthly. These bonds mature in 2011 and 2017, respectively.

The interest rate on the TMBF Golf Course Bonds is variable monthly based upon the current rate determined by the remarketing agent plus 1.25% not to exceed the maximum amount allowed by law. Due to this, the principal debt service requirement to maturity for both of these funds is as follows:

Fiscal Year Ending June 30	TMBF Series		Total
	1995	1998	
2010	\$ 445,000	\$ 94,000	\$ 539,000
2011	469,500	99,000	568,500
2012	0	105,000	105,000
2013	0	110,000	110,000
2014	0	117,000	117,000
2015	0	123,000	123,000
2016	0	130,000	130,000
2017	0	137,000	137,000
	<u>\$ 914,500</u>	<u>\$ 915,000</u>	<u>\$ 1,829,500</u>

Fall Branch Utility District Bonds issued April 6, 1978, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 20,000	\$ 8,000	\$ 28,000
2011	20,000	7,000	27,000
2012	20,000	6,000	26,000
2013	20,000	5,000	25,000
2014	25,000	4,000	29,000
2015	25,000	2,750	27,750
2016	30,000	1,500	31,500
	<u>\$ 160,000</u>	<u>\$ 34,250</u>	<u>\$ 194,250</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

Water System Improvement bonds, Series 2001, issued November 6, 2001, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 150,000	\$ 6,000	\$ 156,000
	<u>\$ 150,000</u>	<u>\$ 6,000</u>	<u>\$ 156,000</u>

Water and Sewer Revenue and Tax Bonds, Series 2002, issued December 12, 2002, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 195,000	\$ 69,740	\$ 264,740
2011	200,000	62,427	262,427
2012	205,000	54,428	259,428
2013	210,000	46,227	256,227
2014	215,000	37,828	252,828
2015	220,000	29,227	249,227
2016	235,000	20,428	255,428
2017	240,000	10,440	250,440
	<u>\$ 1,720,000</u>	<u>\$ 330,745</u>	<u>\$ 2,050,745</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

Water and Sewer Revenue and Tax Bonds, Series 2003, issued December 1, 2003, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 85,000	\$ 33,684	\$ 118,684
2011	90,000	31,134	121,134
2012	95,000	28,209	123,209
2013	95,000	24,884	119,884
2014	100,000	21,559	121,559
2015	105,000	17,809	122,809
2016	110,000	13,740	123,740
2017	110,000	9,340	119,340
2018	115,000	4,830	119,830
	<u>\$ 905,000</u>	<u>\$ 185,189</u>	<u>\$ 1,090,189</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

Water and Sewer Revenue and Tax Bonds, Series 2004, issued March 1, 2004, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 585,000	\$ 172,000	\$ 757,000
2011	615,000	142,750	757,750
2012	650,000	112,000	762,000
2013	505,000	79,500	584,500
2014	530,000	54,250	584,250
2015	555,000	27,750	582,750
	<u>\$ 3,440,000</u>	<u>\$ 588,250</u>	<u>\$ 4,028,250</u>

General Obligations Bonds, Series 2004, issued March 15, 2004, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 215,000	\$ 97,200	\$ 312,200
2011	385,000	88,600	473,600
2012	395,000	73,200	468,200
2013	405,000	57,400	462,400
2014	430,000	37,150	467,150
2015	180,000	15,650	195,650
2016	190,000	6,650	196,650
	<u>\$ 2,200,000</u>	<u>\$ 375,850</u>	<u>\$ 2,575,850</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**E. Long-term debt (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 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 105,000	\$ 45,411	\$ 150,411
2011	110,000	42,261	152,261
2012	110,000	38,686	148,686
2013	115,000	34,946	149,946
2014	120,000	30,921	150,921
2015	125,000	26,601	151,601
2016	130,000	21,851	151,851
2017	135,000	16,781	151,781
2018	135,000	11,381	146,381
2019	145,000	5,981	150,981
	<u>\$ 1,230,000</u>	<u>\$ 274,820</u>	<u>\$ 1,504,820</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 50,000	\$ 28,256	\$ 78,256
2011	50,000	26,381	76,381
2012	50,000	24,506	74,506
2013	55,000	22,631	77,631
2014	55,000	20,569	75,569
2015	55,000	17,819	72,819
2016	60,000	15,069	75,069
2017	70,000	12,069	82,069
2018	75,000	9,969	84,969
2019	70,000	7,719	77,719
2020	70,000	5,619	75,619
2021	75,000	2,906	77,906
	<u>\$ 735,000</u>	<u>\$ 193,513</u>	<u>\$ 928,513</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 12,244	\$ 12,300	\$ 24,544
2011	12,244	11,688	23,932
2012	12,244	11,076	23,320
2013	13,186	10,525	23,711
2014	13,186	9,932	23,118
2015	14,128	9,338	23,466
2016	15,070	8,702	23,772
2017	15,070	8,024	23,094
2018	18,837	7,459	26,296
2019	18,837	6,753	25,590
2020	18,837	6,046	24,883
2021	18,837	5,317	24,154
2022	18,837	4,563	23,400
2023	18,837	3,810	22,647
2024	18,837	3,056	21,893
2025	18,837	2,303	21,140
2026	18,837	1,549	20,386
2027	18,837	777	19,614
	<u>\$ 295,742</u>	<u>\$ 123,218</u>	<u>\$ 418,960</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

**E. Long-term debt (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 are as follows for the Water portion:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 65,000	\$ 46,644	\$ 111,644
2011	70,000	44,044	114,044
2012	70,000	41,594	111,594
2013	75,000	39,144	114,144
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	9,006	114,006
2023	110,000	4,675	114,675
	<u>\$ 1,200,000</u>	<u>\$ 389,144</u>	<u>\$ 1,589,144</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

On October 15, 2008, the City issued Tennessee Municipal Bond Fund bonds not to exceed \$9,800,000. These bond funds are being drawn as needed to cover the acquisition and installation of an automated meter reading and leak detection system. The project was not complete at June 30, 2009 and only \$8,724,874 had been drawn against the available funds.

The interest rate on the TMBF Water Bonds is variable monthly based upon the current rate determined by the remarketing agent plus 1.25% not to exceed the maximum amount allowed by law. Due to this, the principal debt service requirement to maturity is as follows:

Fiscal Year Ending June 30	Principal	Total
2010	\$ 400,000	\$ 400,000
2011	430,000	430,000
2012	430,000	430,000
2013	455,000	455,000
2014	455,000	455,000
2015	505,000	505,000
2016	530,000	530,000
2017	555,000	555,000
2018	555,000	555,000
2019	605,000	605,000
2020	630,000	630,000
2021	655,000	655,000
2022	655,000	655,000
2023	710,000	710,000
2024	735,000	735,000
2025	419,874	419,874
2026	0	0
	\$ 8,724,874	\$ 8,724,874

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

Sewer System Improvement bonds, Series 2001, issued November 6, 2001, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 200,000	\$ 8,000	\$ 208,000
	<u>\$ 200,000</u>	<u>\$ 8,000</u>	<u>\$ 208,000</u>

Water and Sewer Revenue and Tax Bonds, Series 2002, issued December 12, 2002, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 365,000	\$ 134,670	\$ 499,670
2011	380,000	120,983	500,983
2012	395,000	105,783	500,783
2013	405,000	89,983	494,983
2014	420,000	73,783	493,783
2015	430,000	56,983	486,983
2016	455,000	39,783	494,783
2017	470,000	20,445	490,445
	<u>\$ 3,320,000</u>	<u>\$ 642,413</u>	<u>\$ 3,962,413</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

Water and Sewer Revenue and Tax Bonds, Series 2003, issued December 1, 2003, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 315,000	\$ 118,335	\$ 433,335
2011	310,000	108,885	418,885
2012	320,000	98,810	418,810
2013	335,000	87,610	422,610
2014	350,000	75,885	425,885
2015	360,000	62,760	422,760
2016	390,000	48,810	438,810
2017	390,000	33,210	423,210
2018	410,000	17,220	427,220
	<u>\$ 3,180,000</u>	<u>\$ 651,525</u>	<u>\$ 3,831,525</u>

Water and Sewer Revenue and Tax Bonds, Series 2004, issued March 1, 2004, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 1,465,000	\$ 458,500	\$ 1,923,500
2011	1,550,000	385,250	1,935,250
2012	1,625,000	307,750	1,932,750
2013	1,315,000	226,500	1,541,500
2014	1,370,000	160,750	1,530,750
2015	1,445,000	92,250	1,537,250
2016	500,000	20,000	520,000
	<u>\$ 9,270,000</u>	<u>\$ 1,651,000</u>	<u>\$ 10,921,000</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

General Obligation Refunding Bonds, Series 2004, issued March 15, 2004, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 285,000	\$ 131,625	\$ 416,625
2011	500,000	120,225	620,225
2012	520,000	100,225	620,225
2013	540,000	79,425	619,425
2014	575,000	52,425	627,425
2015	295,000	23,675	318,675
2016	255,000	8,925	263,925
	<u>\$ 2,970,000</u>	<u>\$ 516,525</u>	<u>\$ 3,486,525</u>

Water and Sewer Revenue and Tax Bonds, Series 2004, issued December 6, 2004, debt service requirements to maturity are as follows for the sewer portion:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 395,000	\$ 174,341	\$ 569,341
2011	415,000	162,491	577,491
2012	430,000	149,004	579,004
2013	445,000	134,384	579,384
2014	460,000	118,809	578,809
2015	475,000	102,249	577,249
2016	495,000	84,199	579,199
2017	515,000	64,894	579,894
2018	535,000	44,294	579,294
2019	555,000	22,893	577,893
	<u>\$ 4,720,000</u>	<u>\$ 1,057,558</u>	<u>\$ 5,777,558</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 230,000	\$ 134,000	\$ 364,000
2011	240,000	125,375	365,375
2012	250,000	116,375	366,375
2013	255,000	107,000	362,000
2014	270,000	97,437	367,437
2015	285,000	83,938	368,938
2016	295,000	69,687	364,687
2017	305,000	54,938	359,938
2018	310,000	45,787	355,787
2019	325,000	36,488	361,488
2020	340,000	26,737	366,737
2021	350,000	13,563	363,563
	<u>\$ 3,455,000</u>	<u>\$ 911,325</u>	<u>\$ 4,366,325</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 52,756	\$ 52,999	\$ 105,755
2011	52,756	50,362	103,118
2012	52,756	47,724	100,480
2013	56,814	45,350	102,164
2014	56,814	42,793	99,607
2015	60,872	40,237	101,109
2016	64,930	37,497	102,427
2017	64,930	34,575	99,505
2018	81,163	32,141	113,304
2019	81,163	29,097	110,260
2020	81,163	26,053	107,216
2021	81,163	22,908	104,071
2022	81,163	19,662	100,825
2023	81,163	16,415	97,578
2024	81,163	13,169	94,332
2025	81,163	9,922	91,085
2026	81,163	6,676	87,839
2027	81,163	3,348	84,511
	<u>\$ 1,274,258</u>	<u>\$ 530,928</u>	<u>\$ 1,805,186</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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

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

Business-type Activities (continued):

**Bonds Payable (continued)**

Total annual debt service requirements for enterprise fund bonds, excluding the estimated principal requirements on the TMBF bonds totaling \$10,554,374 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 4,812,500	\$ 2,390,079	\$ 7,202,579
2011	5,608,750	2,140,826	7,749,576
2012	5,825,000	1,913,749	7,738,749
2013	5,485,000	1,672,951	7,157,951
2014	5,721,250	1,440,739	7,161,989
Next Five Years	17,071,250	4,196,894	21,268,144
Next Five Years	5,971,875	1,986,272	7,958,147
Next Five Years	5,450,000	797,243	6,247,243
	<u>\$ 55,945,625</u>	<u>\$ 16,538,753</u>	<u>\$ 72,484,378</u>

The total on the statement of net assets has been reduced by deferred debt refunding costs of \$862,683 and the net premiums and discounts of (\$1,551,758).

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2009

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

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

Business-type Activities (continued):

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Governmental activities:</b>					
General Obligation Debt	\$ 74,292,500	\$ 19,260,000	\$ 7,203,125	\$ 86,349,375	\$ 3,737,500
Less: Deferred amounts for refunding	(779,000)	0	(95,000)	(684,000)	0
Plus: Premiums and discounts	440,597	211,590	86,434	565,753	0
<b>Total Bonds Payable</b>	<b>73,954,097</b>	<b>19,471,590</b>	<b>7,194,559</b>	<b>86,231,128</b>	<b>3,737,500</b>
<b>Interlocal Cooperative</b>					
Agreement	2,500,000	0	500,000	2,000,000	500,000
Capital Outlay Note	1,600,000	0	121,000	1,479,000	123,000
Energy Efficiency Note	475,000	0	67,857	407,143	67,857
Notes Payable-State	4,344,174	0	358,034	3,986,140	358,034
<b>Total Governmental Activities</b>	<b>\$ 82,873,271</b>	<b>\$ 19,471,590</b>	<b>\$ 8,241,450</b>	<b>\$ 94,103,411</b>	<b>\$ 4,786,391</b>
<b>Business-type activities:</b>					
General Obligation Debt	\$ 9,222,500	\$ 8,724,874	\$ 1,372,375	\$ 16,574,999	\$ 1,831,500
Local Option Sales Tax Revenue and Tax Bonds	0	15,180,000	0	15,180,000	0
Water and Sewer Revenue and Tax Bonds	38,435,000	0	3,690,000	34,745,000	3,920,000
Less: Deferred amounts for refunding	(1,031,047)	0	(168,364)	(862,683)	0
Plus: Premiums and discounts	1,598,680	168,358	215,280	1,551,758	0
<b>Total Bonds Payable</b>	<b>48,225,133</b>	<b>24,073,232</b>	<b>5,109,291</b>	<b>67,189,074</b>	<b>5,751,500</b>
State Revolving Notes	5,591,065	10,424,779	437,220	15,578,624	453,144
<b>Total Business-type Activities</b>	<b>\$ 53,816,198</b>	<b>\$ 34,498,011</b>	<b>\$ 5,546,511</b>	<b>\$ 82,767,698</b>	<b>\$ 6,204,644</b>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**F. Closure and postclosure costs**

The City operates a demolition landfill with a remaining life of approximately 60 years. Upon closure, federal and state laws require the landfill to be monitored for two years at the City's expense. Based upon information received from the State of Tennessee, the expected postclosure costs are immaterial to the solid waste management fund and therefore have not been recorded. The demolition landfill does not fall under the same monitoring guidelines as a sanitation landfill.

**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 Midwest Employers Reinsurance Corporation. An actuarial study was conducted by the City for the period ended November 2005 for workers' compensation. At June 30, 2006, a portion of fund balance was reserved based on the high figure of the discounted calculation at 3% for investment income basis. At June 30, 2006, this figure was estimated to be \$2,070,000. An additional actuarial study for workers' compensation was conducted for the period ended September 2007, and at June 30, 2009, the City concluded that this figure is not materially different from figures calculated on the November 2005 study; therefore, the existing reservation was not adjusted. The City carries additional coverage for public officials and other employees through U.S. Fidelity and Guarantee, Travelers and Western Surety insurance companies and property insurance through Hartford, Travelers and Continental Casualty 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 four years, which were not covered by insurance.

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**5. OTHER INFORMATION (CONTINUED):**

**A. Risk management (continued)**

Effective January 1, 2003, health insurance for government employees has been provided through a self-funded insurance program administered by United Healthcare of the River Valley. Premiums are evaluated annually based on historical expenditures and expected cost increase trends. An actuarial study was conducted through October 2005. Health insurance coverage for school system employees is provided through the State of Tennessee Local Education Program.

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.

A reconciliation of workers' compensation claims for the past two years are as follows:

	<u>Year Ended June 30, 2009</u>	<u>Year Ended June 30, 2008</u>
Claims Accrued, Beginning	\$ 341,669	\$ 272,293
Claims Incurred	1,129,226	1,093,512
Claims Paid	<u>(1,251,960)</u>	<u>(1,024,136)</u>
Claims Accrued, Ending	\$ <u>218,935</u>	\$ <u>341,669</u>

The City's estimate of claims accrued at year end is based on actual claims paid during April, May, and June 2009.

**B. Contingencies**

**Primary government**

The City has recorded an estimated arbitrage rebate liability in the water, sewer, and solid waste management funds. The bond issues, through June 2007, have been independently reviewed and it has been determined that no arbitrage rebate liability exists for those years. At June 30, 2009, the water fund, sewer, and solid waste funds had arbitrage rebate liabilities recorded of \$76,316, \$295,884, and \$6,803, respectively. These arbitrage rebate liabilities are not directly related to any bond issue; however, are recorded in anticipation of future liabilities.

The City attorney advises that there are no known cases pending against the City, which would not be covered by insurance. The City has entered into several construction contracts in the various funds, which were not completed at year-end. To account for these liabilities, 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.

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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**5. OTHER INFORMATION (CONTINUED):**

**B. Contingencies (continued)**

**Primary government (continued)**

The City received an "Agreed Order & Assessment" from the State of Tennessee dated May 18, 1995, concerning the inflow and infiltration systems of the City's sewer system. The City must be in full compliance by 2011. The estimated total cost of the project is \$25,000,000. Currently, the City has a strict schedule for the project to be completed in phases. Each phase has a deadline that the City must meet to avoid a \$20,000 fine. Thus far, all deadlines have been met. The City is funding the project with a State Revolving Loan, which is recorded in the sewer fund, and a General Obligation Bond.

The City received a "Consent Order" from the State of Tennessee dated October 25, 2005, concerning the waste water treatment plant of the City's sewer system. The City must be in full compliance by 2011. The estimated total cost of the project is \$22,000,000. Currently, the City has a strict schedule for the project to be completed in phases. Each phase has a deadline that the City must meet to avoid an \$18,000 fine. Thus far, all deadlines have been met. The City plans to fund the project with a State Revolving Loan, which is recorded in the sewer fund, and a General Obligation Bond.

Beginning in 2005, the Sullivan County Economic Development Partnership (SCEDP) issued \$2,500,000 Revenue Bond, Series 2005, of which, the City is contingently liable for 31%, or \$775,000. During May 2007, SCEDP issued an additional \$6,500,000 Revenue Bond, of which the City is contingently liable for \$2,015,000. Both bond issue proceeds were issued to finance 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 the industrial park. The related liability ("Sullivan County Notes") is on the books of Sullivan County. The SCEDP is responsible for making the bond payments. However, in the event that they default, the City would have to pay off the bonds if they wanted to retain the project. As of June 30, 2009, \$8,600,000 was outstanding on these bonds.

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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**5. OTHER INFORMATION (CONTINUED):**

**C. Pension plan**

**City of Kingsport plan**

**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. 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 the plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

**Funding policy**

The City has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.00% of annual covered payroll.

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 16.58% 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.

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**5. OTHER INFORMATION (CONTINUED):**

**C. Pension plan (continued)**

**City of Kingsport plan (continued)**

**Annual pension cost**

For the fiscal year ending June 30, 2009, the City's annual pension cost of \$5,832,643 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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 salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.50% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.00% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-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, 2007 was 18 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$5,832,643	100.00%	\$0
June 30, 2008	5,546,001	100.00%	0
June 30, 2007	5,215,211	100.00%	0

As of July 1, 2007, the most recent actuarial valuation date, the plan was 82.57% funded. The actuarial accrued liability for benefits was \$142.26 million, and the actuarial value of assets was \$117.46 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$24.80 million. The covered Payroll (annual payroll of active employees covered by the plan) was \$32 million, and the ratio of UAAL to covered payroll was 78.30%.

