Financial Statements

CITY OF KINGSTON, TENNESSEE

Year Ended June 30, 2015

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MEH MITCHELL EMERT & HILL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Mayor and City Council
City of Kingston, Tennessee
Kingston, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Kingston, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Kingston, Tennessee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. 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 of America; and provisions of Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organization." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of City of Kingston, Tennessee as of June 30, 2015, and the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the general fund and the drug enforcement fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note J to the financial statements, City of Kingston, Tennessee has restated its net position as of June 30, 2014 to implement Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 10, the schedule of changes in net pension liability(asset) on page 60 and the schedule of pension contributions on page 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City of Kingston, Tennessee's financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for the purpose 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 financial statements.

The schedules of property taxes receivable, long-term debt requirements and expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of property taxes receivable, long-term debt requirements and expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedules of utility rates and metered customers, water utility reporting worksheet, water utility performance indicators, and principal officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2016, on our consideration of City of Kingston, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering City of Kingston, Tennessee's internal control over financial reporting and compliance.

January 5, 2016

Management's Discussion and Analysis
For the Year Ended June 30, 2015

The management of City of Kingston, Tennessee (the City) presents this management's discussion and analysis (MD&A) of the City's financial condition and results of operations for the fiscal year ended June 30, 2015. This information should be read in conjunction with the accompanying financial statements.

This MD&A also presents an overview of the City and the water and sewer fund, known as the primary government. The government-wide financial statements include only the primary government which is the total reporting entity.

Financial Highlights

The following are key financial highlights:

- The assets of the City were more than its liabilities at June 30, 2015 by $22,555,143 ($22,411,786 in 2014).

- The City's net position increased by $411,554 or 1.8 percent during the year ended June 30, 2015. The City's net position decreased by $98,771 or 0.4 percent during the year ended June 30, 2014.

- At June 30, 2015 the City's governmental funds reported combined ending fund balances of $1,229,794; a decrease of $143,467 for the year ended June 30, 2015. At June 30, 2014 the City's governmental funds reported combined ending fund balances of $1,086,326; a decrease of $541,759 for the year ended June 30, 2014. As of June 30, 2015 $1,117,121 ($1,019,991 in 2014) of governmental fund balances is unassigned and available for ongoing operations.

- At June 30, 2015 the unassigned general fund balance was $1,117,121 ($1,019,991 in 2014) or 21 percent (17 percent in 2014) of general fund expenditures. These unassigned fund balances demonstrate the City's fiscal discipline and will help meet unexpected emergencies and other uncertainties the City may face during the course of everyday operations.

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 are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, including budget comparisons, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (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 the following:

- General government
- Public safety
- Public welfare
- Streets and highways
- Solid waste management

The business-type activities of the City include water and sewer services provided by the water and sewer fund.

The government-wide financial statements can be found on pages 11 to 13 of this report.

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of the 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 City's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental funds statement of revenue, expenditures and changes in fund balances for the general fund and drug enforcement fund, both of which are considered to be major funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all major funds and are presented on pages 19 to 29.

Proprietary Funds - Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains one type of proprietary funds-enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City has one enterprise fund to account for water distribution and sewer collection.

The City's enterprise fund, the water and sewer fund, is a major fund and is reported separately in the government-wide and fund financial statements. The proprietary fund financial statements are presented on pages 30 to 35 in the basic financial statements.

Notes to the Financial Statements - The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Internal Control and Compliance Section - This includes the auditors' report on the City's internal controls and compliance.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded its liabilities by $22,555,143 at June 30, 2015 ($22,411,786 in 2014).

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, water facilities, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services; consequently, these assets are *not* available for future spending. Although the 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 long-term debt. At June 30, the City's statement of net position consisted of the following:

	2015	2014
ASSETS		
Current assets	$ 8,649,873	$ 7,710,896
Capital assets, net of accumulated depreciation	30,025,174	30,310,714
TOTAL ASSETS	38,675,047	38,021,610
DEFERRED OUTFLOW OF RESOURCES	178,804	0
	$ 38,853,849	$ 38,021,610
LIABILITIES		
Current liabilities	$ 1,201,896	$ 1,322,525
Noncurrent liabilities	12,669,621	12,514,970
TOTAL LIABILITIES	13,871,517	13,837,495
DEFERRED INFLOWS OF RESOURCES	2,427,189	1,772,332
NET POSITION		
Net investment in capital assets	16,582,324	17,068,582
Restricted	2,174,899	2,193,685
Unrestricted	3,797,919	3,149,519
TOTAL NET POSITION	22,555,143	22,411,786
	$ 38,853,849	$ 38,021,610

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the obligations to employees and creditors and to help fund next year's budget.

Following is a summary of financial activities for the City during the fiscal year ended June 30:

	2015	2014
REVENUE		
Program Revenue:		
Fees, fines and charges for services	$ 4,062,999	$ 3,965,099
Operating grants and contributions	376,728	316,985
Capital grants and contributions	231,814	347,937
General Revenue:		
Local taxes	3,130,674	3,045,234
State and federal-unrestricted	785,138	697,687
Miscellaneous	0	6,016
Investment income	3,486	3,838
	8,590,836	8,382,796
EXPENSES		
General government	1,210,179	1,268,877
Public safety	1,833,879	2,007,100
Public welfare	862,875	971,084
Streets and highways	999,208	993,583
Solid waste management	294,244	295,916
Interest on long-term debt	41,195	54,685
Water and sewer	2,937,703	2,890,320
	8,179,282	8,481,566
CHANGE IN NET POSITION	411,554	(98,771)
NET POSITION AT THE BEGINNING OF THE YEAR	22,411,786	21,170,562
Prior period adjustment	(268,197)	1,339,995
NET POSITION AT THE END OF THE YEAR	$ 22,555,143	$ 22,411,786

Governmental Activities - For the year ended June 30, 2015, governmental activities increased the City's net position by $36,519 (decreased by $434,169 in 2014).

The City's main source of revenue is from property tax, local option sales tax, local and state-shared taxes which consist of tax revenue shared by the State of Tennessee, and water and sewer charges.

Business-Type Activities - For the year ended June 30, 2015, business-type activities increased the City's net position by $375,037 ($335,401 in 2014).

Capital Assets

The City's investment in capital assets as of June 30, 2015 was $30,025,174 ($30,310,712 in 2014) net of accumulated depreciation.

.	2015	2014
Land and land improvements	$ 3,807,445	$ 3,807,445
Construction in process	734,629	5,556,123
Building and building improvements	6,545,534	6,545,534
Machinery and equipment	1,016,116	1,008,133
Vehicles	2,793,363	2,780,362
Other improvements	2,059,955	2,059,955
Plant	26,323,795	20,751,795
Accumulated depreciation	(13,255,663)	(12,198,636)
	$ 30,025,174	$ 30,310,712

The major capital asset additions during the year ended June 30, 2015 were as follows:

Construction in process	$ 750,506
Utility plant (includes completed construction in process projects)	5,572,000
Machinery and equipment	13,000
Vehicles	7,983
	$ 6,343,489

Debt Administration

At June 30, 2015 the City's proprietary fund had outstanding debt of $10,037,627 ($9,601,957 in 2014) consisting of the following:

	2015	2014
Rural Development bonds	$ 3,380,627	$ 2,535,957
Tennessee Municipal bonds	6,657,000	7,066,000
Total debt-principal	10,037,627	9,601,957
Less: current portion due	(484,336)	(449,330)
Total long-term debt-principal	$ 9,553,291	$ 9,152,627

During the year ended June 30, 2015, the City retired $449,333 ($661,957 in 2014) of debt of its proprietary fund.

At June 30, 2015, the City's governmental funds had outstanding debt of $3,405,223 ($3,640,173 in 2014) consisting of the following:

	2015	2014
Bonds payable	$ 3,292,445	$ 3,503,445
Notes payable	95,410	102,972
Capital leases	17,369	33,756
	3,405,223	3,640,173
Less: current portion due	(288,894)	(277,833)
Total long-term debt-principal	$ 3,116,329	$ 3,362,340

During the year ended June 30, 2015, the City retired $469,319 ($469,319 in 2014) of debt of its governmental funds.

Financial Analysis of the City's Funds

As previously discussed, 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 financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund's fund balance increased by $142,580 for the year ended June 30, 2015 (decreased by $548,197 in 2014).

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position for the water and sewer fund was $2,233,077 for the year ended June 30, 2015 and $1,924,035 for the year ended June 30, 2014, which is 15% (13% in 2014) of total net position of the water and sewer fund.

General Fund Budgetary Highlights

During the year ended June 30, 2015, there were no changes in original budgeted revenue and final amended budgeted revenue and only minor changes in original budgeted expenditures and final budgeted expenditures.