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.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 1, 2007	\$ 117,466,000	\$ 142,266,000	\$ 24,800,000	82.57%	\$ 31,672,000	78.30%

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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**5. OTHER INFORMATION (CONTINUED):**

**C. Pension plan (continued)**

**Kingsport City Schools Plan**

**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 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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs](http://www.tn.gov/treasury/tcrs).

**Funding policy**

Most teachers are required by state statute to contribute 5.00% of salary to the plan. The employer contribution rate for City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2009 was 6.42% of annual covered payroll. The employer contribution requirement for 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, 2009, 2008, and 2007 were \$1,858,582, \$1,782,000 and \$1,700,866, respectively, equal to the required contributions for each year.

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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**5. OTHER INFORMATION (CONTINUED):**

**D. Other Postemployment Benefits (OPEB)**

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.

**Postemployment Healthcare Plan – City of Kingsport**

**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 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.

The number of participants as of July 1, 2007, 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	1,435
Retired employees	143
Spouses of retired employees	51
Retired employees eligible for death benefits only	<u>544</u>
Total	<u><u>2,173</u></u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**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)	\$ 3,166,263
Interest on the Net Pension Obligation (NPO)	125,945
Adjustment to the Annual Required Contribution (ARC)	<u>0</u>
Annual OPEB Cost	3,292,208
Amount of Contribution	<u>(905,095)</u>
Increase/Decrease in Net Pension Obligation (NPO)	2,387,113
Net OPEB Obligation - Beginning of Year	<u>2,518,897</u>
Net OPEB Obligation - Ending of Year	<u><u>\$ 4,906,010</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>
06/30/09	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, 2009**

**5. OTHER INFORMATION (CONTINUED):**

**D. Other Postemployment Benefits (OPEB) (continued)**

**Postemployment Healthcare Plan – City of Kingsport (continued)**

**Funded Status and Funding Process**

The funded status of the plan as of July 1, 2007, the date of the latest actuarial valuation, was as follows:

		City of Kingsport Retiree Plan
Actuarial valuation date		07/01/07
Actuarial accrued liability (AAL)	\$	30,541,000
Actuarial value of plan assets	\$	0
Unfunded actuarial accrued liability (UAAL)	\$	30,541,000
Actuarial Value of Assets as a % of the AAL		0%
Covered payroll (active plan members)	\$	21,931,000
UAAL as a percentage of covered payroll		139%

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, 2007 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. Both rates include a 3 percent inflation assumption. 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.

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**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 a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) 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 does not provide a subsidy for local government participants, however, the state does provide a partial subsidy to Local Education Agency 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 ranges from 17 to 23 percent based on their years of service. During the year ended June 30, 2009, Kingsport City Schools contributed \$335,095 for the teacher group plan and \$197,362 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)	\$ 1,922,000	\$ 1,951,000
Interest on the Net Pension Obligation (NPO)	70,895	82,125
Adjustment to the Annual Required Contribution (ARC)	<u>0</u>	<u>0</u>
Annual OPEB Cost	1,992,895	2,033,125
Amount of Contribution	<u>(335,095)</u>	<u>(197,362)</u>
Increase/Decrease in Net Pension Obligation (NPO)	1,657,800	1,835,763
Net OPEB Obligation - Beginning of Year	<u>1,575,446</u>	<u>1,815,000</u>
Net OPEB Obligation - Ending of Year	<u>\$ 3,233,246</u>	<u>\$ 3,650,763</u>

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

**5. OTHER INFORMATION (CONTINUED):**

**D. Other Postemployment Benefits (OPEB) (continued)**

**Postemployment Healthcare Plan – Kingsport City Schools (continued)**

Year End*	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
06/30/09	Teacher Group	\$ 1,992,895	17%	\$ 3,233,246
06/30/08	Teacher Group	\$ 1,900,000	17%	\$ 1,575,446
06/30/09	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, 2007, the date of the latest valuation, was as follows:

	Teacher Group Plan	Medicare Supplement Plan
Actuarial valuation date	07/01/07	07/01/07
Actuarial accrued liability (AAL)	\$ 17,503,000	\$ 18,268,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 17,503,000	\$ 18,268,000
Actuarial Value of Assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 24,795,000	\$ 24,795,000
UAAL as a percentage of covered payroll	70%	74%

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, 2009**

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**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, 2007 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of 6 percent after ten years. Both rates include a 3 percent inflation assumption. 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 2009 was \$346,987 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 statues, the State of Tennessee makes a contribution (on-behalf payment) for retired teachers to this Plan through the TCRS. The on-behalf payment for 2009 was \$72,003 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, 2008 and 2007, the taxes assessed on the above mentioned taxpayer accounted for approximately 26% and 27%, respectively, of total property taxes assessed.

**CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009**

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**5. OTHER INFORMATION (CONTINUED):**

**G. Joint Ventures**

**Tri-Cities Airport Commission**

Tri-Cities Airport Commission (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 individual joint venture may be obtained at the administrative offices of:

Tri-Cities Airport Commission  
P.O. Box 1055  
Blountville, TN 37617

Audited information as of June 30, 2009 is presented below:

	<u>Tri-Cities Airport Commission</u>
Operating Revenues	\$ 5,818,444
Operating Expenses	(5,431,972)
Depreciation	(2,855,601)
Amortization	(13,501)
Other Income	781,318
Capital Contributions	<u>7,485,388</u>
Change in Net Assets	5,784,076
Net Assets, July 1	<u>50,165,338</u>
Net Assets, June 30	\$ <u>55,949,414</u>
Total Assets	\$ 65,325,593
Total Liabilities	<u>(9,376,179)</u>
Total Net Assets	\$ <u>55,949,414</u>

**CITY OF KINGSPORT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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**5. OTHER INFORMATION (CONTINUED):**

**G. Joint Ventures (continued)**

**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	\$ 501,312
20% interest in capital of Phipps Bend Joint Venture	<u>239,963</u>
Total Investment	\$ <u>741,275</u>

**H. Subsequent Events**

In August 2009, the City was approved for a new state revolving fund loan in the amount of \$2,200,000. As part of the American Recovery and Revitalization Act, \$880,000 of this amount is subject to principal forgiveness. This loan will provide funding for improvements to wastewater facilities. The loan carries a fixed interest rate of 2.88% and is payable over 20 years upon completion of the project.

In October 2009, the City's BMA adopted a resolution that authorized the issuance of \$26,415,000 of General Obligation Public Improvement Bonds (Build America Bonds) – Series 2009 D and \$14,225,000 of General Obligation Bonds Series 2009 E. The City closed on these bonds in December 2009. These bonds will provide funding for various public projects including road improvements, utility system improvements, school facility improvements, and a new aquatic center.

In November 2009, the City's BMA adopted a resolution that authorized the City to enter into a \$1,240,000 loan agreement with the Tennessee State School Bond Authority. The Authority issued Qualified School Construction Bonds (ARRA Funds) to provide the funding for the \$1,240,000 loan. The City closed on the loan in December 2009. The loan proceeds will be used to fund various improvements to school facilities.

**CITY OF KINGSPORT, TENNESSEE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS - DEFINED BENEFIT PENSION PLAN  
 For the Fiscal Year Ended June 30, 2009**

**City of Kingsport, Tennessee Schedule of Funding Progress - Defined Benefit Pension Plan**

Actuarial Valuation Date	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, 2007	\$ 117,466,000	\$ 142,266,000	\$ 24,800,000	82.57%	\$ 31,672,000	78.30%

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 change was made during the year of the most recent actuarial valuation date, therefore only the most current year is presented.

**CITY OF KINGSPORT, TENNESSEE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT HEALTHCARE PLANS  
For the Fiscal Year Ended June 30, 2009**

**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, 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, 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%

The City implemented GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2008. The first actuarial valuation for the City's other post employment benefits (OPEB) plan was obtained as of July 1, 2007. As future valuations are performed, more information will be disclosed.

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## C. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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**CITY OF KINGSPORT, TENNESSEE  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Investment Earnings	\$ 39,300	\$ 39,300	\$ 769,097	\$ 729,797
Total Revenues	<u>39,300</u>	<u>39,300</u>	<u>769,097</u>	<u>729,797</u>
<b>EXPENDITURES:</b>				
Principal	7,750,100	7,750,100	7,750,015	85
Interest	2,525,900	2,919,992	2,761,593	158,399
Miscellaneous	37,300	69,313	19,516	49,797
Total Expenditures	<u>10,313,300</u>	<u>10,739,405</u>	<u>10,531,124</u>	<u>208,281</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(10,274,000)</u>	<u>(10,700,105)</u>	<u>(9,762,027)</u>	<u>938,078</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers, Net	<u>10,274,000</u>	<u>10,274,492</u>	<u>9,265,331</u>	<u>(1,009,161)</u>
Total Other Financing Sources (Uses)	<u>10,274,000</u>	<u>10,274,492</u>	<u>9,265,331</u>	<u>(1,009,161)</u>
Net Change in Fund Balances	0	(425,613)	(496,696)	(71,083)
Fund Balances, July 1, 2008	<u>0</u>	<u>425,613</u>	<u>1,172,778</u>	<u>747,165</u>
Fund Balances, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 676,082</u>	<u>\$ 676,082</u>

See Independent Auditor's Report.

CITY OF KINGSPORT, TENNESSEE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2009

	Special Revenue Funds							Permanent Fund	Total Nonmajor Governmental Funds
	Community Development Fund	Special Revenue General Projects Fund	Public Safety Funds	Transportation Funds	Culture & Recreation Funds	Education Funds	Total Special Revenue Funds		
<b>ASSETS:</b>									
Cash	\$ 0	\$ 0	\$ 1,135	\$ 0	\$ 0	\$ 1,169,221	\$ 0	\$ 0	\$ 1,170,356
Equity in Pooled Cash & Investments	0	1,025,267	285,228	16,460	394,737	62,479	1,784,171	17,128	1,801,299
Long Term Certificates of Deposit	0	0	0	0	0	217,142	217,142	152,691	369,833
Investments	0	0	0	0	1,344,852	65,250	1,410,102	4,447	1,414,549
Accounts Receivable	0	0	0	0	0	225	225	0	225
Accrued Interest Receivable	0	0	0	0	0	0	0	6,657	6,657
Due from Other Governments	70,356	16,954	5,902	501,171	519,057	1,084,458	2,197,898	0	2,197,898
Due from Other Funds	0	0	0	0	41,731	0	41,731	0	41,731
Inventories	0	0	0	0	0	200,980	200,980	0	200,980
Restricted Cash	0	183,989	0	0	0	0	183,989	0	183,989
Restricted Investments	0	0	46,859	0	0	0	46,859	0	46,859
<b>Total Assets</b>	<b>\$ 70,356</b>	<b>\$ 1,226,210</b>	<b>\$ 339,124</b>	<b>\$ 517,631</b>	<b>\$ 2,300,377</b>	<b>\$ 2,799,755</b>	<b>\$ 7,253,453</b>	<b>\$ 180,923</b>	<b>\$ 7,434,376</b>
<b>LIABILITIES AND FUND BALANCES:</b>									
<b>Liabilities:</b>									
Accounts Payable	\$ 28,771	\$ 8,534	\$ 6,055	\$ 159,200	\$ 4,479	\$ 166,455	\$ 373,494	\$ 0	\$ 373,494
Other Liabilities	0	0	0	0	0	5,966	5,966	0	5,966
Due to Other Funds	24,249	0	0	120,758	105,526	771,489	1,022,022	0	1,022,022
Due to Other Governments	0	0	0	0	0	6,587	6,587	0	6,587
Deferred Revenue	0	0	0	0	0	59,652	59,652	0	59,652
<b>Total Liabilities</b>	<b>53,020</b>	<b>8,534</b>	<b>6,055</b>	<b>279,958</b>	<b>110,005</b>	<b>1,010,149</b>	<b>1,467,721</b>	<b>0</b>	<b>1,467,721</b>
<b>Fund Balances:</b>									
Reserved for Encumbrances	127,814	426,853	28,425	198,613	6,711	87,131	875,547	0	875,547
Reserved for Inventories	0	0	0	0	0	200,980	200,980	0	200,980
Reserved for Projects	0	0	16,859	0	0	0	16,859	0	16,859
Reserved for Perpetual Care	0	0	0	0	0	0	0	152,691	152,691
Unreserved, Undesignated	(110,478)	790,823	287,785	39,060	2,183,661	1,501,495	4,692,346	28,232	4,720,578
<b>Total Fund Balances</b>	<b>17,336</b>	<b>1,217,676</b>	<b>333,069</b>	<b>237,673</b>	<b>2,190,372</b>	<b>1,789,606</b>	<b>5,785,732</b>	<b>180,923</b>	<b>5,966,655</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 70,356</b>	<b>\$ 1,226,210</b>	<b>\$ 339,124</b>	<b>\$ 517,631</b>	<b>\$ 2,300,377</b>	<b>\$ 2,799,755</b>	<b>\$ 7,253,453</b>	<b>\$ 180,923</b>	<b>\$ 7,434,376</b>

See Independent Auditor's 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, 2009

	Special Revenue Funds										Permanent Fund	
	Community Development Fund	Special Revenue General Projects Fund	Public Safety Funds	Transportation Funds	Culture & Recreation Funds	Education Funds	Total Special Revenue Funds	Allandale Trust Fund	Total Nonmajor Governmental Funds			
<b>REVENUES:</b>												
Local Option Sales Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,156,462	\$ 0	\$ 3,156,462	\$ 0	\$ 3,156,462	\$ 0	\$ 3,156,462	
Federal Government	549,387	98,852	5,902	960,252	0	5,063,772	6,668,165	0	6,668,165	0	6,668,165	
State Government	0	10,392	39,462	1,460,190	0	1,005,355	2,515,399	0	2,515,399	0	2,515,399	
Charges for Services	0	0	0	120,520	70,606	1,494,698	1,685,824	0	1,685,824	0	1,685,824	
Fines and Forfeitures	0	0	243,296	0	0	0	243,296	0	243,296	0	243,296	
Investment Earnings	0	0	322	47	37,219	5,569	43,157	7,939	51,096	0	51,096	
Contributions and Donations	0	58,540	0	0	31,546	201,045	291,131	0	291,131	0	291,131	
<b>Total Revenues</b>	<b>549,387</b>	<b>167,784</b>	<b>288,982</b>	<b>2,541,009</b>	<b>3,295,833</b>	<b>7,760,439</b>	<b>14,603,434</b>	<b>7,939</b>	<b>14,611,373</b>	<b>7,939</b>	<b>14,611,373</b>	
<b>EXPENDITURES:</b>												
General & Administrative	0	226,470	4,599	0	0	0	231,069	0	231,069	0	231,069	
School Food Service	0	0	0	0	0	2,917,845	2,917,845	0	2,917,845	0	2,917,845	
School Federal Projects	0	0	0	0	0	3,252,858	3,252,858	0	3,252,858	0	3,252,858	
Economic & Physical Development	550,742	0	0	0	0	0	550,742	0	550,742	0	550,742	
Public Safety	0	0	98,753	0	0	0	98,753	0	98,753	0	98,753	
Transportation	0	0	0	3,532,499	0	0	3,532,499	0	3,532,499	0	3,532,499	
Culture and Recreation	0	0	0	0	190,651	0	190,651	0	190,651	0	190,651	
Education	0	0	0	0	0	1,508,138	1,508,138	0	1,508,138	0	1,508,138	
Capital Outlay	0	178,054	24,530	257,855	0	297,927	758,366	0	758,366	0	758,366	
<b>Total Expenditures</b>	<b>550,742</b>	<b>404,524</b>	<b>127,882</b>	<b>3,790,354</b>	<b>190,651</b>	<b>7,976,768</b>	<b>13,040,921</b>	<b>0</b>	<b>13,040,921</b>	<b>0</b>	<b>13,040,921</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,355)	(236,740)	161,100	(1,249,345)	3,105,182	(216,329)	1,562,513	7,939	1,570,452	7,939	1,570,452	
<b>OTHER FINANCING SOURCES (USES):</b>												
Transfers In	0	723,688	0	1,203,383	1,764,992	550,497	4,242,560	0	4,242,560	0	4,242,560	
Transfers Out	0	(240,690)	(105,000)	0	(4,278,406)	(77,141)	(4,701,237)	0	(4,701,237)	0	(4,701,237)	
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>482,998</b>	<b>(105,000)</b>	<b>1,203,383</b>	<b>(2,513,414)</b>	<b>473,356</b>	<b>(458,677)</b>	<b>0</b>	<b>(458,677)</b>	<b>0</b>	<b>(458,677)</b>	
<b>Net Change in Fund Balances</b>	<b>(1,355)</b>	<b>246,258</b>	<b>56,100</b>	<b>(45,962)</b>	<b>591,768</b>	<b>257,027</b>	<b>1,103,836</b>	<b>7,939</b>	<b>1,111,775</b>	<b>7,939</b>	<b>1,111,775</b>	
<b>Fund Balances, July 1, 2008</b>	<b>18,691</b>	<b>971,418</b>	<b>276,969</b>	<b>283,635</b>	<b>1,598,604</b>	<b>1,532,579</b>	<b>4,681,896</b>	<b>172,984</b>	<b>4,854,880</b>	<b>172,984</b>	<b>4,854,880</b>	
<b>Fund Balances, June 30, 2009</b>	<b>\$ 17,336</b>	<b>\$ 1,217,676</b>	<b>\$ 333,069</b>	<b>\$ 237,673</b>	<b>\$ 2,190,372</b>	<b>\$ 1,789,606</b>	<b>\$ 5,785,732</b>	<b>\$ 180,923</b>	<b>\$ 5,966,655</b>	<b>\$ 180,923</b>	<b>\$ 5,966,655</b>	

See Independent Auditor's Report.

**CITY OF KINGSPORT, TENNESSEE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - PUBLIC SAFETY  
 June 30, 2009**

	<u>Criminal Forfeiture Fund</u>	<u>Drug Fund</u>	<u>Justice Assistance Grant Fund</u>	<u>Total Public Safety Funds</u>
<b>ASSETS:</b>				
Cash	\$ 0	\$ 1,135	\$ 0	\$ 1,135
Equity in Pooled Cash and Investments	53,450	231,625	153	285,228
Due from Other Governments	0	0	5,902	5,902
Restricted Investments	46,859	0	0	46,859
<b>Total Assets</b>	<u>\$ 100,309</u>	<u>\$ 232,760</u>	<u>\$ 6,055</u>	<u>\$ 339,124</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 0	\$ 0	\$ 6,055	\$ 6,055
<b>Total Liabilities</b>	<u>0</u>	<u>0</u>	<u>6,055</u>	<u>6,055</u>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Encumbrances	0	0	28,425	28,425
Projects	16,859	0	0	16,859
Unreserved, Undesignated	83,450	232,760	(28,425)	287,785
<b>Total Fund Balances</b>	<u>100,309</u>	<u>232,760</u>	<u>0</u>	<u>333,069</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 100,309</u>	<u>\$ 232,760</u>	<u>\$ 6,055</u>	<u>\$ 339,124</u>

See Independent Auditor's 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, 2009**

	<u>Criminal Forfeiture Fund</u>	<u>Drug Fund</u>	<u>Justice Assistance Grant Fund</u>	<u>Total Public Safety Funds</u>
<b>REVENUES:</b>				
Federal Government	\$ 0	\$ 0	\$ 5,902	\$ 5,902
State Government	0	39,462	0	39,462
Fines and Forfeitures	30,400	212,896	0	243,296
Investment Earnings	322	0	0	322
<b>Total Revenues</b>	<u>30,722</u>	<u>252,358</u>	<u>5,902</u>	<u>288,982</u>
<b>EXPENDITURES:</b>				
General and Administrative	0	4,599	0	4,599
Public Safety	0	92,698	6,055	98,753
Capital Outlay	0	24,530	0	24,530
<b>Total Expenditures</b>	<u>0</u>	<u>121,827</u>	<u>6,055</u>	<u>127,882</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>30,722</u>	<u>130,531</u>	<u>(153)</u>	<u>161,100</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	0	0	0	0
Transfers Out	(30,000)	(75,000)	0	(105,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(30,000)</u>	<u>(75,000)</u>	<u>0</u>	<u>(105,000)</u>
<b>Net Change in Fund Balances</b>	722	55,531	(153)	56,100
Fund Balances, July 1, 2008	<u>99,587</u>	<u>177,229</u>	<u>153</u>	<u>276,969</u>
Fund Balances, June 30, 2009	<u>\$ 100,309</u>	<u>\$ 232,760</u>	<u>\$ 0</u>	<u>\$ 333,069</u>

See Independent Auditor's Report.

**CITY OF KINGSPORT, TENNESSEE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS - TRANSPORTATION  
June 30, 2009**

	<b>Federal Transit Administration Fund</b>	<b>Metropolitan Planning Office Fund</b>	<b>State Street Aid Fund</b>	<b>Total Transportation Funds</b>
<b>ASSETS:</b>				
Equity in Pooled Cash and Investments	\$ 0	\$ 0	\$ 16,460	\$ 16,460
Due from Other Governments	236,420	48,991	215,760	501,171
<b>Total Assets</b>	<b>\$ 236,420</b>	<b>\$ 48,991</b>	<b>\$ 232,220</b>	<b>\$ 517,631</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 8,132	\$ 939	\$ 150,129	\$ 159,200
Due to Other Funds	111,869	8,889	0	120,758
<b>Total Liabilities</b>	<b>120,001</b>	<b>9,828</b>	<b>150,129</b>	<b>279,958</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	197,769	0	844	198,613
Unreserved, Undesignated	(81,350)	39,163	81,247	39,060
<b>Total Fund Balances</b>	<b>116,419</b>	<b>39,163</b>	<b>82,091</b>	<b>237,673</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 236,420</b>	<b>\$ 48,991</b>	<b>\$ 232,220</b>	<b>\$ 517,631</b>

See Independent Auditor's 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, 2009**

	<u>Federal Transit Administration Fund</u>	<u>Metropolitan Planning Office Fund</u>	<u>State Street Aid Fund</u>	<u>Total Transportation Funds</u>
<b>REVENUES:</b>				
Federal Government	\$ 782,457	\$ 177,795	\$ 0	\$ 960,252
State Government	271,366	4,036	1,184,788	1,460,190
Charges for Services	120,520	0	0	120,520
Investment Earnings	<u>0</u>	<u>0</u>	<u>47</u>	<u>47</u>
Total Revenues	<u>1,174,343</u>	<u>181,831</u>	<u>1,184,835</u>	<u>2,541,009</u>
<b>EXPENDITURES:</b>				
Transportation	1,233,434	219,691	2,079,374	3,532,499
Capital Outlay	<u>255,151</u>	<u>2,704</u>	<u>0</u>	<u>257,855</u>
Total Expenditures	<u>1,488,585</u>	<u>222,395</u>	<u>2,079,374</u>	<u>3,790,354</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(314,242)</u>	<u>(40,564)</u>	<u>(894,539)</u>	<u>(1,249,345)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	252,000	56,844	894,539	1,203,383
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>252,000</u>	<u>56,844</u>	<u>894,539</u>	<u>1,203,383</u>
Net Change in Fund Balances	(62,242)	16,280	0	(45,962)
Fund Balances, July 1, 2008	<u>178,661</u>	<u>22,883</u>	<u>82,091</u>	<u>283,635</u>
Fund Balances, June 30, 2009	<u>\$ 116,419</u>	<u>\$ 39,163</u>	<u>\$ 82,091</u>	<u>\$ 237,673</u>

See Independent Auditor's Report.

CITY OF KINGSPORT, TENNESSEE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - CULTURE AND RECREATION  
 June 30, 2009

	Regional Sales Tax Revenue Fund	Visitors Enhancement Fund	Eastman Annex Tax Fund	Steadman Cemetery Fund	Public Library Commission Fund	Bays Mountain Park Fund	Senior Citizens Advisory Board Fund	Total Culture & Recreation Funds
<b>ASSETS:</b>								
Equity in Pooled Cash & Investments	\$ 0	\$ 351,981	\$ 41,054	\$ 0	\$ 19	\$ 645	\$ 1,038	\$ 394,737
Investments	1,183,882	0	0	18,748	1,142	105,496	35,584	1,344,852
Due from Other Governments	519,057	0	0	0	0	0	0	519,057
Due from Other Funds	41,731	0	0	0	0	0	0	41,731
<b>Total Assets</b>	<b>\$ 1,744,670</b>	<b>\$ 351,981</b>	<b>\$ 41,054</b>	<b>\$ 18,748</b>	<b>\$ 1,161</b>	<b>\$ 106,141</b>	<b>\$ 36,622</b>	<b>\$ 2,300,377</b>
<b>LIABILITIES AND FUND BALANCES:</b>								
<b>Liabilities:</b>								
Accounts Payable	\$ 0	\$ 3,628	\$ 0	\$ 0	\$ 0	\$ 0	\$ 851	\$ 4,479
Due to Other Funds	105,526	0	0	0	0	0	0	105,526
<b>Total Liabilities</b>	<b>105,526</b>	<b>3,628</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>851</b>	<b>110,005</b>
<b>Fund Balances:</b>								
Reserved for Encumbrances	0	6,711	0	0	0	0	0	6,711
Unreserved, Undesignated	1,639,144	341,642	41,054	18,748	1,161	106,141	35,771	2,183,661
<b>Total Fund Balances</b>	<b>1,639,144</b>	<b>348,353</b>	<b>41,054</b>	<b>18,748</b>	<b>1,161</b>	<b>106,141</b>	<b>35,771</b>	<b>2,190,372</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,744,670</b>	<b>\$ 351,981</b>	<b>\$ 41,054</b>	<b>\$ 18,748</b>	<b>\$ 1,161</b>	<b>\$ 106,141</b>	<b>\$ 36,622</b>	<b>\$ 2,300,377</b>

See Independent Auditor's Report.

CITY OF KINGSFORT, TENNESSEE  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - CULTURE AND RECREATION**  
 For the Fiscal Year Ended June 30, 2009

	Regional Sales Tax Revenue Fund	Visitors Enhancement Fund	Eastman Annex Tax Fund	Steadman Cemetery Fund	Public Library Commission Fund	Bays Mountain Park Fund	Senior Citizens Advisory Board Fund	Total Culture & Recreation & Recreation Funds
<b>REVENUES:</b>								
Local Option Sales Tax	\$ 3,156,462	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,156,462
Charges for Services	0	0	0	0	0	0	70,606	70,606
Investment Earnings	34,819	0	0	300	18	1,385	697	37,219
Contributions and Donations	0	0	0	0	17	22,550	8,979	31,546
<b>Total Revenues</b>	<b>3,191,281</b>	<b>0</b>	<b>0</b>	<b>300</b>	<b>35</b>	<b>23,935</b>	<b>80,282</b>	<b>3,295,833</b>
<b>EXPENDITURES:</b>								
Culture and Recreation	0	96,785	0	0	0	9,994	83,872	190,651
<b>Total Expenditures</b>	<b>0</b>	<b>96,785</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,994</b>	<b>83,872</b>	<b>190,651</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>3,191,281</b>	<b>(96,785)</b>	<b>0</b>	<b>300</b>	<b>35</b>	<b>13,941</b>	<b>(3,590)</b>	<b>3,105,182</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Transfers In	0	310,307	1,454,685	0	0	0	0	1,764,992
Transfers Out	(2,605,118)	(107,680)	(1,565,608)	0	0	0	0	(4,278,406)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,605,118)</b>	<b>202,627</b>	<b>(110,923)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,513,414)</b>
<b>Net Change in Fund Balances</b>	<b>586,163</b>	<b>105,842</b>	<b>(110,923)</b>	<b>300</b>	<b>35</b>	<b>13,941</b>	<b>(3,590)</b>	<b>591,768</b>
<b>Fund Balances, July 1, 2008</b>	<b>1,052,981</b>	<b>242,511</b>	<b>151,977</b>	<b>18,448</b>	<b>1,126</b>	<b>92,200</b>	<b>39,361</b>	<b>1,598,604</b>
<b>Fund Balances, June 30, 2009</b>	<b>\$ 1,639,144</b>	<b>\$ 348,353</b>	<b>\$ 41,054</b>	<b>\$ 18,748</b>	<b>\$ 1,161</b>	<b>\$ 106,141</b>	<b>\$ 35,771</b>	<b>\$ 2,190,372</b>

See Independent Auditor's Report.

**CITY OF KINGSPORT, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS - EDUCATION**  
**June 30, 2009**

	<b>School Nutrition Services Fund</b>	<b>Special School Projects Fund</b>	<b>Public Law 93-380 Fund</b>	<b>Palmer Center Fund</b>	<b>Total Education Funds</b>
<b>ASSETS:</b>					
Cash	\$ 1,169,221	\$ 0	\$ 0	\$ 0	\$ 1,169,221
Equity in Pooled Cash and Investments	62,479	0	0	0	62,479
Long Term Certificates of Deposit	217,142	0	0	0	217,142
Investments	0	0	0	65,250	65,250
Accounts Receivable	0	225	0	0	225
Due from Other Governments	133,669	260,445	690,344	0	1,084,458
Inventories	200,980	0	0	0	200,980
<b>Total Assets</b>	<b>\$ 1,783,491</b>	<b>\$ 260,670</b>	<b>\$ 690,344</b>	<b>\$ 65,250</b>	<b>\$ 2,799,755</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 29,808	\$ 28,237	\$ 108,410	\$ 0	\$ 166,455
Other Liabilities	0	5,966	0	0	5,966
Due to Other Funds	0	214,994	556,495	0	771,489
Due to Other Governments	0	6,587	0	0	6,587
Deferred Revenue	29,327	4,886	25,439	0	59,652
<b>Total Liabilities</b>	<b>59,135</b>	<b>260,670</b>	<b>690,344</b>	<b>0</b>	<b>1,010,149</b>
<b>Fund Balances:</b>					
Reserved for Encumbrances	0	21,634	65,497	0	87,131
Reserved for Inventories	200,980	0	0	0	200,980
Unreserved, Undesignated	1,523,376	(21,634)	(65,497)	65,250	1,501,495
<b>Total Fund Balances</b>	<b>1,724,356</b>	<b>0</b>	<b>0</b>	<b>65,250</b>	<b>1,789,606</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,783,491</b>	<b>\$ 260,670</b>	<b>\$ 690,344</b>	<b>\$ 65,250</b>	<b>\$ 2,799,755</b>

See Independent Auditor's 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, 2009**

	<b>School Nutrition Services Fund</b>	<b>Special School Projects Fund</b>	<b>Public Law 93-380 Fund</b>	<b>Palmer Center Fund</b>	<b>Total Education Funds</b>
<b>REVENUES:</b>					
Federal Government	\$ 1,457,033	\$ 111,346	\$ 3,485,393	\$ 0	\$ 5,053,772
State Government	25,980	979,375	0	0	1,005,355
Charges for Services	1,485,245	9,453	0	0	1,494,698
Investment Earnings	4,527	0	0	1,042	5,569
Contributions and Donations	201,045	0	0	0	201,045
<b>Total Revenues</b>	<b>3,173,830</b>	<b>1,100,174</b>	<b>3,485,393</b>	<b>1,042</b>	<b>7,760,439</b>
<b>EXPENDITURES:</b>					
School Food Service	2,917,845	0	0	0	2,917,845
School Federal Projects	0	0	3,252,858	0	3,252,858
Education	0	1,508,138	0	0	1,508,138
Capital Outlay	0	65,392	232,535	0	297,927
<b>Total Expenditures</b>	<b>2,917,845</b>	<b>1,573,530</b>	<b>3,485,393</b>	<b>0</b>	<b>7,976,768</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	255,985	(473,356)	0	1,042	(216,329)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	0	550,497	0	0	550,497
Transfers Out	0	(77,141)	0	0	(77,141)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>473,356</b>	<b>0</b>	<b>0</b>	<b>473,356</b>
<b>Net Change in Fund Balances</b>	<b>255,985</b>	<b>0</b>	<b>0</b>	<b>1,042</b>	<b>257,027</b>
Fund Balances, July 1, 2008	1,468,371	0	0	64,208	1,532,579
<b>Fund Balances, June 30, 2009</b>	<b>\$ 1,724,356</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 65,250</b>	<b>\$ 1,789,606</b>

See Independent Auditor's 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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Fines and Forfeitures	\$ 8,000	\$ 22,000	\$ 30,400	\$ 8,400
Investment Earnings	0	0	322	322
<b>Total Revenues</b>	<u>8,000</u>	<u>22,000</u>	<u>30,722</u>	<u>8,722</u>
<b>EXPENDITURES:</b>				
Public Safety	8,000	8,000	0	8,000
Capital Outlay	0	0	0	0
<b>Total Expenditures</b>	<u>8,000</u>	<u>8,000</u>	<u>0</u>	<u>8,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>14,000</u>	<u>30,722</u>	<u>16,722</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	0	0	0	0
Transfers Out	0	(30,000)	(30,000)	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	0	(16,000)	722	16,722
Fund Balances, July 1, 2008	<u>0</u>	<u>16,000</u>	<u>99,587</u>	<u>83,587</u>
Fund Balances, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 100,309</u>	<u>\$ 100,309</u>

See Independent Auditor's 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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
State Government	\$ 0	\$ 0	\$ 39,462	\$ 39,462
Fines and Forfeitures	<u>95,000</u>	<u>95,000</u>	<u>212,896</u>	<u>117,896</u>
Total Revenues	<u>95,000</u>	<u>95,000</u>	<u>252,358</u>	<u>157,358</u>
<b>EXPENDITURES:</b>				
General and Administrative	3,000	4,600	4,599	1
Public Safety	70,600	93,364	92,698	666
Capital Outlay	<u>55,000</u>	<u>30,636</u>	<u>24,530</u>	<u>6,106</u>
Total Expenditures	<u>128,600</u>	<u>128,600</u>	<u>121,827</u>	<u>6,773</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(33,600)</u>	<u>(33,600)</u>	<u>130,531</u>	<u>164,131</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	0	0	0	0
Transfers Out	<u>0</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>0</u>
Net Change in Fund Balances	(33,600)	(108,600)	55,531	164,131
Fund Balances, July 1, 2008	<u>33,600</u>	<u>108,600</u>	<u>177,229</u>	<u>68,629</u>
Fund Balances, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 232,760</u>	<u>\$ 232,760</u>

See Independent Auditor's Report.

**CITY OF KINGSPORT, TENNESSEE  
STATE STREET AID FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
State Government	\$ 1,298,700	\$ 1,273,132	\$ 1,184,788	\$ (88,344)
Investment Earnings	0	0	47	47
<b>Total Revenues</b>	<u>1,298,700</u>	<u>1,273,132</u>	<u>1,184,835</u>	<u>(88,297)</u>
<b>EXPENDITURES:</b>				
Highways and Streets	2,053,700	2,157,904	2,079,374	78,530
Capital Outlay	25,000	15,000	0	15,000
<b>Total Expenditures</b>	<u>2,078,700</u>	<u>2,172,904</u>	<u>2,079,374</u>	<u>93,530</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(780,000)</u>	<u>(899,772)</u>	<u>(894,539)</u>	<u>5,233</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	780,000	899,718	894,539	(5,179)
Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>780,000</u>	<u>899,718</u>	<u>894,539</u>	<u>(5,179)</u>
<b>Net Change in Fund Balances</b>	0	(54)	0	54
Fund Balances, July 1, 2008	<u>0</u>	<u>54</u>	<u>82,091</u>	<u>82,037</u>
Fund Balances, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 82,091</u>	<u>\$ 82,091</u>

See Independent Auditor's 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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Local Option Sales Tax	\$ 2,790,600	\$ 2,919,500	\$ 3,156,462	\$ 236,962
Investment Earnings	26,000	26,000	34,819	8,819
<b>Total Revenues</b>	<u>2,816,600</u>	<u>2,945,500</u>	<u>3,191,281</u>	<u>245,781</u>
<b>EXPENDITURES:</b>				
Culture and Recreation	0	0	0	0
<b>Total Expenditures</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,816,600</u>	<u>2,945,500</u>	<u>3,191,281</u>	<u>245,781</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	0	0	0	0
Transfers Out	(2,816,600)	(2,945,500)	(2,605,118)	340,382
<b>Total Other Financing Sources (Uses)</b>	<u>(2,816,600)</u>	<u>(2,945,500)</u>	<u>(2,605,118)</u>	<u>340,382</u>
<b>Net Change in Fund Balances</b>	0	0	586,163	586,163
Fund Balances, July 1, 2008	<u>0</u>	<u>0</u>	<u>1,052,981</u>	<u>1,052,981</u>
Fund Balances, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,639,144</u>	<u>\$ 1,639,144</u>

See Independent Auditor's 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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Other	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXPENDITURES:</b>				
Culture and Recreation	168,100	180,100	96,785	83,315
Capital Outlay	<u>50,000</u>	<u>38,000</u>	<u>0</u>	<u>38,000</u>
Total Expenditures	<u>218,100</u>	<u>218,100</u>	<u>96,785</u>	<u>121,315</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(218,100)</u>	<u>(218,100)</u>	<u>(96,785)</u>	<u>121,315</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	320,700	320,700	310,307	(10,393)
Transfers Out	<u>(146,900)</u>	<u>(146,900)</u>	<u>(107,680)</u>	<u>39,220</u>
Total Other Financing Sources (Uses)	<u>173,800</u>	<u>173,800</u>	<u>202,627</u>	<u>28,827</u>
Net Change in Fund Balances	(44,300)	(44,300)	105,842	150,142
Fund Balances, July 1, 2008	<u>44,300</u>	<u>44,300</u>	<u>242,511</u>	<u>198,211</u>
Fund Balances, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 348,353</u>	<u>\$ 348,353</u>

See Independent Auditor's Report.