Economic Factors and Next Year's Budgets and Rates

The Board of Commissioners approved the budget for the year ending June 30, 2016. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2015.

Requests for Information

This MD&A and accompanying financial statements and notes are designed to provide our citizens, employees, creditors and regulatory agencies with an overview of the City's finances. If you have any questions or need additional information, you may contact David Bolling, City Manager, City of Kingston, 900 Waterford Place, Kingston, TN 37763.

CITY OF KINGSTON, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash	$ 825,052	$ 1,338,535	$ 2,163,588
Restricted cash	0	2,062,226	2,062,226
Accounts receivable, net of allowance for uncollectible accounts	0	668,733	668,733
Property taxes receivable, net of allowance for uncollectible accounts	2,352,202	0	2,352,202
Other taxes receivable	259,530	0	259,530
Other accounts receivable	14,935	0	14,935
Grant receivable	172,341	172,942	345,283
Due from other governments	230,677	0	230,677
Materials and supplies	0	100,507	100,507
Net pension asset	344,193	107,997	452,190
Capital assets not being depreciated	848,224	959,108	1,807,331
Capital assets being depreciated, net of accumulated depreciation	8,829,051	19,388,792	28,217,843
	13,876,205	24,798,841	38,675,047
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflow related to pension	135,561	43,243	178,804
	$ 14,011,766	$ 24,842,084	$ 38,853,849

See the accompanying notes to the financial statements.

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Accounts payable	$ 241	$ 11,927	$ 12,168
Accrued salaries	303,044	92,530	395,574
Retainage payable	0	20,925	20,925
Current portion of long-term debt	288,894	484,336	773,230
Long-term debt, net of current portion	3,116,329	9,553,291	12,669,621
	3,708,508	10,163,009	13,871,517
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	2,123,227	0	2,123,227
Deferred inflows related to pension	230,464	73,498	303,962
	2,353,691	73,498	2,427,189
NET POSITION			
Net investment in capital assets	6,272,051	10,310,273	16,582,324
Restricted:			
Drug enforcement	9,709	0	9,709
Special projects	70,433	0	70,433
Solid waste collection and disposal	32,531	0	32,531
Construction projects	0	1,066,558	1,066,558
Debt retirement	0	995,668	995,668
Unrestricted	1,564,842	2,233,077	3,797,919
	7,949,566	14,605,576	22,555,143
	$ 14,011,766	$ 24,842,084	$ 38,853,849

CITY OF KINGSTON, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	Expenses	Program Revenue: Fee, Fines and Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Governmental Activities:				
General government	$ 1,210,179	$ 506,580	$ 0	$ 1,255
Public safety	1,833,879	69,146	8,498	0
Public welfare	862,875	31,043	211,561	2,000
Streets and highways	999,208	48,105	156,668	0
Solid waste management	294,244	326,775	0	0
Interest on long-term debt	41,195	0	0	0
Total governmental activities	5,241,579	981,649	376,728	3,255
Business-Type Activities:				
Water and sewer	2,937,703	3,081,350	0	228,559
	$ 8,179,282	$ 4,062,999	$ 376,728	$ 231,814

Net (Expense)Revenue and Changes In Net Position		
Governmental Activities	Business-Type Activities	Totals
$ (702,344)	$ 0	$ (702,344)
(1,756,235)	0	(1,756,235)
(618,271)	0	(618,271)
(794,434)	0	(794,434)
32,531	0	32,531
(41,195)	0	(41,195)
(3,879,949)	0	(3,879,949)
0	372,206	372,206
$ (3,879,949)	$ 372,206	$ (3,507,743)

CITY OF KINGSTON, TENNESSEE

STATEMENT OF ACTIVITIES
(continued)

Year Ended June 30, 2015

NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES

General Revenue:

Taxes:
- Property taxes
- Interest and penalty
- In-Lieu of tax payments
- Local sales tax
- Business taxes
- Wholesale beer taxes
- Wholesale liquor taxes

Intergovernmental
Investment earnings

Total general revenue

CHANGES IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR, as restated

NET POSITION AT THE END OF THE YEAR

See the accompanying notes to the financial statements.