**CITY OF KINGSPORT, TENNESSEE  
EASTMAN ANNEX TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Other	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</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>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	1,422,400	1,454,682	1,454,685	3
Transfers Out	<u>(1,422,400)</u>	<u>(1,565,619)</u>	<u>(1,565,608)</u>	<u>11</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(110,937)</u>	<u>(110,923)</u>	<u>14</u>
Net Change in Fund Balances	0	(110,937)	(110,923)	14
Fund Balances, July 1, 2008	<u>0</u>	<u>110,937</u>	<u>151,977</u>	<u>41,040</u>
Fund Balances, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,054</u>	<u>\$ 41,054</u>

See Independent Auditor's 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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Investment Earnings	\$ 100	\$ 100	\$ 300	\$ 200
Total Revenues	<u>100</u>	<u>100</u>	<u>300</u>	<u>200</u>
<b>EXPENDITURES:</b>				
Maintenance	<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>300</u>	<u>300</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
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	300	300
Fund Balances, July 1, 2008	<u>0</u>	<u>0</u>	<u>18,448</u>	<u>18,448</u>
Fund Balances, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,748</u>	<u>\$ 18,748</u>

See Independent Auditor's 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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Investment Earnings	\$ 500	\$ 500	\$ 18	\$ (482)
Contributions and Donations	0	0	17	17
<b>Total Revenues</b>	<u>500</u>	<u>500</u>	<u>35</u>	<u>(465)</u>
<b>EXPENDITURES:</b>				
Culture and Recreation	500	500	0	500
<b>Total Expenditures</b>	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>35</u>	<u>35</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	<u>0</u>	<u>0</u>	<u>35</u>	<u>35</u>
Fund Balances, July 1, 2008	<u>0</u>	<u>0</u>	<u>1,126</u>	<u>1,126</u>
Fund Balances, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,161</u>	<u>\$ 1,161</u>

See Independent Auditor's 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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Investment Earnings	\$ 4,000	\$ 4,000	\$ 1,385	\$ (2,615)
Contributions and Donations	20,000	20,000	22,550	2,550
<b>Total Revenues</b>	<u>24,000</u>	<u>24,000</u>	<u>23,935</u>	<u>(65)</u>
<b>EXPENDITURES:</b>				
Culture and Recreation	60,000	60,000	9,994	50,006
<b>Total Expenditures</b>	<u>60,000</u>	<u>60,000</u>	<u>9,994</u>	<u>50,006</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(36,000)</u>	<u>(36,000)</u>	<u>13,941</u>	<u>49,941</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	<u>(36,000)</u>	<u>(36,000)</u>	<u>13,941</u>	<u>49,941</u>
Fund Balances, July 1, 2008	<u>36,000</u>	<u>36,000</u>	<u>92,200</u>	<u>56,200</u>
Fund Balances, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 106,141</u>	<u>\$ 106,141</u>

See Independent Auditor's 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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Charges for Services	\$ 73,800	\$ 73,800	\$ 70,606	\$ (3,194)
Investment Earnings	800	800	697	(103)
Contributions and Donations	<u>7,000</u>	<u>7,000</u>	<u>8,979</u>	<u>1,979</u>
Total Revenues	<u>81,600</u>	<u>81,600</u>	<u>80,282</u>	<u>(1,318)</u>
<b>EXPENDITURES:</b>				
Culture and Recreation	<u>87,800</u>	<u>87,800</u>	<u>83,872</u>	<u>3,928</u>
Total Expenditures	<u>87,800</u>	<u>87,800</u>	<u>83,872</u>	<u>3,928</u>
Excess (Deficiency) Revenues Over (Under) Expenditures	<u>(6,200)</u>	<u>(6,200)</u>	<u>(3,590)</u>	<u>2,610</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
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	(6,200)	(6,200)	(3,590)	2,610
Fund Balances, July 1, 2008	<u>6,200</u>	<u>6,200</u>	<u>39,361</u>	<u>33,161</u>
Fund Balances, June 30, 2009	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 35,771</u></u>	<u><u>\$ 35,771</u></u>

See Independent Auditor's 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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Federal Government	\$ 1,264,750	\$ 1,264,750	\$ 1,457,033	\$ 192,283
State Government	28,400	28,400	25,980	(2,420)
Charges for Services	1,509,500	1,509,500	1,485,245	(24,255)
Investment Earnings	9,700	9,700	4,527	(5,173)
Contributions and Donations	172,000	172,000	201,045	29,045
<b>Total Revenues</b>	<u>2,984,350</u>	<u>2,984,350</u>	<u>3,173,830</u>	<u>189,480</u>
<b>EXPENDITURES:</b>				
School Food Service	<u>2,984,350</u>	<u>2,984,350</u>	<u>2,917,845</u>	<u>66,505</u>
<b>Total Expenditures</b>	<u>2,984,350</u>	<u>2,984,350</u>	<u>2,917,845</u>	<u>66,505</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>255,985</u>	<u>255,985</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	0	0	0	0
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	0	0	255,985	255,985
Fund Balances, July 1, 2008	<u>0</u>	<u>0</u>	<u>1,468,371</u>	<u>1,468,371</u>
Fund Balances, June 30, 2009	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,724,356</u></u>	<u><u>\$ 1,724,356</u></u>

See Independent Auditor's 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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Investment Earnings	\$ 500	\$ 500	\$ 1,042	\$ 542
Total Revenues	<u>500</u>	<u>500</u>	<u>1,042</u>	<u>542</u>
<b>EXPENDITURES:</b>				
Capital Outlay	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
Total Expenditures	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>1,042</u>	<u>1,042</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
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	1,042	1,042
Fund Balances, July 1, 2008	<u>0</u>	<u>0</u>	<u>64,208</u>	<u>64,208</u>
Fund Balances, June 30, 2009	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 65,250</u></u>	<u><u>\$ 65,250</u></u>

See Independent Auditor's 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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Investment Earnings	\$ 6,000	\$ 6,000	\$ 7,939	\$ 1,939
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>7,939</u>	<u>1,939</u>
<b>EXPENDITURES:</b>				
Culture and Recreation	<u>6,000</u>	<u>6,000</u>	<u>0</u>	<u>6,000</u>
Total Expenditures	<u>6,000</u>	<u>6,000</u>	<u>0</u>	<u>6,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>7,939</u>	<u>7,939</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
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	7,939	7,939
Fund Balances, July 1, 2008	<u>0</u>	<u>0</u>	<u>172,984</u>	<u>172,984</u>
Fund Balances, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 180,923</u>	<u>\$ 180,923</u>

See Independent Auditor's Report.

**CITY OF KINGSPORT, TENNESSEE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
June 30, 2009**

	<u>Fleet Operations &amp; Maintenance Fund</u>	<u>Insurance Reserve Fund</u>	<u>Health Insurance Fund</u>	<u>Retirees Health Insurance Fund</u>	<u>Total Internal Service Funds</u>
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Equity in Pooled Cash and Investments	\$ 1,908,509	\$ 2,817,337	\$ 3,506,770	\$ 453,108	\$ 8,685,724
Accounts Receivable	4,936	132	422	2,104	7,594
Accrued Interest Receivable	145,660	73	0	0	145,733
Due from Other Funds	1,170,118	0	0	0	1,170,118
Inventories	366,726	0	0	0	366,726
Prepays	0	145,935	0	0	145,935
<b>Total Current Assets</b>	<u>3,595,949</u>	<u>2,963,477</u>	<u>3,507,192</u>	<u>455,212</u>	<u>10,521,830</u>
<b>Capital Assets:</b>					
Land	14,695	0	0	0	14,695
Machinery and Equipment	22,412,517	0	0	0	22,412,517
Less: Accumulated Depreciation	<u>(14,938,513)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(14,938,513)</u>
<b>Total Capital Assets</b>	<u>7,488,699</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,488,699</u>
<b>Other Assets:</b>					
Deposits	0	30,000	0	0	30,000
<b>Total Other Assets</b>	<u>0</u>	<u>30,000</u>	<u>0</u>	<u>0</u>	<u>30,000</u>
<b>Restricted Assets:</b>					
Long Term Certificates of Deposit	3,800,000	500,000	0	0	4,300,000
Investments	145,211	0	0	0	145,211
<b>Total Restricted Assets</b>	<u>3,945,211</u>	<u>500,000</u>	<u>0</u>	<u>0</u>	<u>4,445,211</u>
<b>Total Assets</b>	<u>15,029,859</u>	<u>3,493,477</u>	<u>3,507,192</u>	<u>455,212</u>	<u>22,485,740</u>
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts Payable	457,502	56,056	7,146	0	520,704
Benefits Payable	0	218,935	716,000	140,000	1,074,935
Compensated Absences Payable	82,418	11,098	4,975	0	98,491
<b>Total Current Liabilities</b>	<u>539,920</u>	<u>286,089</u>	<u>728,121</u>	<u>140,000</u>	<u>1,694,130</u>
<b>Total Liabilities</b>	<u>539,920</u>	<u>286,089</u>	<u>728,121</u>	<u>140,000</u>	<u>1,694,130</u>
<b>NET ASSETS:</b>					
Invested in Capital Assets	7,488,699	0	0	0	7,488,699
Unrestricted	<u>7,001,240</u>	<u>3,207,388</u>	<u>2,779,071</u>	<u>315,212</u>	<u>13,302,911</u>
<b>Total Net Assets</b>	<u>\$ 14,489,939</u>	<u>\$ 3,207,388</u>	<u>\$ 2,779,071</u>	<u>\$ 315,212</u>	<u>\$ 20,791,610</u>

See Independent Auditor's Report.

**CITY OF KINGSPORT, TENNESSEE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**For the Fiscal Year Ended June 30, 2009**

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Health Insurance Fund	Retirees Health Insurance Fund	Total Internal Service Funds
<b>OPERATING REVENUE:</b>					
Charges for Sales and Services	\$ 5,237,024	\$ 1,839,558	\$ 5,382,115	\$ 619,695	\$ 13,078,392
Miscellaneous	2,070	10,438	0	0	12,508
Total Operating Revenue	<u>5,239,094</u>	<u>1,849,996</u>	<u>5,382,115</u>	<u>619,695</u>	<u>13,090,900</u>
<b>OPERATING EXPENSES:</b>					
Personnel Services and Benefits	1,101,479	209,881	57,244	0	1,368,604
Materials and Supplies	2,686,046	4,728	1,759	0	2,692,533
Contractual Services	82,992	61,753	102,758	0	247,503
Insurance	2,383	338,357	277,738	22,447	640,925
Insurance Claims	0	1,386,724	4,174,510	762,092	6,323,326
Depreciation	1,544,255	0	0	0	1,544,255
Miscellaneous	76,779	0	250,271	24,138	351,188
Total Operating Expenses	<u>5,493,934</u>	<u>2,001,443</u>	<u>4,864,280</u>	<u>808,677</u>	<u>13,168,334</u>
Operating Income (Loss)	<u>(254,840)</u>	<u>(151,447)</u>	<u>517,835</u>	<u>(188,982)</u>	<u>(77,434)</u>
<b>NONOPERATING REVENUES:</b>					
Gain on Disposal of Fixed Assets	18,322	0	0	0	18,322
Investment Earnings	259,807	78,010	73,113	4,194	415,124
Total Nonoperating Revenues	<u>278,129</u>	<u>78,010</u>	<u>73,113</u>	<u>4,194</u>	<u>433,446</u>
Income (Loss) Before Transfers	23,289	(73,437)	590,948	(184,788)	356,012
Transfers In	23,835	0	0	500,000	523,835
Change in Net Assets	47,124	(73,437)	590,948	315,212	879,847
Net Assets, July 1, 2008	<u>14,442,815</u>	<u>3,280,825</u>	<u>2,188,123</u>	<u>0</u>	<u>19,911,763</u>
Net Assets, June 30, 2009	<u>\$ 14,489,939</u>	<u>\$ 3,207,388</u>	<u>\$ 2,779,071</u>	<u>\$ 315,212</u>	<u>\$ 20,791,610</u>

See Independent Auditor's Report.

**CITY OF KINGSPORT, TENNESSEE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2009

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Health Insurance Fund	Retirees Health Insurance Fund	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from Interfund Services Provided	\$ 5,241,004	\$ 1,849,996	\$ 5,386,124	\$ 617,591	\$ 13,094,715
Payments to Suppliers	(2,479,585)	(2,036,201)	(4,984,711)	(668,677)	(10,169,174)
Payments to Employees	(1,093,274)	(208,851)	(56,923)	0	(1,359,048)
Net Cash Provided (Used) by Operating Activities	<u>1,668,145</u>	<u>(395,056)</u>	<u>344,490</u>	<u>(51,086)</u>	<u>1,566,493</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers from Other Funds	0	0	0	500,000	500,000
Advances to Other Funds	(293,396)	0	0	0	(293,396)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(293,396)</u>	<u>0</u>	<u>0</u>	<u>500,000</u>	<u>206,604</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Capital Transfers from Other Funds	23,835	0	0	0	23,835
Purchase of Capital Assets	(1,832,869)	0	0	0	(1,832,869)
Proceeds from Sales of Capital Assets	18,322	0	0	0	18,322
Net Cash Used by Capital and Related Financing Activities	<u>(1,790,712)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,790,712)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchase of Investments	(24,867)	0	0	0	(24,867)
Interest Received	354,978	78,010	73,113	4,194	510,295
Net Cash Provided by Investing Activities	<u>330,111</u>	<u>78,010</u>	<u>73,113</u>	<u>4,194</u>	<u>485,428</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(85,852)	(317,046)	417,603	453,108	467,813
Cash and Cash Equivalents, July 1, 2008	<u>1,994,361</u>	<u>3,134,383</u>	<u>3,089,167</u>	<u>0</u>	<u>8,217,911</u>
Cash and Cash Equivalents, June 30, 2009	<u>\$ 1,908,509</u>	<u>\$ 2,817,337</u>	<u>\$ 3,506,770</u>	<u>\$ 453,108</u>	<u>\$ 8,685,724</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ (254,840)	\$ (151,447)	\$ 517,835	\$ (188,982)	\$ (77,434)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	1,544,255	0	0	0	1,544,255
(Increase) Decrease in Assets:					
Accounts Receivable	(3,746)	0	4,009	(2,104)	(1,841)
Due From Other Governments	5,656	0	0	0	5,656
Inventory	20,197	0	0	0	20,197
Prepays	0	(20,704)	0	0	(20,704)
Increase (Decrease) in Liabilities:					
Accounts Payable	348,418	(101,201)	6,325	0	253,542
Benefits Payable	0	(122,734)	(184,000)	140,000	(166,734)
Compensated Absences Payable	8,205	1,030	321	0	9,556
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,668,145</u>	<u>\$ (395,056)</u>	<u>\$ 344,490</u>	<u>\$ (51,086)</u>	<u>\$ 1,566,493</u>

See Independent Auditor's Report.

**CITY OF KINGSPORT, TENNESSEE**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2009**

	<b>Industrial Development Board</b>	<b>Emergency Communications District</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Customers and Users	\$ (322,033)	\$ 537,214
Payments to Suppliers	610,080	(419,506)
Net Cash Provided (Used) by Operating Activities	288,047	117,708
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfer from Primary Government	0	0
Net Cash Provided by Noncapital Financing Activities	0	0
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchases of Capital Assets	(1,954,345)	0
Grants	2,046,370	10,000
Principal Paid on Capital Debt	(432,189)	0
Interest Paid on Capital Debt	(137,317)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	(477,481)	10,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Sales and Maturities of Investments	0	0
Purchases of Investments	0	0
Interest Received	13,970	52,203
Net Cash Provided by Investing Activities	13,970	52,203
Net Increase (Decrease) in Cash and Cash Equivalents	(175,464)	179,911
Cash and Cash Equivalents, July 1, 2008	1,778,528	1,639,746
Cash and Cash Equivalents, June 30, 2009	\$ 1,603,064	\$ 1,819,657
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ (260,370)	\$ 26,452
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,085	87,718
(Increase) Decrease in Assets:		
Accounts Receivable	(4,819)	(6,414)
Due from Other Governments	0	(42,040)
Due from Primary Government	822,788	0
Note Receivable from Other Non-Profit Organization	(51,311)	0
Land Held for Sale or Development	(542,555)	0
Prepaid Items	2,400	(474)
Increase (Decrease) in Liabilities:		
Accounts Payable	386,200	52,466
Other Payables	(67,371)	0
Net Cash Provided (Used) by Operating Activities	\$ 288,047	\$ 117,708
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>		
Donated land for RCAM building	\$ 107,400	\$ 0
Increase in investment in joint venture	\$ 85,894	\$ 0

See Independent Auditor's Report.



## D. SUPPLEMENTAL INFORMATION

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**CITY OF KINGSPORT, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULES BY SOURCE**  
**June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>		
Land	\$ 19,564,339	\$ 18,774,132
Buildings	116,254,878	91,008,318
Improvements Other Than Buildings	13,926,395	11,774,469
Equipment	12,868,758	12,900,876
Software	355,647	283,042
Infrastructure	260,746,734	258,598,229
Construction in Progress	<u>50,421,336</u>	<u>51,209,271</u>
<b>Total Governmental Funds Fixed Assets</b>	<u>\$ 474,138,087</u>	<u>\$ 444,548,337</u>
<b>INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:</b>		
General Obligation Bonds	\$ 322,112,538	\$ 320,622,432
Contributions from Municipalities	576,947	576,947
Federal Grants	5,489,315	5,278,826
State Grants	286,061	286,061
County Grants	63,817	63,817
Federal Revenue Sharing	261,130	261,130
General Fund Revenue	15,747,577	15,778,255
Gifts	17,955,026	16,403,592
Forfeitures	65,273	51,873
Special Revenue Funds	57,391,011	30,222,477
Operating Revenue	3,656,422	3,682,022
Capital Lease Purchase	110,545	110,545
Notes Payable	1,089	1,089
Construction in Progress	<u>50,421,336</u>	<u>51,209,271</u>
<b>Total Governmental Funds Capital Assets</b>	<u>\$ 474,138,087</u>	<u>\$ 444,548,337</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.

See Independent Auditor's Report.

CITY OF KINGSPORT, TENNESSEE  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 JUNE 30, 2009

Function and Activity	Land	Improvements other than				Infrastructure	Construction in Progress	Total
		Buildings	Buildings	Equipment	Software			
General Government:								
General Government	\$ 9,472,735	\$ 1,768,036	\$ 921,246	\$ 98,704	\$ 26,173	\$ 0	\$ 16,346,633	\$ 28,633,527
City Manager	0	0	20,889	0	0	0	0	20,889
Finance	0	0	0	47,577	44,200	0	0	91,777
Information Services	0	0	0	1,562,440	0	0	0	1,562,440
Geographic Information	0	0	0	124,253	9,000	0	0	133,253
<b>Total General Government</b>	<b>9,472,735</b>	<b>1,768,036</b>	<b>942,135</b>	<b>1,832,974</b>	<b>79,373</b>	<b>0</b>	<b>16,346,633</b>	<b>30,441,886</b>
Economic and Physical Development:								
Development Services	0	650,519	45,984	34,575	0	0	0	731,078
Transportation	0	878,853	90,272	1,462,356	64,040	0	0	2,495,521
Engineering	0	0	0	64,361	0	0	0	64,361
<b>Total Economic and Physical Development</b>	<b>0</b>	<b>1,529,372</b>	<b>136,256</b>	<b>1,561,292</b>	<b>64,040</b>	<b>0</b>	<b>0</b>	<b>3,290,960</b>
Public Safety:								
Police	90,587	4,411,217	69,147	892,083	23,053	0	286,223	5,772,310
Fire	455,230	2,139,315	208,178	687,857	0	0	1,535,111	5,025,691
Communication	0	66,535	0	66,972	0	0	0	133,507
Central Dispatch	0	0	78,405	2,168,168	0	0	0	2,246,573
<b>Total Public Safety</b>	<b>545,817</b>	<b>6,617,067</b>	<b>355,730</b>	<b>3,815,080</b>	<b>23,053</b>	<b>0</b>	<b>1,821,334</b>	<b>13,178,081</b>
Public Works:								
General and Administrative	0	315,240	5,370	33,180	0	344,470	0	698,260
Sanitation	0	0	0	13,742	0	0	0	13,742
Streets	0	0	1,123,214	56,649	0	6,167,938	1,771,825	9,119,526
Maintenance	0	0	0	217,964	0	0	0	217,964
Bridges System	0	0	0	0	0	6,206,316	1,373,944	7,580,260
Highways System	0	0	0	0	0	243,605,639	340,907	243,946,546
<b>Total Public Works</b>	<b>0</b>	<b>315,240</b>	<b>1,128,584</b>	<b>321,535</b>	<b>0</b>	<b>256,324,263</b>	<b>3,486,676</b>	<b>261,576,298</b>

(continued)

CITY OF KINGSPORT, TENNESSEE  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 JUNE 30, 2009

Function and Activity	Land	Improvements other than				Equipment	Software	Infrastructure	Construction in Progress	Total
		Buildings	Buildings	Buildings	Buildings					
Culture and Recreation:										
Senior Citizens	0	3,871,546	0	7,197	0	0	0	0	3,878,743	
Recreation	4,611,227	7,564,956	2,970,136	593,470	0	0	0	10,387,472	26,127,261	
Bays Mountain	980,962	862,042	315,891	51,891	0	0	0	848,585	3,059,371	
Allandale	306,018	344,930	336,886	192,686	0	0	0	0	1,180,520	
Library	133,000	3,620,618	0	130,648	0	0	4,422,471	0	8,306,737	
<b>Total Culture and Recreation</b>	<b>6,031,207</b>	<b>16,264,092</b>	<b>3,622,913</b>	<b>975,892</b>	<b>0</b>	<b>0</b>	<b>4,422,471</b>	<b>11,236,057</b>	<b>42,552,632</b>	
Education	3,514,580	89,761,071	7,740,777	4,361,985	189,181	0	0	17,530,636	123,098,230	
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 19,564,339</b>	<b>\$ 116,254,878</b>	<b>\$ 13,926,395</b>	<b>\$ 12,868,758</b>	<b>\$ 355,647</b>	<b>\$ 260,746,734</b>	<b>\$ 50,421,336</b>	<b>\$ 474,138,087</b>		

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

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**For the Fiscal Year Ended June 30, 2009**

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Governmental Funds Capital Assets June 30, 2009</u>
General Government:					
General Government	\$ 17,421,071	\$ 11,309,879	\$ (97,423)	\$ 0	\$ 28,633,527
City Manager	20,889	0	0	0	20,889
Finance	53,072	38,705	0	0	91,777
Information Services	1,562,440	0	0	0	1,562,440
Geographic Information	133,253	0	0	0	133,253
<b>Total General Government</b>	<b>19,190,725</b>	<b>11,348,584</b>	<b>(97,423)</b>	<b>0</b>	<b>30,441,886</b>
Economic and Physical Development:					
Development Services	731,078	0	0	0	731,078
Transportation	2,249,058	246,463	0	0	2,495,521
Engineering	64,361	0	0	0	64,361
<b>Total Economic and Physical Development</b>	<b>3,044,497</b>	<b>246,463</b>	<b>0</b>	<b>0</b>	<b>3,290,960</b>
Public Safety:					
Police	5,448,156	324,154	0	0	5,772,310
Fire	3,664,090	1,456,014	(94,413)	0	5,025,691
Communication	133,507	0	0	0	133,507
Central Dispatch	2,246,573	0	0	0	2,246,573
<b>Total Public Safety</b>	<b>11,492,326</b>	<b>1,780,168</b>	<b>(94,413)</b>	<b>0</b>	<b>13,178,081</b>
Public Works:					
General and Administrative	698,260	0	0	0	698,260
Sanitation	13,742	0	0	0	13,742
Streets	6,494,936	3,469,172	(844,582)	0	9,119,526
Maintenance	217,964	0	0	0	217,964
Bridges System	7,143,550	436,710	0	0	7,580,260
Highways System	243,618,274	328,272	0	0	243,946,546
<b>Total Public Works</b>	<b>258,186,726</b>	<b>4,234,154</b>	<b>(844,582)</b>	<b>0</b>	<b>261,576,298</b>
Culture and Recreation:					
Senior Citizens	3,878,743	0	0	0	3,878,743
Recreation	23,924,975	2,625,868	(423,582)	0	26,127,261
Bays Mountain	2,627,067	432,304	0	0	3,059,371
Allandale	1,180,520	0	0	0	1,180,520
Library	8,306,737	0	0	0	8,306,737
<b>Total Culture and Recreation</b>	<b>39,918,042</b>	<b>3,058,172</b>	<b>(423,582)</b>	<b>0</b>	<b>42,552,632</b>
Education	112,716,021	37,493,603	(27,111,394)	0	123,098,230
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 444,548,337</b>	<b>\$ 58,161,144</b>	<b>\$ (28,571,394)</b>	<b>\$ 0</b>	<b>\$ 474,138,087</b>

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

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE**  
**ENTERPRISE FUNDS**  
**SCHEDULE OF OPERATING COSTS**  
For the Fiscal Year Ended June 30, 2009

	Water Fund	Sewer Fund	Solid Waste Management Fund	MeadowView Conference Resort and Convention Center Fund	Cattails at MeadowView Golf Course Fund	Total Enterprise Funds
<b>General and Administrative:</b>						
Personnel Services	\$ 573,128	\$ 250,073	\$ 100,000	\$ 0	\$ 0	\$ 923,201
Contractual Services	176,257	93,722	8,226	34,307	185,306	497,818
Supplies	155,452	1,735	0	163,841	7,691	328,719
Insurance	54,957	69,900	25,000	5,795	3,139	158,791
Subsidies and Contributions	0	0	0	310,348	0	310,348
Base Management Fee	0	0	0	94,042	30,339	124,381
Other	179,729	102,812	64,158	164,372	49,314	560,385
<b>Total General and Administrative</b>	<b>1,139,523</b>	<b>518,242</b>	<b>197,384</b>	<b>772,705</b>	<b>275,789</b>	<b>2,903,643</b>
<b>Operations:</b>						
Water Plant Operations	2,174,967	0	0	0	0	2,174,967
Sewer Plant Operations	0	1,835,301	0	0	0	1,835,301
Water Distribution System Maintenance	2,711,274	0	0	0	0	2,711,274
Sewer Collection System Maintenance	0	1,895,723	0	0	0	1,895,723
Reading, Service and Maintenance of Meters	834,613	0	0	0	0	834,613
Landfill Operations and Services	0	0	719,952	0	0	719,952
Solid Waste Collection Services	0	0	607,100	0	0	607,100
Organic Refuse Services	0	0	1,607,566	0	0	1,607,566
Recycling Services	0	0	410,442	0	0	410,442
Golf Grounds Maintenance	0	0	0	0	306,594	306,594
Golf Pro Shop	0	0	0	0	403,171	403,171
Golf Shop Food and Beverage	0	0	0	0	56,985	56,985
<b>Total Operations</b>	<b>5,720,854</b>	<b>3,731,024</b>	<b>3,345,060</b>	<b>0</b>	<b>766,750</b>	<b>13,563,688</b>
<b>Total Operating Costs</b>	<b>\$ 6,860,377</b>	<b>\$ 4,249,266</b>	<b>\$ 3,542,444</b>	<b>\$ 772,705</b>	<b>\$ 1,042,539</b>	<b>\$ 16,467,331</b>

See Independent Auditor's Report.

**CITY OF KINGSFORT, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2009**

CFDA Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2008	Cash Receipts	Expenditures	Balance June 30, 2009
<b>SCHOOL NUTRITION SERVICES FUND:</b>						
	Pass Through Tennessee Department of Education:					
10.555	National School Lunch Program	U.S. Department of Agriculture	\$ 0	\$ 1,011,766	\$ 1,119,432	\$ (107,666) *
10.553	School Breakfast Program	U.S. Department of Agriculture	0	311,599	337,601	(26,002) *
	Pass Through Tennessee Department of Agriculture:					
10.569	Commodity Supplemental Feeding	U.S. Department of Agriculture	93,217	178,199	100,119	171,297 ***
	Total School Nutrition Services Fund		93,217	1,501,564	1,557,152	37,629
<b>PUBLIC LAW 93-380 FUND:</b>						
	Pass Through Tennessee Department of Education:					
84.010	Title I, Project 08-01, 08-21	U.S. Department of Education	(292,832)	388,783	95,951	0
84.010	Title I, Project 09-01	U.S. Department of Education	0	1,224,524	1,452,034	(227,510) *
84.027	IDEA Part B, 08-01, 08-21	U.S. Department of Education	(152,841)	597,761	444,920	0
84.027	IDEA Part B, 09-01	U.S. Department of Education	0	671,308	831,245	(159,937) *
84.048	Carl Perkins, 2008	U.S. Department of Education	(74,142)	74,754	612	0
84.048	Carl Perkins, 2009	U.S. Department of Education	0	41,787	106,284	(64,497) *
84.173	Pre School 08-01	U.S. Department of Education	(14,935)	14,935	0	0
84.173	Pre School 09-01	U.S. Department of Education	0	33,075	44,557	(11,482) *
84.298	Title V, 2007-01, 2007-21	U.S. Department of Education	(2,499)	2,499	0	0
84.298	Title V, 2008-01	U.S. Department of Education	(3,270)	11,001	7,731	0
84.365	Title III, 2008	U.S. Department of Education	(7,859)	8,036	177	0
84.365	Title III, 2009	U.S. Department of Education	0	2,991	9,155	(6,164) *
84.367	Title II, 2008, 2008-01, 2008-21	U.S. Department of Education	(42,450)	331,665	289,812	(597) *
84.367	Title II, 2009, 2009-01	U.S. Department of Education	0	0	165,394	(165,394) *
84.318	Title II D, 2007, 2007-01, 2007-21	U.S. Department of Education	(12,628)	12,628	0	0
84.318	Title II D, 2008, 2008-01, 2008-21	U.S. Department of Education	(9,204)	13,086	6,583	(2,701) *
84.318	Title II D, 2009, 2009-01	U.S. Department of Education	0	4,165	4,165	0
84.186	Title IV, 2008, 2008-01	U.S. Department of Education	(10,732)	10,732	0	0
84.186	Title IV, 2009, 2009-01	U.S. Department of Education	0	151	26,773	(26,622) *
	Total Public Law 93-380 Fund		(623,392)	3,443,881	3,485,393	(664,904)

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2009

CFDA Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2008	Cash Receipts	Expenditures	Balance June 30, 2009
<u>SPECIAL SCHOOL PROJECTS FUND:</u>						
Direct Programs:						
84.287	Community of Learners	U.S. Department of Education	(17,988)	57,222	51,133	(11,899) *
Pass-Through Tennessee Department of Labor:						
17.260	Rapid Response Dislocated Worker	U.S. Department of Labor	0	0	6,859	(6,859) *
Pass-Through Tennessee Department of Education:						
84.318	Education for Tennessee Grant	U.S. Department of Education	(11,966)	50,616	53,353	(14,703) *
84.196	Homeless Assistance Grant	U.S. Department of Education	(17,020)	37,952	40,068	(19,136) *
Total Special School Projects Fund			(46,974)	145,790	151,413	(52,597)
<u>SPECIAL REVENUE GENERAL PROJECTS FUND:</u>						
Direct Programs:						
97.044	2008 Assistance to Fire Fighters Grant / EMW-2008-FO-11093	U.S. Dept. of Homeland Security	0	67,500	59,302	8,198 **
Pass-through Community Capacity Development Office:						
16.595	Weed and Seed Program	U.S. Department of Justice	(8,851)	14,027	5,176	0
Pass-through Tennessee Department of Transportation:						
20.600	Multiple Approach to Reduce Crash Hazards / Z-08-023694-00	U. S. Department of Transportation	(3,277)	9,256	5,979	0
Total Special Revenue General Projects Fund			(12,128)	90,783	70,457	8,198
<u>COMMUNITY DEVELOPMENT FUND:</u>						
Direct Programs:						
14.218	Community Development Block Grants	U.S. Department of Housing and Urban Development	(123,964)	549,188	470,207	(44,983) *
Total Community Development Fund			(123,964)	549,188	470,207	(44,983)

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2009

CFDA Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2008	Cash Receipts	Expenditures	Balance June 30, 2009
<b>FEDERAL TRANSIT ADMINISTRATION FUND:</b>						
Direct Programs:						
20.507	FTA Capital/Operating/Planning TN-90-X218	U.S. Department of Transportation	(22,029)	22,029	0	0
20.507	FTA Capital/Operating/Planning TN-90-X235	U.S. Department of Transportation	(108,000)	108,000	0	0
20.507	FTA Capital/Operating/Planning TN-90-X250	U.S. Department of Transportation	(63,171)	112,147	54,816	(5,840) *
20.507	FTA Capital/Operating/Planning TN-90-X263	U.S. Department of Transportation	(141,054)	446,832	349,959	(44,181) *
20.507	FTA Capital/Operating/Planning TN-90-X278	U.S. Department of Transportation	0	250,048	377,682	(127,634) *
Total Federal Transit Administration Fund			(334,254)	939,056	782,457	(177,655)
<b>CAPITAL PROJECTS FUND:</b>						
Direct Programs:						
11.300	Public Works Program Leadership in Energy and Environment Design	U.S. Department of Commerce	0	0	1,373,179	(1,373,179) *
Pass-Through Tennessee Department of Transportation						
20.219	STP-EN-9108(29)	U.S. Department of Transportation	(93,138)	251,175	335,862	(177,825) *
20.219	STP-EN-8200(24)	U.S. Department of Transportation	0	0	66,073	(66,073) *
20.219	STP-EN-8200(22)	U.S. Department of Transportation	0	0	78,039	(78,039) *
Total Capital Projects Fund			(93,138)	251,175	1,853,153	(1,695,116)
<b>GENERAL PURPOSE SCHOOL FUND:</b>						
Pass-Through Tennessee Department of Labor:						
84.002	Adult Basic Education	U.S. Department of Education	(8,511)	186,639	210,782	(32,654) *
Total General Purpose School Fund			(8,511)	186,639	210,782	(32,654)
<b>GENERAL FUND:</b>						
Pass-Through First Tennessee Development District:						
93.044	Title III-B & III-D KINGS-2008-HOOT-09	U.S. Dept of Hlth & Human Sv	0	9,400	9,400	0
Total General Fund			0	9,400	9,400	0

(continued)

**CITY OF KINGSFORT, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2009

CFDA Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2008	Cash Receipts	Expenditures	Balance June 30, 2009
<b>JUSTICE ASSISTANCE GRANT FUND:</b>						
Direct Programs:						
16.579	Justice Assistance Grant / 2005-DJ-BX-0359	U.S. Department of Justice	153	0	153	0
16.579	Justice Assistance Grant / 2006-DJ-BX-0738	U.S. Department of Justice	0	0	5,902	(5,902) *
	Total Justice Assistance Grant Fund		153	0	6,055	(5,902)
<b>METROPOLITAN PLANNING OFFICE FUND:</b>						
Pass-Through Tennessee Department of Transportation:						
20.205	FHWA Project No. SPR-PL-1-(221) 2008	Federal Highway Administration	(68,174)	114,779	46,605	0
20.205	FHWA Project No. SPR-PL-1-(221) 2009	Federal Highway Administration	0	64,050	98,545	(34,495) *
20.207	FTA Capital / Operating / Planning Section 5303 08	U.S. Department of Transportation	(23,555)	28,703	5,148	0
20.207	FTA Capital / Operating / Planning Section 5303 09	U.S. Department of Transportation	0	14,571	19,945	(5,374) *
20.205	Highway Planning and Construction Project 112432.00	U.S. Department of Transportation	0	0	356	(356) *
ARRA						
Pass-Through Virginia Department of Transportation:						
20.205	FHWA Project VA PL Funds 2008	Federal Highway Administration	(4,000)	4,000	0	0
20.205	FHWA Project VA PL Funds 2009	Federal Highway Administration	0	0	4,000	(4,000) *
20.207	FTA Capital / Operating / Planning VA 2008	U.S. Department of Transportation	(2,988)	2,988	0	0
20.207	FTA Capital / Operating / Planning VA 2009	U.S. Department of Transportation	0	0	3,195	(3,195) *
	Total Metropolitan Planning Office Fund		(98,717)	229,091	177,794	(47,420)
	Total Federal Awards		\$ (1,247,708)	\$ 7,346,567	\$ 8,774,263	\$ (2,675,404)

**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 \$50,000; \$16,587; and \$43,754, respectively.

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

See Independent's Auditor's Report.

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2009**

State Grant Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2008	Cash Receipts	Expenditures	Balance June 30, 2009
<b>GENERAL FUND:</b>						
Z-09-216060-00	Touring Art Program Red Hot and Blue Revue	Tennessee Arts Commission	\$ 0	\$ 0	\$ 4,000	\$ (4,000) *
Z-09-216059-00	Touring Art Program Art Nights / City Lights	Tennessee Arts Commission	0	0	2,000	(2,000) *
Z-08-21715-00	Traveling Arts Exhibits	Tennessee Arts Commission	(2,950)	2,950	0	0
Z-08-22012	Artist Registry/Inventor and Symposium	Tennessee Arts Commission	(3,500)	3,500	0	0
	Arts Build Community Grant	Tennessee Arts Commission	0	2,100	2,100	0
Pass-Through First Tennessee Development District:						
KINGS-2008-HOOT-08	State Senior Center Operations Grant	TN Department of Health & Human Services	(1,666)	1,666	0	0
KINGS-2009-HOOT-09	State Senior Center Operations Grant	TN Department of Health & Human Services	0	20,000	20,000	0
Total General Fund			(8,116)	30,216	28,100	(6,000)
<b>SPECIAL REVENUE GENERAL PROJECTS FUND:</b>						
RC0507SL	Kingsport Art and Sculpture Walk / VIN 0789-2373	Tennessee Arts Commission	(960)	960	0	0
Z-09-214344-00	KTAG - Kingsport Targeting Aggressive Groups	Governors Highway Safety Office	0	9,242	20,197	(10,955) *
Z-08-0201322-00	Farmers Market Promotion and Retail Grant	Tennessee Department of Agriculture	(3,200)	7,592	4,392	0
Z-09-215870-00	Kingsport Art and Sculpture Walk	Tennessee Arts Commission	0	0	6,000	(6,000) *
Total Special Revenue General Projects Fund			(4,160)	17,794	30,589	(16,955)
<b>METROPOLITAN PLANNING ORGANIZATION FUND:</b>						
GG-07-26135-00	TN-80-0002-00 Operating 82-5303-S3-006	Tennessee Department of Transportation	0	1,821	2,493	(672) *
GG-08-11508-00	TN-80-0002-01 Operating 82-5303-S3-006	Tennessee Department of Transportation	(2,944)	3,588	644	0
Total Metropolitan Planning Organization Fund			(2,944)	5,409	3,137	(672)
<b>FEDERAL TRANSIT ADMINISTRATION FUND:</b>						
82-5307-S2-002	TN-90-X-235 Capital	Tennessee Department of Transportation	(13,500)	13,500	0	0
82-5307-S2-003	TN-90-X-250 Capital	Tennessee Department of Transportation	(7,897)	10,114	2,947	(730) *
82-UROP-S2-007	TN-90-X-250 Operating	Tennessee Department of Transportation	0	3,905	3,905	0
82-UROP-S2-004	TN-90-X-263 Capital	Tennessee Department of Transportation	(3,855)	29,816	31,484	(5,523) *
82-UROP-S2-007	TN-90-X-263 Operating	Tennessee Department of Transportation	(55,107)	104,153	49,046	0
82-5307-S3-004	TN-90-X-278 Capital	Tennessee Department of Transportation	0	8,442	13,076	(4,634) *
82-UROP-S3-008	TN-90-X-278 Operating	Tennessee Department of Transportation	0	91,260	135,681	(44,421) *
82-LEGS-S3-002	TN-90-X-S05 Capital	Tennessee Department of Transportation	0	35,227	35,227	0
Total Federal Transit Administration Fund			(80,359)	296,417	271,366	(55,308)
<b>COMMUNITY DEVELOPMENT FUND:</b>						
Z-08-022626	Emergency Shelter Grant	TN Department of Health & Human Services	(7,744)	7,744	0	0
ESG-08-26	Emergency Shelter Grant	TN Department of Health & Human Services	0	53,807	79,180	(25,373) *
Total Community Development Fund			(7,744)	61,551	79,180	(25,373)