Net (Expense)Revenue and Changes In Net Position		
Governmental Activities	Business-Type Activities	Totals
$ (3,879,949)	$ 372,206	$ (3,507,743)
1,769,157	0	1,769,157
24,077	0	24,077
60,042	0	60,042
972,633	0	972,633
70,668	0	70,668
180,176	0	180,176
53,921	0	53,921
785,138	0	785,138
656	2,830	3,486
3,916,467	2,830	3,919,296
36,519	375,037	411,554
7,913,047	14,230,539	22,143,587
$ 7,949,566	$ 14,605,576	$ 22,555,143

CITY OF KINGSTON, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Drug Enforcement Fund	Totals
ASSETS			
Cash	$ 815,343	$ 9,709	$ 825,052
Property taxes receivable (net of allowance for uncollectible accounts of $20,000)	2,352,202	0	2,352,202
Other taxes receivable	259,530	0	259,530
Due from other governments	230,677	0	230,677
Grants receivable	172,341	0	172,341
Other accounts receivable	14,935	0	14,935
	$ 3,845,028	$ 9,709	$ 3,854,737
LIABILITIES			
Accounts payable	$ 241	$ 0	$ 241
Accrued salaries	136,852	0	136,852
	137,093	0	137,093
DEFERRED INFLOW OF RESOURCES			
Deferred property taxes	2,336,165	0	2,336,165
Deferred state shared and local taxes	151,685	0	151,685
	2,487,850	0	2,487,850
FUND BALANCES			
Restricted	102,964	9,709	112,673
Unassigned	1,117,121	0	1,117,121
	1,220,085	9,709	1,229,794
	$ 3,845,028	$ 9,709	$ 3,854,737

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2015

Total Fund Balance - Governmental Funds	$ 1,229,794
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources and therefore are not reported in the governmental funds balance sheet.	9,677,275
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	364,623
Net pension assets and liabilities, and the related deferred outflows and deferred are reported in the statement of net position; however, they are not current financial resources; therefore they are not reported in the governmental funds balance sheet	
Net pension asset	344,193
Deferred outflow of resources	135,561
Deferred inflow of resources	(230,464)
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	
Compensated absences	(166,192)
Long-term debt	(3,405,223)
Net Position of Governmental Activities	$ 7,949,566

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	General Fund	Drug Enforcement Fund	Totals
REVENUE			
Taxes:			
Property tax	$ 1,786,182	$ 0	$ 1,786,182
Interest and penalty	24,077	0	24,077
In-Lieu of tax payments	60,042	0	60,042
Local sales tax	972,501	0	972,501
Business tax	71,344	0	71,344
Wholesale beer tax	180,176	0	180,176
Wholesale liquor tax	53,921	0	53,921
Intergovernmental	1,085,088	0	1,085,088
Licenses, permits and fees	11,321	0	11,321
Charges for services	901,182	2,720	903,902
Fines and forfeitures	56,821	9,605	66,426
Investment earnings	656	0	656
Donations	76,820	0	76,820
TOTAL REVENUE	5,280,131	12,325	5,292,456
EXPENDITURES			
Current:			
General government	891,073	0	891,073
Public safety	1,831,241	11,437	1,842,678
Public welfare	809,369	0	809,369
Streets and highways	981,357	0	981,357
Solid waste management	294,244	0	294,244
Debt service	319,030	0	319,030
Capital outlay	54,123	0	54,123
TOTAL EXPENDITURES	5,180,436	11,437	5,191,873

CITY OF KINGSTON, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
(continued)

Year Ended June 30, 2015

	General Fund	Drug Enforcement Fund	Totals
EXCESS OF REVENUE OVER EXPENDITURES	99,695	888	100,582
OTHER FINANCING SOURCES			
Line of credit proceeds	42,885	0	42,885
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	142,580	888	143,467
FUND BALANCES AT THE BEGINNING OF THE YEAR	1,077,505	8,821	1,086,326
FUND BALANCES AT THE END OF THE YEAR	$ 1,220,085	$ 9,709	$ 1,229,794

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Excess of Revenue and Other Financing Sources Over Expenditures - Governmental Funds	$	143,467
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.		
Acquisition of capital assets		54,123
Depreciation expense		(520,564)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.		277,834
Long-term debt proceeds provide current financial resources in the governmental funds; however, the issuance of debt increases long-term obligations for governmental activities.		(42,885)
Pension expense reported in the statement of activities does not require the use of current financial resources and, therefore is not reported as an expenditure in the governmental fund financial statements.		(3,956)
Retirement contributions made after the actuarial measurement date are an expenditure the governmental funds, but increase deferred outflows for governmental activities.		135,561
Accruals for long-term compensated reported in the statement of activities does not require the use of current financial resources; therefore, they are not reported as expenditures in the statement of revenue, expenditures and changes in fund balances of governmental funds.		7,297
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental fund financial statements:		
Deferred tax revenue - June 30, 2013		(378,980)
Deferred tax revenue - June 30, 2014		364,623
Change in Net Position of Governmental Activities	$	36,519