(continued)

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2009**

State Grant Number	Program Name / Grant Number	Grantor Agency	Balance June 30, 2008	Cash Receipts	Expenditures	Balance June 30, 2009
<b><u>SPECIAL SCHOOL PROJECTS FUND:</u></b>						
GDB/ABX	One Room Drop in School 2008	Tennessee Department of Education	(34,577)	48,906	14,329	0
GG-08-21643	Truancy Intervention Program 2008	Tennessee Department of Children's Services	(14,779)	14,779	0	0
GG-09-26407	Truancy Intervention Program 2009	Tennessee Department of Children's Services	0	31,854	52,892	(21,038) *
019-08-3-054 to 057	LEAPS Program	Tennessee Department of Education	(39,732)	160,407	206,808	(86,133) *
GP-46590	Safe Schools	Tennessee Department of Education	(3,994)	22,379	21,165	(2,780) *
MWB-ACX	Pre-Kindergarten- Lottery	Tennessee Department of Education	(33,988)	452,589	459,924	(41,323) *
MXB-AXX	Early Childhood Program	Tennessee Department of Education	(24,600)	24,600	0	0
MTE-AXX	Family Resource	Tennessee Department of Education	(769)	30,995	33,300	(3,074) *
GZB-AXX	Coordinated School Health	TN Department of Health & Human Services	(57,797)	131,019	102,756	(29,534) *
GP-46590	Drop Out Prevention	Tennessee Department of Education	0	0	6,000	(6,000) *
FP-47147	Youth Violence & Drug Prevention	Tennessee Department of Education	0	24,169	42,134	(17,965) *
Total Special School Projects Fund			(210,236)	941,697	939,308	(207,847)
<b><u>CAPITAL PROJECTS FUND:</u></b>						
DG-07-01997-00	Local Park and Recreation Fund (LPRF)	Tennessee Dept of Environment & Conservation	(57,181)	57,181	0	0
GG-08-22460-00	Mad Branch Improvement	Tennessee Department of Agriculture	0	1,533	1,533	0
GG-09-25533-00	Mad Brabch Storm Water Device	Tennessee Department of Agriculture	0	26,137	26,137	0
Total Capital Projects Fund			(57,181)	84,851	27,670	0
<b><u>FLEET MAINTENANCE FUND:</u></b>						
Z-07-038475-00	Alternative Fuels Grant	Tennessee Dept of Environment & Conservation	(5,656)	7,726	2,070	0
Total Fleet Fund			(5,656)	7,726	2,070	0
<b><u>SEWER FUND:</u></b>						
SRF-2007-197	State Revolving Loan Fund	Tennessee Dept of Environment & Conservation	(58,890)	8,328,577	9,619,684	(1,349,997) *
SRF-2007-200	State Revolving Loan Fund	Tennessee Dept of Environment & Conservation	0	805,095	805,095	0
Total Sewer Fund			(58,890)	9,133,672	10,424,779	(1,349,997)
Total State Awards for the Primary Government			(435,286)	10,579,333	11,806,199	(1,662,152)
<b><u>COMPONENT UNIT INDUSTRIAL DEVELOPMENT BOARD:</u></b>						
GG-09-25919-00	Regional Center for Advanced Manufacturing	TN Dept of Economic and Community Development	0	2,046,370	1,954,345	92,025 **
Total Industrial Development Board			0	2,046,370	1,954,345	92,025
Total State Awards			\$ (435,286)	\$ 12,625,703	\$ 13,760,544	\$ (1,570,127)

\* Receivable \*\* Unused Revenue \*\*\* Inventory on Hand  
 See Independent's Auditor's Report.

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## 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.

<b>Contents:</b>	<b><u>Page</u></b>
<b><u>Financial Trends</u></b> <i>Tables 1 - 6 contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	158
<b><u>Revenue Capacity</u></b> <i>Tables 7 -10 contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	166
<b><u>Debt Capacity</u></b> <i>Tables 11 - 15 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.</i>	170
<b><u>Demographic and Economic Information</u></b> <i>Tables 16 - 17 offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	175
<b><u>Operating Information</u></b> <i>Tables 18 - 27 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.</i>	177

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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Table 1

**CITY OF KINGSPORT, TENNESSEE**  
**NET ASSETS BY COMPONENT**  
For the Fiscal Years Noted  
(accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009		
<b>Governmental Activities</b>										
Invested in Capital Assets, Net of Related Debt	\$ 234,544,000	\$ 235,345,000	\$ 236,295,000	\$ 236,125,000	\$ 245,201,000	\$ 244,856,000	\$ 251,706,778	\$ 255,888,658		
Restricted	8,981,000	6,876,000	6,694,000	1,081,000	4,099,000	33,768,000	30,399,946	22,286,383		
Unrestricted	37,305,000	39,600,000	38,668,000	50,500,000	38,707,000	9,145,000	2,085,078	(702,400)		
<b>Total Governmental Activities Net Assets</b>	<b>\$ 280,830,000</b>	<b>\$ 281,821,000</b>	<b>\$ 281,657,000</b>	<b>\$ 287,706,000</b>	<b>\$ 288,007,000</b>	<b>\$ 287,769,000</b>	<b>\$ 284,191,802</b>	<b>\$ 277,472,641</b>		
<b>Business-Type Activities</b>										
Invested in Capital Assets, Net of Related Debt	\$ 98,946,000	\$ 103,253,000	\$ 113,859,000	\$ 119,477,000	\$ 126,885,000	\$ 133,869,000	\$ 142,403,592	\$ 149,317,029		
Restricted	1,046,000	1,068,000	562,000	897,000	838,000	952,000	1,119,119	939,246		
Unrestricted	2,627,000	3,939,000	43,000	3,174,000	6,069,000	10,225,000	13,816,505	16,644,944		
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 102,619,000</b>	<b>\$ 108,260,000</b>	<b>\$ 114,464,000</b>	<b>\$ 123,548,000</b>	<b>\$ 133,792,000</b>	<b>\$ 145,046,000</b>	<b>\$ 157,339,216</b>	<b>\$ 166,901,219</b>		
<b>Primary Government</b>										
Invested in Capital Assets, Net of Related Debt	\$ 333,490,000	\$ 338,598,000	\$ 350,154,000	\$ 355,602,000	\$ 372,086,000	\$ 378,725,000	\$ 394,110,370	\$ 405,205,687		
Restricted	10,027,000	7,944,000	7,256,000	1,978,000	4,937,000	34,720,000	31,519,065	23,225,629		
Unrestricted	39,932,000	43,539,000	38,711,000	53,674,000	44,776,000	19,370,000	15,901,583	15,942,544		
<b>Total Primary Government Net Assets</b>	<b>\$ 383,449,000</b>	<b>\$ 390,081,000</b>	<b>\$ 396,121,000</b>	<b>\$ 411,254,000</b>	<b>\$ 421,799,000</b>	<b>\$ 432,815,000</b>	<b>\$ 441,531,018</b>	<b>\$ 444,373,860</b>		

Source: City of Kingsport Finance Department

Note: Information is only available for years ended after adoption of GASB 34.  
Financial statements prior to June 30, 2008 were rounded to thousands.

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Expenses</b>								
<b>Governmental Activities:</b>								
General Government	\$ 5,530,000	\$ 5,295,000	\$ 6,571,000	\$ 4,687,000	\$ 5,605,000	\$ 10,185,000	\$ 10,448,110	\$ 8,346,300
Public Safety	12,631,000	13,395,000	13,918,000	14,767,000	16,076,000	16,994,000	19,844,589	19,955,908
Public Works	9,279,000	9,225,000	10,151,000	8,737,000	11,638,000	11,388,000	13,370,957	12,871,747
Highway Transportation Planning	2,034,000	2,366,000	2,693,000	2,679,000	2,894,000	2,820,000	3,121,176	3,532,499
Economic and Physical Development	3,128,000	3,066,000	2,829,000	3,065,000	3,280,000	3,418,000	4,097,855	4,387,024
Culture and Recreation	4,096,000	4,469,000	4,294,000	4,456,000	5,253,000	5,097,000	6,802,922	6,535,076
Education	47,840,000	50,950,000	52,939,000	54,274,000	57,985,000	60,306,000	66,063,108	69,060,256
Interest on Long-Term Debt	2,713,000	2,329,000	2,228,000	2,002,000	1,737,000	1,470,000	3,244,491	3,276,319
Other	234,000	314,000	475,000	0	0	0	0	0
<b>Total Governmental Activities Expenses</b>	<b>87,485,000</b>	<b>91,409,000</b>	<b>96,098,000</b>	<b>94,867,000</b>	<b>104,468,000</b>	<b>111,678,000</b>	<b>126,993,208</b>	<b>127,975,129</b>
<b>Business-Type Activities:</b>								
Water	8,216,000	7,503,000	7,483,000	7,618,000	8,051,000	7,910,000	8,971,314	9,208,308
Sewer	8,015,000	6,824,000	7,631,000	7,545,000	7,700,000	7,582,000	7,941,556	8,527,859
Solid Waste Management	2,794,000	2,915,000	3,078,000	3,304,000	3,168,000	4,432,000	3,798,666	3,643,156
MeadowView Conference Center	2,117,000	1,701,000	2,321,000	1,740,000	1,392,000	1,230,000	1,246,702	1,481,629
Cattails at MeadowView Golf Course	1,351,000	1,246,000	1,255,000	1,323,000	1,355,000	1,432,000	1,447,591	1,361,077
<b>Total Business-Type Activities Expenses</b>	<b>22,493,000</b>	<b>20,189,000</b>	<b>21,768,000</b>	<b>21,530,000</b>	<b>21,666,000</b>	<b>22,586,000</b>	<b>23,405,829</b>	<b>24,202,029</b>
<b>Total Primary Government Expenses</b>	<b>\$ 109,978,000</b>	<b>\$ 111,598,000</b>	<b>\$ 117,866,000</b>	<b>\$ 116,397,000</b>	<b>\$ 126,134,000</b>	<b>\$ 134,264,000</b>	<b>\$ 150,399,037</b>	<b>\$ 152,177,158</b>
<b>Program Revenues</b>								
<b>Governmental Activities:</b>								
Charges for Services:								
General Government	\$ 1,564,000	\$ 406,000	\$ 322,000	\$ 368,000	\$ 507,000	\$ 821,000	\$ 138,937	\$ 194,323
Public Safety	140,000	274,000	216,000	287,000	288,000	314,000	2,478,198	2,384,667
Highway Transportation Planning	51,000	49,000	98,000	95,000	88,000	97,000	97,070	120,520
Economic and Physical Development	247,000	241,000	321,000	308,000	435,000	519,000	513,595	562,536
Culture and Recreation	563,000	519,000	495,000	571,000	679,000	678,000	748,935	754,137
Education	2,584,000	2,600,000	2,571,000	2,648,000	2,639,000	2,726,000	2,472,281	2,452,987
Operating Grants and Contributions	22,877,000	24,420,000	25,195,000	27,005,000	26,957,000	29,035,000	31,848,530	32,757,394
Capital Grants and Contributions	821,000	1,629,000	940,000	2,738,000	1,627,000	706,000	6,982,702	4,179,278
<b>Total Governmental Activities Program Revenues</b>	<b>28,847,000</b>	<b>30,138,000</b>	<b>30,158,000</b>	<b>34,020,000</b>	<b>33,220,000</b>	<b>34,896,000</b>	<b>45,280,248</b>	<b>43,405,842</b>
<b>Business-Type Activities:</b>								
Charges for Services:								
Water	10,157,000	10,708,000	11,198,000	11,904,000	12,493,000	13,445,000	13,073,516	12,981,541
Sewer	10,349,000	10,429,000	11,120,000	12,709,000	12,895,000	13,357,000	12,740,996	13,081,940
Solid Waste Management	391,000	383,000	441,000	580,000	489,000	580,000	783,960	679,518
MeadowView Conference Center	239,000	248,000	248,000	267,000	253,000	287,000	283,188	259,746
Cattails at MeadowView Golf Course	1,132,000	973,000	958,000	950,000	982,000	1,025,000	1,095,861	1,042,420
Capital Grants and Contributions	201,000	0	0	0	0	0	2,660,735	2,123,441
<b>Total Business-Type Activities Program Revenues</b>	<b>22,469,000</b>	<b>22,741,000</b>	<b>23,965,000</b>	<b>26,410,000</b>	<b>27,112,000</b>	<b>28,694,000</b>	<b>30,638,256</b>	<b>30,168,606</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 51,316,000</b>	<b>\$ 52,879,000</b>	<b>\$ 54,123,000</b>	<b>\$ 60,430,000</b>	<b>\$ 60,332,000</b>	<b>\$ 63,590,000</b>	<b>\$ 75,918,504</b>	<b>\$ 73,574,448</b>

(continued)

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Net (Expense)/Revenue</b>								
Governmental Activities	\$ (58,638,000)	\$ (61,271,000)	\$ (65,940,000)	\$ (60,647,000)	\$ (71,248,000)	\$ (76,782,000)	\$ (81,712,960)	\$ (84,569,287)
Business-Type Activities	(24,000)	2,552,000	2,197,000	4,880,000	5,446,000	6,108,000	7,232,427	5,966,577
Total Primary Government Net (Expense)	\$ (58,662,000)	\$ (58,719,000)	\$ (63,743,000)	\$ (55,767,000)	\$ (65,802,000)	\$ (70,674,000)	\$ (74,480,533)	\$ (78,602,710)
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental Activities:								
Taxes:								
Property Taxes	\$ 35,254,000	\$ 36,398,000	\$ 38,532,000	\$ 39,122,000	\$ 41,609,000	\$ 42,857,000	\$ 43,181,138	\$ 45,003,403
Sales Taxes	23,874,000	24,133,000	24,394,000	25,174,000	26,154,000	27,570,000	27,531,437	27,003,900
Other Taxes	4,115,000	4,013,000	3,826,000	3,743,000	4,460,000	5,069,000	6,117,575	5,447,237
Grants and Contributions Not Restricted	986,000	565,000	581,000	524,000	589,000	713,000	641,999	970,035
Unrestricted Investment Earnings	1,118,000	673,000	598,000	1,015,000	1,662,000	2,801,000	3,392,236	1,624,800
Gain (Loss) on Disposal of Capital Assets	20,000	4,000	13,000	30,000	2,000	4,000	269,917	18,322
Miscellaneous	621,000	933,000	1,589,000	944,000	972,000	1,340,000	1,036,779	790,029
Transfers	(5,067,000)	(2,987)	(3,757,000)	(3,856,000)	(3,899,000)	(3,810,000)	(4,035,319)	(3,007,600)
Total Governmental Activities	60,921,000	66,717,013	65,776,000	66,696,000	71,549,000	76,544,000	78,135,762	77,850,126
Business-Type Activities:								
Unrestricted Investment Earnings	442,000	295,000	239,000	351,000	877,000	1,334,000	1,024,862	600,431
Gain (Loss) on Disposal of Capital Assets	(6,000)	6,000	4,000	(8,000)	0	2,000	50	(12,605)
Miscellaneous	0	0	7,000	5,000	22,000	0	0	0
Transfers	5,067,000	2,987,000	3,757,000	3,856,000	3,899,000	3,810,000	4,035,319	3,007,600
Total Business-Type Activities	5,503,000	3,288,000	4,007,000	4,204,000	4,798,000	5,146,000	5,060,231	3,595,426
Total Primary Government	\$ 66,424,000	\$ 70,005,013	\$ 69,783,000	\$ 70,900,000	\$ 76,347,000	\$ 81,690,000	\$ 83,195,993	\$ 81,445,552
<b>Change in Net Assets</b>								
Governmental Activities	\$ 2,283,000	\$ 5,446,013	\$ (164,000)	\$ 6,049,000	\$ 301,000	\$ (238,000)	\$ (3,577,198)	\$ (6,719,161)
Business-Type Activities	5,479,000	5,840,000	6,204,000	9,084,000	10,244,000	11,254,000	12,292,658	9,562,003
Total Primary Government	\$ 7,762,000	\$ 11,286,013	\$ 6,040,000	\$ 15,133,000	\$ 10,545,000	\$ 11,016,000	\$ 8,715,460	\$ 2,842,842

Source: City of Kingsport Finance Department

Note: Information is only available for years ended after adoption of GASB 34.  
Note: All changes in net assets are exclusive of any prior period adjustments.

Table 3

**CITY OF KINGSFORT, TENNESSEE**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
 For the Fiscal Years Noted  
 (accrual basis of accounting)

Fiscal Year	Property Tax	Local Sales Tax	Income Tax	Business Tax	Alcoholic Beverage Tax	Hotel / Motel Tax	Total
2002	\$ 35,254,000	\$ 23,874,000	\$ 664,000	\$ 1,427,000	\$ 1,307,000	\$ 717,000	\$ 63,243,000
2003	36,399,000	24,133,000	659,000	1,272,000	1,318,000	764,000	64,545,000
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

Source: City of Kingsport Finance Department

Note: Information is only available for years ended after adoption of GASB 34. Financial statements prior to June 30, 2008 were rounded to thousands.

Table 4

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund Reserved Unreserved	\$ 4,190,000	\$ 2,916,000	\$ 2,910,000	\$ 3,378,000	\$ 3,950,000	\$ 3,607,000	\$ 3,232,000	\$ 3,510,000	\$ 3,391,331	\$ 2,384,571
Special Revenue Funds	11,147,000	13,836,000	14,627,000	14,920,000	12,720,000	12,078,000	15,420,000	17,409,000	14,848,415	12,927,260
Capital Project Funds	15,337,000	16,752,000	17,537,000	18,298,000	16,670,000	15,685,000	18,652,000	20,919,000	18,239,746	15,311,831
<b>Total General Fund</b>	<b>\$ 31,474,000</b>	<b>\$ 33,504,000</b>	<b>\$ 35,074,000</b>	<b>\$ 36,606,000</b>	<b>\$ 33,340,000</b>	<b>\$ 31,370,000</b>	<b>\$ 37,304,000</b>	<b>\$ 41,838,000</b>	<b>\$ 36,479,492</b>	<b>\$ 30,623,662</b>
All Other Governmental Funds Reserved	\$ 852,000	\$ 563,000	\$ 753,000	\$ 5,602,000	\$ 4,713,000	\$ 7,797,000	\$ 4,747,000	\$ 5,695,000	\$ 14,961,015	\$ 16,130,214
Unreserved, reported in:										
Debt Service	113,000	0	15,000	0	71,000	33,000	69,000	1,022,000	1,140,765	626,839
Special Revenue Funds	4,815,000	4,991,000	6,447,000	5,732,000	5,956,000	5,385,000	5,050,000	7,556,000	6,895,192	7,432,715
Capital Project Funds	16,977,000	9,641,000	8,777,000	6,689,000	6,532,000	688,000	3,757,000	33,434,000	30,073,388	22,101,833
Permanent Fund	0	0	0	0	0	0	0	0	20,293	28,232
<b>Total all Other Governmental Funds</b>	<b>\$ 22,757,000</b>	<b>\$ 15,195,000</b>	<b>\$ 15,992,000</b>	<b>\$ 18,023,000</b>	<b>\$ 17,272,000</b>	<b>\$ 13,903,000</b>	<b>\$ 13,623,000</b>	<b>\$ 47,707,000</b>	<b>\$ 53,090,653</b>	<b>\$ 46,319,833</b>

Source: City of Kingsport Finance Department

Note: Financial statements prior to June 30, 2008 were rounded to thousands.