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND

Year Ended June 30, 2015

	Budget			Variance Over
	Original	Final	Actual	(Under)
REVENUE				
Taxes:				
Property taxes	$1,851,476	$1,851,476	$ 1,786,182	$ (65,294)
Interest and penalty	25,000	25,000	24,077	(923)
In-Lieu of tax payments	56,745	56,745	60,042	3,297
Local sales tax	980,000	980,000	972,501	(7,499)
Business tax	60,000	60,000	71,344	11,344
Wholesale beer tax	183,000	183,000	180,176	(2,824)
Wholesale liquor tax	48,000	48,000	53,921	5,921
	3,204,221	3,204,221	3,148,242	(55,979)
Intergovernmental:				
TVA In-Lieu of tax of payments	68,470	68,470	71,595	3,125
State income tax	70,900	70,900	138,125	67,225
State gas tax	158,000	158,000	155,609	(2,391)
State beer tax	3,138	3,138	2,838	(300)
State liquor tax	12,000	12,000	6,117	(5,883)
State sales tax	429,685	429,685	447,381	17,696
Corporate excise tax	6,800	6,800	7,595	795
Hotel and motel tax	40,000	40,000	47,814	7,814
Governor's Highway Safety grant	0	0	4,998	4,998
LPRF grant	0	0	3,255	3,255
TML safety grant	3,500	3,500	3,500	0
T.D.O.T. grant	346,000	346,000	0	(346,000)
FEMA disaster relief	0	0	134,741	134,741
City streets and transportation	13,159	13,159	12,108	(1,051)
Special impact area fund	47,160	47,160	49,413	2,253
	1,198,812	1,198,812	1,085,088	(113,724)

CITY OF KINGSTON, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND
(continued)

Year Ended June 30, 2015

	Budget			Variance Over
	Original	Final	Actual	(Under)
Licenses and permits:				
Beer and liquor licenses	2,400	2,400	2,450	50
Building permits	20,000	20,000	8,871	(11,129)
	22,400	22,400	11,321	(11,079)
Charges for services:				
Cable fees	83,775	83,775	87,570	3,795
Parks and recreation	10,600	10,600	6,732	(3,868)
Swimming pool	26,220	26,220	21,203	(5,017)
Highway and street charges	49,500	49,500	48,105	(1,395)
Water and gas contracts	407,500	407,500	407,500	0
Miscellaneous charges	3,600	3,600	3,297	(303)
Garbage collection fees	327,600	327,600	326,775	(825)
	908,795	908,795	901,182	(7,613)
Fines and forfeitures	75,100	75,100	56,821	(18,279)
Other revenue:				
Donations	0	0	76,820	76,820
Interest	650	650	656	6
	650	650	77,476	76,826
TOTAL REVENUE	5,409,978	5,409,978	5,280,131	(129,847)
EXPENDITURES				
Legislative:				
Salaries and wages	22,950	24,150	23,875	(275)
Payroll taxes	1,765	1,865	1,820	(45)
Health insurance	8,500	8,500	4,649	(3,851)
Retirement	1,505	1,705	1,541	(164)

CITY OF KINGSTON, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND
(continued)

Year Ended June 30, 2015

	Budget			Variance Over
	Original	Final	Actual	(Under)
Legislative (continued):				
Dues	3,650	3,850	3,748	(102)
Donations	2,000	2,000	2,000	0
Legal notices	6,500	5,800	3,178	(2,622)
Public relations	11,000	11,000	5,513	(5,487)
Telephone	2,975	2,975	0	(2,975)
Travel	9,000	9,000	7,558	(1,442)
Election	1,000	0	0	0
Reappraisal	2,800	2,800	0	(2,800)
	73,645	73,645	53,881	(19,764)
City Court:				
Salaries and wages	13,668	13,668	13,149	(519)
Payroll taxes	1,020	1,020	995	(25)
Retirement	255	305	250	(55)
Court costs	5,500	5,450	4,704	(746)
Repairs and maintenance	3,200	3,200	3,150	(50)
Operating supplies	750	750	106	(644)
Travel	1,200	1,200	815	(385)
Training	1,000	1,000	500	(500)
	26,593	26,593	23,668	(2,925)
City Manager's office:				
Salaries and wages	77,000	77,000	77,423	423
Payroll taxes	5,740	5,840	5,787	(53)
Health insurance	26,800	26,700	23,739	(2,961)
Retirement	5,052	5,052	5,044	(8)
Employee training	1,130	1,130	849	(281)
Travel	1,010	1,010	151	(859)
TML dues	3,000	3,000	2,280	(720)
	119,732	119,732	115,274	(4,458)