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

	Fiscal Year										
	2000	2001	2002	2003	2004	2005	2005	2006	2007	2008	2009
<b>Revenues:</b>											
Taxes	\$ 40,843,000	\$ 42,567,000	\$ 43,644,000	\$ 45,098,000	\$ 46,524,000	\$ 48,415,000	\$ 51,532,000	\$ 53,341,000	\$ 57,472,994	\$ 58,697,849	
Licenses and Permits	209,000	207,000	401,000	264,000	324,000	350,000	350,000	526,000	778,788	544,797	
Intergovernmental	40,435,000	43,518,000	44,025,000	46,018,000	46,457,000	49,907,000	50,004,000	52,686,000	52,217,860	54,633,138	
Charges for Services	5,506,000	4,800,000	4,643,000	3,503,000	3,561,000	3,689,000	3,900,000	4,162,000	3,940,109	4,056,619	
Fines and Forfeitures	394,000	542,000	506,000	421,000	297,000	443,000	560,000	787,000	2,233,346	2,083,918	
Contributions	132,000	26,000	73,000	319,000	272,000	579,000	459,000	316,000	385,508	343,405	
Investment Earnings	2,202,000	1,997,000	761,000	489,000	395,000	731,000	1,188,000	2,123,000	2,754,996	1,209,675	
Miscellaneous	542,000	368,000	274,000	276,000	327,000	332,000	360,000	555,000	714,899	438,420	
<b>Total Revenues</b>	<b>90,263,000</b>	<b>94,025,000</b>	<b>94,327,000</b>	<b>96,387,000</b>	<b>98,157,000</b>	<b>104,426,000</b>	<b>108,353,000</b>	<b>114,486,000</b>	<b>120,498,500</b>	<b>122,007,821</b>	
<b>Expenditures:</b>											
General Government	5,110,000	5,200,000	5,326,000	5,526,000	5,657,000	5,898,000	6,240,000	7,698,000	8,228,820	8,287,499	
Public Safety	11,079,000	11,331,000	12,196,000	12,634,000	13,085,000	13,890,000	14,556,000	15,568,000	16,983,599	17,862,379	
Public Works	7,074,000	6,841,000	4,448,000	4,299,000	5,207,000	4,814,000	5,018,000	5,178,000	5,639,582	6,162,895	
Transportation	2,091,000	2,106,000	2,034,000	2,366,000	2,693,000	2,679,000	2,894,000	2,820,000	3,121,176	3,532,499	
Development	2,243,000	3,567,000	2,977,000	2,816,000	2,556,000	2,948,000	3,068,000	3,219,000	3,681,462	3,884,126	
Recreation	2,962,000	3,197,000	3,190,000	3,274,000	3,022,000	3,726,000	4,011,000	3,933,000	4,594,675	4,884,551	
Education	40,959,000	42,788,000	44,589,000	46,818,000	48,581,000	51,437,000	53,181,000	55,800,000	57,969,972	60,328,330	
Miscellaneous	0	249,000	220,000	309,000	348,000	516,000	722,000	878,000	1,019,288	860,350	
Capital Outlay	6,868,000	14,951,000	7,368,000	7,502,000	10,048,000	11,933,000	10,562,000	4,954,000	21,263,050	30,907,899	
Debt Service:											
Principal	5,219,000	6,081,000	6,628,000	19,770,000	11,060,000	7,847,000	8,525,000	8,488,000	12,191,783	7,750,015	
Interest	2,839,000	2,898,000	2,713,000	2,299,000	2,170,000	1,982,000	1,735,000	1,470,000	2,449,755	2,761,593	
Bond Issuance Costs	0	18,000	34,000	123,000	211,000	43,000	100,000	300,000	389,556	405,059	
Arbitrage Rebate	257,000	0	0	0	0	0	0	0	0	0	
Other Charges	37,000	8,000	14,000	5,000	30,000	15,000	20,000	11,000	7,590	19,516	
<b>Total Expenditures</b>	<b>86,738,000</b>	<b>99,235,000</b>	<b>91,737,000</b>	<b>107,741,000</b>	<b>104,668,000</b>	<b>107,728,000</b>	<b>110,632,000</b>	<b>110,317,000</b>	<b>137,540,308</b>	<b>147,646,711</b>	
<b>Excess of revenues over (under) expenditures</b>	<b>3,525,000</b>	<b>(5,210,000)</b>	<b>2,590,000</b>	<b>(11,354,000)</b>	<b>(6,511,000)</b>	<b>(3,302,000)</b>	<b>(2,279,000)</b>	<b>4,179,000</b>	<b>(17,041,808)</b>	<b>(25,638,890)</b>	

(Continued)

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Other Financing Sources (Uses):</b>										
Transfers In	\$ 23,161,000	\$ 25,305,000	\$ 24,826,000	\$ 29,658,000	\$ 28,792,000	\$ 30,494,000	\$ 32,824,000	\$ 36,504,000	\$ 36,400,996	\$ 33,134,077
Transfers Out	(26,360,000)	(28,149,000)	(29,997,000)	(32,681,000)	(32,606,000)	(34,396,000)	(36,723,000)	(40,314,000)	(40,680,728)	(36,665,512)
Issuance of Debt	2,035,000	1,909,000	2,620,000	17,155,000	13,725,000	2,850,000	6,771,000	35,441,000	23,120,000	19,260,000
State Loan Proceeds	414,000	0	0	0	0	0	0	0	0	0
Bond Anticipation Notes	0	0	0	0	0	0	0	0	0	0
Bond Premiums	0	0	0	0	561,000	0	0	0	112,398	211,590
Sale of Building	0	0	0	0	0	0	0	0	800,000	0
Refunding Bond Proceeds	0	0	0	0	0	0	0	0	0	0
Payments to Refunded	0	0	0	0	(6,340,000)	0	0	0	0	0
Bond Escrow Agent	0	0	0	0	0	0	0	0	0	0
Bond Proceeds From	0	0	0	0	0	0	0	0	0	0
Other Governments	181,000	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(569,000)	(935,000)	(2,551,000)	14,132,000	4,132,000	(1,052,000)	2,872,000	31,631,000	19,752,666	15,940,155
<b>Net Change in Fund Balances</b>	<b>\$ 2,956,000</b>	<b>\$ (6,145,000)</b>	<b>\$ 39,000</b>	<b>\$ 2,778,000</b>	<b>\$ (2,379,000)</b>	<b>\$ (4,354,000)</b>	<b>\$ 593,000</b>	<b>\$ 35,810,000</b>	<b>\$ 2,710,858</b>	<b>\$ (9,698,735)</b>
Debt Service as a Percentage of Noncapital Expenditures	10.5%	10.7%	11.1%	22.1%	14.2%	10.3%	10.4%	9.7%	12.9%	9.4%

Source: City of Kingsport Finance Department

Note: All net changes in fund balances are exclusive of any prior period adjustments. Financial statements prior to June 30, 2008 were rounded to thousands.

Table 6

**CITY OF KINGSPORT, TENNESSEE**  
**GENERAL GOVERNMENT TAX REVENUES BY SOURCE**  
 For the Fiscal Years Noted  
 (modified accrual basis of accounting)

Fiscal Year	Property Tax		Local Sales Tax		Income Tax		Business Tax		Alcoholic Beverage Tax		Hotel / Motel Tax		Total
2002	\$ 34,911,000		\$ 23,874,000		\$ 664,000		\$ 1,427,000		\$ 1,307,000		\$ 717,000		\$ 62,900,000
2003	36,117,000		24,133,000		659,000		1,272,000		1,318,000		764,000		64,263,000
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

Source: City of Kingsport Finance Department

Note: Information is only available for years ended after adoption of GASB 34.

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.

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	Real Property				Personal Property	Public Utility	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Tax Year	Residential & Farm Property	Industrial & Commercial Property							
2000	1999	\$ 328,273,815	\$ 291,537,209	\$ 289,111,759	\$ 33,216,706	\$ 942,139,489	\$ 2.39	\$ 3,155,975,910	29.85%	
2001	2000	335,408,356	299,653,106	280,452,313	35,562,788	951,076,563	2.39	3,177,912,163	29.93%	
2002	2001	378,890,929	350,414,588	307,946,010	39,512,083	1,076,763,610	2.22	3,489,323,774	30.86%	
2003	2002	381,837,990	353,943,783	306,104,121	44,088,034	1,085,973,928	2.29	3,512,115,287	30.92%	
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%	

Source: City of Kingsport Finance Department

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

Table 8

**CITY OF KINGSPORT, TENNESSEE  
PROPERTY TAX RATES (per \$100 assessed value)  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30</b>	<b>City Direct Rates</b>	<b>Overlapping Rates</b>	
		<b>Sullivan County</b>	<b>Hawkins County</b>
2000	\$ 2.39	\$ 2.58	\$ 3.00
2001	2.39	2.63	3.00
2002	2.22	2.35	2.41
2003	2.29	2.35	2.41
2004	2.29	2.35	2.41
2005	2.29	2.67	2.53
2006	2.26	2.53	2.68
2007	2.26	2.53	2.36
2008	2.30	2.53	2.61
2009	2.30	2.53	2.61

Source: City of Kingsport Finance Department

Note: Overlapping rates are those of county governments that apply to property owners within the City of Kingsport.

**CITY OF KINGSPORT, TENNESSEE  
PRINCIPAL PROPERTY TAXPAYERS  
FOR THE FISCAL YEARS NOTED**

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Eastman Chemical Company	\$ 348,428,573	1	26.3%	\$ 278,183,169	1	29.5%
Domtar, Inc (Weyerhaeuser Co/ Willamette Industries)	23,439,943	2	1.8%	24,015,781	2	2.5%
Wellmont Health System/ Holston Vally Health Care	19,720,117	3	1.5%	4,477,779	9	0.5%
Kingsport Power Company	15,138,731	4	1.1%	10,915,000	5	1.2%
Fort Henry Mall- Baltry, LLC	13,297,885	5	1.0%	10,185,240	6	1.1%
Mountain States Health / HCA	9,844,445	6	0.7%	5,978,080	7	0.6%
Inland Western Kpt East Stone LLC - Clara F Jackson	8,977,880	7	0.7%			
Sprint/United Inter-Mountain Telephone Southeast	8,815,371	8	0.7%	12,899,465	3	1.4%
Eastman Credit Union	8,703,596	9	0.7%			0.0%
Wal Mart Properties/Real Estate	8,601,440	10	0.7%			0.0%
AGC America, Inc				5,245,037	8	0.6%
Quebecor				12,688,001	4	1.3%
Crosscreek				3,128,120	10	0.3%
<b>Totals</b>	<b>\$ 464,967,981</b>		<b>35.2%</b>	<b>\$ 367,715,672</b>		<b>39.0%</b>

## Total Taxable Assessed Value:

FYE 2009 (Tax Year 2008) \$ 1,322,327,705  
 FYE 2000 (Tax Year 1999) \$ 942,139,489

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			Total Collections to Date			Uncollected Delinquent Taxes
				Amount	Percentage of Adjusted Levy	Collections in Subsequent Years	Amount	Percentage of Adjusted Levy	Amount	
2000	\$ 22,522,659	\$ 17,832	\$ 22,540,491	\$ 21,896,993	97.15%	\$ 619,489	\$ 22,516,482	99.89%	\$ 24,009	
2001	22,824,429	6,779	22,831,208	22,121,322	96.89%	650,248	22,771,570	99.74%	59,638	
2002	23,911,170	(13,233)	23,897,937	23,042,569	96.42%	754,976	23,797,545	99.58%	100,392	
2003	24,868,827	63,260	24,932,087	24,104,536	96.68%	772,866	24,877,402	99.78%	54,685	
2004	26,332,293	(1,318)	26,330,975	25,315,529	96.14%	928,682	26,244,211	99.67%	86,764	
2005	26,616,925	(18,158)	26,598,767	25,793,768	96.97%	712,038	26,505,806	99.65%	92,961	
2006	28,738,644	(456)	28,738,188	27,985,510	97.38%	631,538	28,617,048	99.58%	121,140	
2007	29,564,326	989	29,565,315	28,769,796	97.31%	651,418	29,421,214	99.51%	144,101	
2008	29,582,951	164,528	29,747,479	28,616,818	96.20%	669,300	29,286,118	98.45%	461,361	
2009	30,553,586	0	30,553,586	29,616,908	96.93%	0	29,616,908	96.93%	936,678	

Source: City of Kingsport Finance Department

**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				
2000	\$ 62,770,000	\$ 730,000	\$ 71,014,000	\$ 354,000	\$ 7,709,000	\$ 142,577,000	12.64%	\$ 3,175	
2001	58,416,000	911,000	64,017,000	330,000	8,625,000	132,299,000	11.53%	2,975	
2002	54,766,000	554,000	61,743,000	300,000	11,419,000	128,782,000	11.04%	2,903	
2003	48,434,000	4,450,000	61,394,000	270,000	13,046,000	127,594,000	11.37%	2,876	
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	12.38%	3,681	

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.

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

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts		Net General Obligation Bonds	Estimated Actual Taxable Value of Property	Per Capita
		Available in Debt Service Fund				
2000	\$ 62,770,000	\$ 113,000	\$ 62,657,000	1.99%	\$ 1,395	
2001	58,416,000	0	58,416,000	1.84%	1,314	
2002	54,766,000	15,000	54,751,000	1.57%	1,234	
2003	48,434,000	0	48,434,000	1.38%	1,092	
2004	49,288,000	71,000	49,217,000	1.33%	1,113	
2005	44,395,000	33,000	44,362,000	1.19%	1,007	
2006	38,931,000	92,000	38,839,000	0.96%	880	
2007	63,481,000	422,000	63,059,000	1.50%	1,427	
2008	74,292,500	392,347	73,900,153	1.79%	1,663	
2009	86,349,375	169,995	86,179,380	2.03%	1,820	

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 KINGSPORT, TENNESSEE**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**For the Fiscal Year Ended June 30, 2008**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt Repaid with Property Taxes:</b>			
<b>Net Direct Debt:</b>			
City of Kingsport	\$ 101,870,000 *	100.00%	\$ 101,870,000
Total Direct Debt	<u>101,870,000</u>	<u>100.00%</u>	<u>101,870,000</u>
<b>Overlapping Debt:</b>			
Sullivan County	49,790,000	42.88%	21,349,952
Hawkins County	<u>50,855,000</u>	<u>6.42%</u>	<u>3,264,891</u>
Subtotal, Overlapping Debt	<u>100,645,000</u>	<u>49.30%</u>	<u>24,614,843</u>
<b>Total Direct and Overlapping Debt</b>	<u><u>\$ 202,515,000</u></u>		<u><u>\$ 126,484,843</u></u>

\* Includes MeadowView Conference Center General Obligation Debt

Sources:

- City of Kingsport Finance Department
- County Governments

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.

Table 14

CITY OF KINGSFORT, TENNESSEE  
LEGAL DEBT MARGIN INFORMATION  
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit	\$ 188,427,898	\$ 190,215,313	\$ 215,352,722	\$ 217,194,786	\$ 229,939,433	\$ 232,288,806	\$ 252,821,477	\$ 262,717,827	\$ 257,199,126	\$ 264,465,541
Total Net Debt Applicable to Limit	62,770,000	58,416,000	65,906,000	62,796,000	56,978,000	50,275,000	43,335,000	65,910,000	74,655,000	101,870,000
Legal Debt Margin	\$ 125,657,898	\$ 131,799,313	\$ 149,446,722	\$ 154,398,786	\$ 172,961,433	\$ 182,013,806	\$ 209,486,477	\$ 196,807,827	\$ 182,544,126	\$ 162,595,541
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	33.31%	30.71%	30.60%	28.91%	24.78%	21.64%	17.14%	25.09%	29.03%	38.52%
<b>Legal Debt Margin Calculation for Fiscal Year 2009</b>										
Total Taxable Assessed Value	\$ 1,322,327,705									
Debt Limit (20% of Taxable Assessed Value)	264,465,541									
Debt Applicable to Limit:										
General Obligation Debt	86,349,375									
Add: Solid Waste General Obligation Debt	340,625									
Add: MeadowView Conference Center General Obligation Debt	15,180,000									
Total Net Debt Applicable to Limit	101,870,000									
Legal Debt Margin	\$ 162,595,541									

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-

Source: City of Kingsport Finance Department

Table 15

CITY OF KINGSFORT, TENNESSEE  
 PLEDGED-REVENUE COVERAGE  
 Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Net Available Revenue	Debt Service			Total	Coverage
				Principal	Interest	Total		
<b>(1)</b>								
<b>Less:</b>								
<b>Water and Sewer Revenue Bonds:</b>								
2000	\$ 18,162,000	\$ 8,832,000	\$ 9,330,000	\$ 5,068,000	\$ 2,407,000	\$ 7,475,000	1.25	
2001	19,500,000	9,803,000	9,697,000	5,996,000	2,867,000	8,863,000	1.09	
2002	20,506,000	9,674,000	10,832,000	5,754,000	1,954,000	7,708,000	1.41	
2003	21,137,000	8,770,000	12,367,000	6,669,000	1,588,000	8,257,000	1.50	
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	

(1) Total operating expenses exclusive of depreciation.

Source: City of Kingsport Finance Department

Note: Financial statements prior to June 30, 2008 were rounded to thousands.

Table 16

**CITY OF KINGSFORT, 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
					Formal Schooling	School Enrollment		
2000	44,905	1,127,789,075	25,115	*	*	6,341	3.8%	
2001	44,467	1,147,648,803	25,809	41.9	*	6,316	4.3%	
2002	44,362	1,166,986,772	26,306	*	*	6,372	5.6%	
2003	44,362	1,122,314,238	25,299	*	*	6,412	5.9%	
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	47,356	1,407,893,880	29,730	*	*	6,392	9.4%	

\* Information was not available.

Source:  
City of Kingsport Planning Department  
U.S. Census Bureau

Table 17

CITY OF KINGSFORT, TENNESSEE  
 PRINCIPAL EMPLOYERS  
 FOR THE FISCAL YEARS NOTED

Employer	2009			2000*		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Eastman Chemical Company	6,800	1	10.0%	8,630	1	12.2%
Wellmont Health Systems	3,000	2	4.4%	1,922	3	2.7%
Kingsport City Schools	1,049	3	1.5%	962	5	1.4%
Wal-Mart	900	4	1.3%	N/A		
Holston Medical Group	880	5	1.3%	N/A		
Mountain States Health	845	6	1.2%	N/A		
City of Kingsport	745	7	1.1%	700	6	1.0%
AGC Flat Glass	640	8	0.9%	1,230	4	1.7%
BAE SYSTEMS Ordnance Systems, Inc.	460	9	0.7%	N/A		
Domtar	350	10	0.5%	N/A		
Quebecor World	N/A			2,141	2	3.0%
Willamette Industries	N/A			581	7	0.8%
Chiquola Fabrics	N/A			375	8	0.5%
ICG Holliston	N/A			210	9	0.3%
Kingsport Publishing Times-News	N/A			209	10	0.3%
	<u>15,669</u>		<u>23.0%</u>	<u>16,960</u>		<u>24.0%</u>
Total Sullivan County Employment:						
	FYE 2009			68,120		
	FYE 2000			70,530		

Total Sullivan County Employment:

FYE 2009 68,120  
 FYE 2000 70,530

\*Principal Employer information is not available prior to FY 2000

Source:

-NETWORKS/Sullivan Partnership

Table 18

**CITY OF KINGSFORT, TENNESSEE  
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
FOR THE FISCAL YEARS NOTED**

Function	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
General Government	80	81	79	80	81	80	92	96
Public Safety	234	233	235	237	237	243	254	257
Public Works	103	105	105	109	106	113	119	120
Development	49	49	46	47	47	36	25	24
Recreation	53	53	54	56	57	57	58	59
Education	913	924	945	961	970	978	982	993
Water	78	78	78	80	80	80	78	78
Sewer	46	46	45	40	40	40	40	41
Solid Waste	37	36	36	36	35	31	30	30
	<u>1,593</u>	<u>1,605</u>	<u>1,623</u>	<u>1,646</u>	<u>1,653</u>	<u>1,658</u>	<u>1,678</u>	<u>1,698</u>

Sources:

- City of Kingsport Finance Department
- Kingsport City School System

Note:

-Information prior to FY2002 was not readily available.

Table 19

**CITY OF KINGSPORT, TENNESSEE  
OPERATING INDICATORS BY FUNCTION  
FOR THE FISCAL YEARS NOTED**

Function	Fiscal Year	
	2008	2009
Education:		
Student Transportation:		
Miles	377,916	355,694
Average Daily Ridership	1,943	1,754
Public Safety:		
Police:		
Physical Arrests	3,348	3,587
Parking Citations	3,016	2,804
Traffic Citations	12,957	12,030
Calls for Service	48,981	46,249
Fire:		
Calls for Service	6,445	6,515
Inspections	2,899	3,378
Fire Loss	\$ 1,565,342	\$ 1,909,032
Public Works:		
Potholes Repaired	924	1,102
Streets Swept (linear miles)	6,339	6,247
Traffic Signal Maintenance Calls	547	598
Leaves Collected (Tons)	1,595	1,907
Parks and Recreation:		
Civic Auditorium Rentals	899	881
Civic Auditorium Attendance	70,197	72,773
Pool Attendance	25,231	18,120
Participation in Athletic Division events	187,561	198,544
Participation in Cultural Arts Division events	9,891	13,088
Participation in Community Services Division events	76,402	78,918
Renaissance Center Rentals	1,870	2,135
Renaissance Center Attendance	198,575	222,294
Allandale Rentals	293	274
Allandale Visitors	23,591	22,598
K - Play Games Played	1,428	1,560
K - Play Attendance	97,320	124,728
Senior Center:		
Active Members	2,365	2,673
Average Daily Attendance	226	241
Bays Mountain Park:		
Total Programs	1,259	2,090
Total Attendance	173,063	192,529
Library:		
Total Circulation	210,476	241,239
Building Attendance	193,344	209,234
Water:		
Average Daily Consumption in Gallons	14.6 mgd	15.2 mgd
Maximum Daily Capacity in Gallons	28.0 mgd	28.0 mgd
Water Taps	442	256
Sewer:		
Average Daily Treatment in Gallons	8.8 mgd	8.6 mgd
Maximum Daily Plant Capacity in Gallons	12.4 mgd	12.4 mgd
Sewer Taps	206	165
Solid Waste:		
Landfill Material Accepted (Tons)	32,574	26,958
Household Refuse Collected (Tons)	16,244	15,924
Recyclables Collected (Tons)	2,613	2,728
Golf Course:		
Rounds of Golf	27,338	26,233

Source: Various City Departments

Table 20

**CITY OF KINGSPORT, TENNESSEE  
CAPITAL ASSET STATISTICS BY FUNCTION  
FOR THE FISCAL YEARS NOTED**

Function	Fiscal Year	
	2008	2009
Education:		
Student Transportation:		
Buses	37	38
Public Safety:		
Police:		
Stations	1	1
Patrol Units	109	109
Motorcycle Units	1	1
Fire:		
Stations	6	6
Fire Trucks/Rescue Units	14	14
Public Works:		
Streets (Miles)	434	450
Street Lights	9,031	9,114
Traffic Signals	102	101
Leisure Services:		
Parks and Recreation:		
Park Sites	17	18
Park Acreage	232	237
Swimming Pools	2	1
Splash Pad	0	1
Tennis Courts	8	8
Community Centers	5	5
Senior Citizens:		
Senior Center	1	1
Other Recreational Facilities:		
Bays Mountain Park & Nature Center -Acreage	3,550	3,550
Hunter Wright Baseball Stadium - Acreage	54	54
Allandale - Acreage	25	25
Civic Auditorium - Acreage	5	5
Dogwood Park Facility - Acreage	3	3
Lynn View Facility - Acreage	14	14
Renaissance Center - Acreage	5	5
Legion Pool - Acreage	5	5
School System:		
Elementary Schools	7	7
Middle Schools	2	2
High Schools	1	1
Water and Sewer:		
Water Mains (Miles)	817	826
Fire Hydrants	1,740	1,754
Sanitary Sewers (Miles)	515	518
Storm Sewers (Miles)	209	209
Solid Waste:		
Collection Trucks	15	15
Golf Courses	1	1
Cattails Golf Course - Acreage	192	192

Source: Various City Departments

**CITY OF KINGSPORT, TENNESSEE**  
**UTILITY RATE STRUCTURE & NUMBER OF CUSTOMERS**  
**June 30, 2009**

**Water Rates:**

		<u>Inside City</u>	
First	2,000 gallons	\$ 3.36	per 1000 gal
Next	13,000 gallons	\$ 2.71	per 1000 gal
Next	35,000 gallons	\$ 2.09	per 1000 gal
Over	50,000 gallons	\$ 1.43	per 1000 gal
		<u>Outside City</u>	
First	1,000 gallons	\$ 15.34	per 1000 gal
Next	9,000 gallons	\$ 6.66	per 1000 gal
Next	10,000 gallons	\$ 6.02	per 1000 gal
Next	70,000 gallons	\$ 5.59	per 1000 gal
Next	100,000 gallons	\$ 4.57	per 1000 gal
Over	190,000 gallons	\$ 4.30	per 1000 gal

**Sewer Rates:**

		<u>Inside City</u>	
Minimum charge		\$ 13.64	2,000 gal
Additional gallons		\$ 6.82	per 1000 gal
		<u>Outside City</u>	
Minimum charge		\$ 17.54	2,000 gal
Additional gallons		\$ 8.77	per 1000 gal

**Number of Customers:**

	<u>Inside City</u>	<u>Outside City</u>
Water	19,570	14,470
Sewer	18,732	1,801

Source: City of Kingsport Finance Department

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER**  
**June 30, 2009**  
**(All amounts in gallons)**

<b>Water Treated and Purchased:</b>		
Water Pumped (potable)	5,305,280,000	
Water Purchased	<u>3,823,000</u>	
<b>Total Water Treated and Purchased</b>		5,309,103,000
<b>Accounted for Water:</b>		
Water Sold	3,270,505,500	
Metered for Consumption	283,807,400	
Fire Department(s) Usage	2,773,900	
Flushing	24,365,700	
Tank Cleaning/Filling	9,798,900	
Street Cleaning	3,194,900	
Bulk Sales	0	
Water Bill Adjustments	0	
Other	0	
<b>Total Accounted for Water</b>		<u>3,594,446,300</u>
<b>Unaccounted for Water</b>		<u>1,714,656,700</u>
<b>Percent Unaccounted for Water</b>		<u>32.30%</u>
<b>Cost per 1,000 gallons of Water</b>		<u>\$1.29</u>
<b>Cost of Unaccounted for Water</b>		<u>\$2,211,907</u>

Source: City of Kingsport Finance Department

**CITY OF KINGSPORT, TENNESSEE  
TOP TEN WATER CUSTOMERS  
FOR YEAR ENDED JUNE 30, 2009**

<u>Customer Name</u>	<u>Consumption</u>	<u>Revenue</u>	<u>Revenue as % of FY09 Water Sales</u>
Eastman Chemical Company	655,441,600	\$ 969,857	8.03%
Wellmont Health System	55,922,300	81,972	0.68%
Domtar Paper Company, LLC	53,523,700	90,429	0.75%
Royal Ordnance of North America, Inc.	50,551,400	73,335	0.61%
Pet Dairy, Inc.	34,983,800	51,196	0.42%
Kingsport Housing Authority	28,657,500	48,869	0.40%
AGC	25,138,100	48,801	0.40%
Indian Path Hospital	19,429,400	28,307	0.23%
Allandale Falls Apt, LLC	17,392,300	25,534	0.21%
MeadowView Conference Resort	12,645,800	19,651	0.16%
	<u>953,685,900</u>	<u>\$ 1,437,951</u>	<u>11.89%</u>

Source: City of Kingsport Finance Department

Table 24

**CITY OF KINGSPORT, TENNESSEE  
TOP TEN SEWER CUSTOMERS  
FOR YEAR ENDED JUNE 30, 2009**

<u>Customer Name</u>	<u>Consumption</u>	<u>Revenue</u>	<u>Revenue as % of FY09 Sewer User Fees</u>
Eastman Chemical Company	215,715,400	\$ 1,471,655	11.72%
Wellmont Health Systems	48,682,300	332,133	2.64%
Kingsport Housing Authority	28,657,500	197,222	1.57%
Pet Dairy, Inc.	27,920,600	190,448	1.52%
Allandale Falls Apt, LLC	17,392,300	118,615	0.94%
Indian Path Hospital	15,020,900	102,443	0.82%
Domtar Paper Company, LLC	14,498,000	98,921	0.79%
Model City Apts	11,800,300	80,540	0.64%
Cabana Apartments, Inc.	10,724,200	73,139	0.58%
MeadowView Conference Resort	10,194,800	69,529	0.55%
	<u>400,606,300</u>	<u>\$ 2,734,645</u>	<u>21.77%</u>

Source: City of Kingsport Finance Department

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE - FUTURE REQUIREMENTS**  
**JUNE 30, 2009**

Fiscal Year	REVENUE AND GENERAL OBLIGATION BONDS										Combined Bonds and Interest
	General Obligation Bonds		City of Kingsport		Sewage Disposal Bonds		Meadowview Convention Center Bonds and Cattails Golf Course Bonds		Public Improvement		
	Principal	Interest	Tri-county Water Bonds	South and East Kingsport and	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$ 3,760,000	\$ 3,551,243	\$ 1,882,244	\$ 1,009,235	\$ 3,307,756	\$ 1,212,470	\$ 539,000	\$ 736,673	\$ 3,760,000	\$ 3,551,243	\$ 15,998,621
2011	4,670,000	3,348,895	1,982,244	926,285	3,447,756	1,073,571	1,153,500	663,163	4,670,000	3,348,895	17,265,414
2012	4,815,000	3,184,806	2,037,244	838,199	3,592,756	925,671	705,000	623,038	4,815,000	3,184,806	16,721,714
2013	4,990,000	3,011,581	1,948,186	747,257	3,351,814	770,252	725,000	602,788	4,990,000	3,011,581	16,146,878
2014	5,165,000	2,819,219	2,018,186	656,978	3,501,814	621,882	747,000	581,913	5,165,000	2,819,219	16,111,992
2015	4,815,000	2,611,494	1,864,128	562,338	3,350,872	462,092	768,000	557,163	4,815,000	2,611,494	14,991,087
2016	4,635,000	2,422,310	1,385,070	475,084	2,454,930	308,901	795,000	531,663	4,635,000	2,422,310	13,007,958
2017	4,590,000	2,237,628	1,210,070	414,110	1,744,930	208,062	822,000	570,863	4,590,000	2,237,628	11,797,663
2018	4,775,000	2,061,634	988,837	359,945	1,336,163	139,442	710,000	476,100	4,775,000	2,061,634	10,847,121
2019	4,205,000	1,879,946	933,837	315,409	961,163	88,478	735,000	447,700	4,205,000	1,879,946	9,566,533
2020	4,105,000	1,714,347	813,837	272,571	421,163	52,790	765,000	418,300	4,105,000	1,714,347	8,563,008
2021	4,265,000	1,550,478	848,837	233,829	431,163	36,471	800,000	387,700	4,265,000	1,550,478	8,553,478
2022	4,160,000	1,378,766	778,837	193,319	81,163	19,662	830,000	355,700	4,160,000	1,378,766	7,797,447
2023	4,330,000	1,210,853	838,837	155,485	81,163	16,415	865,000	322,500	4,330,000	1,210,853	7,820,253
2024	4,515,000	1,030,253	753,837	114,556	81,163	13,169	900,000	284,656	4,515,000	1,030,253	7,692,634
2025	4,705,000	837,765	753,837	77,053	81,163	9,922	940,000	245,281	4,705,000	837,765	7,650,021
2026	4,900,000	637,165	778,837	39,549	81,163	6,676	980,000	202,981	4,900,000	637,165	7,626,371
2027	5,125,000	425,728	18,837	777	81,163	3,348	1,025,000	157,656	5,125,000	425,728	6,837,509
2028	2,730,000	199,688	0	0	0	0	1,075,000	110,250	2,730,000	199,688	4,114,938
2029	1,435,000	71,750	0	0	0	0	1,130,000	56,500	1,435,000	71,750	2,693,250
	<b>\$ 86,690,000</b>	<b>\$ 36,185,549</b>	<b>\$ 21,835,742</b>	<b>\$ 7,391,979</b>	<b>\$ 28,389,258</b>	<b>\$ 5,969,274</b>	<b>\$ 17,009,500</b>	<b>\$ 8,332,588</b>	<b>\$ 86,690,000</b>	<b>\$ 36,185,549</b>	<b>\$ 211,803,890</b>
			<b>General Obligation</b>				<b>Principal</b>	<b>Interest</b>			<b>Total</b>
			<b>Revenue and General Obligation</b>				<b>\$ 86,690,000</b>	<b>\$ 36,185,549</b>			<b>\$ 122,875,549</b>
			<b>TOTAL</b>				<b>67,234,500</b>	<b>21,693,841</b>			<b>88,928,341</b>
							<b>\$ 153,924,500</b>	<b>\$ 57,879,390</b>			<b>\$ 211,803,890</b>

Source: City of Kingsport Finance Department

**CITY OF KINGSPORT, TENNESSEE**  
**SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS**  
For the Fiscal Year Ended June 30, 2009

<u>NAME</u>	<u>TITLE</u>	<u>ANNUAL SALARY</u>	<u>AMOUNT OF SURETY BOND</u>
John Campbell	City Manager	\$ 152,045	\$ 5,000
J. Michael Billingsley	City Attorney	112,545	0
James H. Demming	City Recorder/Chief Financial Officer	104,000	385,000
Keith E. Smith	City Treasurer	78,212	200,000
Richard Kitzmiller	Director of Schools	143,875	0
Gale Osborne	Chief of Police	88,330	0
Dennis R. Phillips	Mayor	3,000	0
Larry Munsey	Vice-Mayor	2,400	0
Patrick W. Shull	Alderman	2,400	0
C. Ken Marsh, Jr.	Alderman	2,400	0
Benjamin K. Mallicote	Alderman	2,400	0
Valerie Joh	Alderman	2,400	0
Jantry Shupe	Alderman	2,400	0

Source: City of Kingsport Finance Department

Table 27

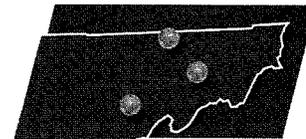
CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF INSURANCE IN FORCE  
June 30, 2009

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	7/1/09-7/1/11 Annual Renewal 7/1/09-7/1/10	General Liability Auto Liability Auto Physical Damage Errors and Omissions	\$ 3,000,000 3,000,000 Replacement 3,000,000	\$ 100,785
Safety National Casualty Corporation	AGC-2U79-TN (reinsurance agreement)	1/1/09-1/1/10	Worker's Compensation	Statutory	104,225
<u>Government Crime/ St. Paul / U.S. Fidelity &amp; Guarantee Co.</u>	104703171	1/1/09-1/1/10	Employee Blanket Dishonesty (City)	250,000	1,770
Travelers Insurance Co.	105012751	07/01/09- 07/01/10	Employee Blanket Dishonesty (Schools)	510,000	6,484
<u>Unemployment Compensation</u>	Self insured				
<u>Property and Casualty Continental Casualty Company</u>	RMP2071010211	12/31/08-12/31/09	Buildings and Contents	194,607,453	138,385
Travelers Insurance Co.	I-660-710X3600-TIL07	2/13/09-2/13/10	Justice Center Commercial/ Gen Property	5,928,000	9,957
Hartford Insurance Co.	20MSCYQ7488	5/26/09-5/26/10	Grand Piano - Allendale		534
<u>Boiler and Machinery The Cincinnati Insurance Co.</u>	BEP2646328	1/1/09-1/1/10	Boilers and Machinery	100,000	4,284
<u>Public Officials Bond St. Paul / U.S. Fidelity &amp; Guarantee Co. C.N.A. Surety</u>	400MQ3028 105290675	8/1/09-8/1/10 4/30/09-4/30/10	Bond - Treasurer (K. Smith) Bond - Treasurer (K. Smith) (State of Tennessee Schools)	200,000 1,277,000	473 1,920
Travelers Insurance Company	400NS5672	3/15/09-3/15/10	Bond - Recorder (J. Demming)	385,000	1,536
Travelers Insurance Company	104224291	10/1/08-10/1/09	Bond - City Manager (J. Campbell)	5,000	100
Travelers Insurance Company	104476426	12/31/08-12/31/09	Bond - City Judge (J.R. Boatwright)	1,000	100
Western Surety Company	58368775	4/4/09-4/4/10	Blanket Notary Errors and Omissions	25,000	780
<u>Other</u>					
Stadium General Liability/ Hunter Wright Property - D.B. High School Montgomery Insurance Company	CBP9566738	3/8/09-3/8/10	General Liability/ Scoreboard/ Public Address system	2,000,000	1,333
Total Premium					\$ 372,666

Source: City of Kingsport

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Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingsport, Tennessee (the City), as of and for the fiscal year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 18, 2009. We did not audit the financial statements of the Emergency Communications District (the ECD), a discretely presented component unit, which represents 15 percent, 19 percent, and 22 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units, as of and for the fiscal year ended June 30, 2009. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the City's basic financial statements, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

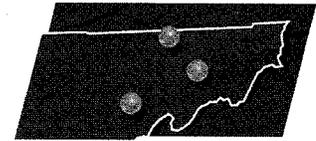
As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

We noted certain other matters that we reported to management of the City in a separate letter dated December 18, 2009.

This report is intended solely for the information and use of management, audit committee, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Blackburn, Childers & Steagall, PLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC

December 18, 2009



Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Kingsport, Tennessee (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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'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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, audit committee, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Blackburn, Childers & Steagall, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC

December 18, 2009

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2009**

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**Section I - Summary of Auditors' Results**

(As required by OMB Circular A-133)

1. The auditors' report expresses an unqualified opinion on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information (the financial statements) of the City of Kingsport, Tennessee (the City). We did not audit the financial statements of the Emergency Communications District (the ECD) of the City, which represents 15 percent, 19 percent, and 22 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the ECD, is based on the report of other auditors.
2. No significant deficiencies relating to the audit of the statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Schedule of Findings and Questioned Costs.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the City are reported in this Schedule.
7. The programs tested as major programs were as follows:

<u>Program</u>	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
Leadership in Energy and Environment Design	11.300
Improving Teacher Quality State Grants (Title II)	84.367

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was determined to be a low-risk auditee.

**CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2009**

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**Section II - Findings – Financial Statement Audit**

Current Year Findings

There were no findings.

Prior Year Findings Implemented

The following prior year findings have been corrected to our satisfaction:

Finding 08-01 – Industrial Development Board of Kingsport, Tennessee

Finding 08-02 – Capital Assets Management

Finding 08-03 – Payroll Processing

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

Current Year Findings

There were no findings.

Prior Year Findings Implemented

There were no prior year findings.