CITY OF KINGSTON, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND
(continued)

Year Ended June 30, 2015

	Budget			Variance Over
	Original	Final	Actual	(Under)
Financial Administration:				
Salaries and wages	249,200	246,400	218,719	(27,681)
Payroll taxes	18,570	18,570	15,411	(3,159)
Health insurance	69,816	45,816	45,798	(18)
Retirement	16,020	16,020	12,087	(3,933)
Data processing services	18,500	19,500	18,896	(604)
Office supplies	18,000	18,000	10,432	(7,568)
Professional services	10,000	4,000	4,000	0
Postage	22,000	22,000	15,755	(6,245)
Training	3,500	2,500	1,909	(591)
Travel	5,500	5,500	4,215	(1,285)
Telephone	18,500	34,500	33,605	(895)
Repairs and maintenance	13,200	13,200	10,398	(2,802)
	462,806	446,006	391,225	(54,781)
Planning and zoning:				
State planning office	10,175	10,175	10,175	0
Operating supplies	100	100	54	(46)
	10,275	10,275	10,229	(46)
City Hall:				
Utilities	48,590	36,190	32,377	(3,813)
Telephone	0	3,200	2,280	(920)
Repairs and maintenance	9,000	15,000	7,503	(7,497)
Professional services	10,000	13,200	13,415	215
Operating supplies	8,000	8,000	5,283	(2,717)
	75,590	75,590	60,859	(14,731)

CITY OF KINGSTON, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND
(continued)

Year Ended June 30, 2015

	Budget			Variance Over
	Original	Final	Actual	(Under)
General government:				
Salaries and wages	3,750	3,550	1,972	(1,578)
Payroll taxes	135	185	149	(36)
Workers compensation	72,500	72,000	71,932	(68)
Unemployment insurance	6,000	6,500	8,044	1,544
Insurance	54,100	64,400	64,316	(84)
Small equipment	8,757	10,207	5,997	(4,210)
E-911	56,725	64,725	65,005	280
Training	5,200	5,200	4,891	(309)
Subscriptions	1,000	0	0	0
	208,167	226,767	222,306	(4,461)
Police department:				
Salaries and wages	546,278	567,278	571,871	4,593
Payroll taxes	41,235	43,235	43,089	(146)
Health insurance	155,869	150,869	150,176	(693)
Retirement	35,315	36,000	35,964	(36)
Office expense	5,500	5,560	5,459	(101)
Telephone	15,000	14,000	13,889	(111)
Safety supplies and incentives	7,000	5,000	4,562	(438)
Gasoline	50,000	36,500	36,095	(405)
Travel	6,500	6,500	6,814	314
Training	3,500	3,100	3,034	(66)
Uniforms	8,000	8,000	6,705	(1,295)
Data processing service	6,200	4,900	4,854	(46)
Operating supplies	6,000	5,955	9,658	3,703
Small equipment	9,000	8,500	5,836	(2,664)
Utilities	1,100	1,100	989	(111)
	896,497	896,497	898,995	2,498

CITY OF KINGSTON, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND
(continued)

Year Ended June 30, 2015

	Budget			Variance Over
	Original	Final	Actual	(Under)
Automotive services:				
Repairs and maintenance	81,500	81,500	65,085	(16,415)
Fire department:				
Salaries and wages	581,207	581,207	551,411	(29,796)
Payroll taxes	43,930	43,930	41,018	(2,912)
Health insurance	205,640	205,640	196,689	(8,951)
Retirement	37,475	37,475	35,900	(1,575)
Training	6,000	7,700	7,617	(83)
Volunteers	12,000	10,500	10,460	(40)
Utilities	28,300	27,900	22,710	(5,190)
Telephone	6,212	8,212	8,645	433
Gasoline	14,000	14,000	11,869	(2,131)
Repairs and maintenance	10,000	11,500	9,028	(2,472)
Operating supplies	8,000	8,000	12,592	4,592
Office supples	5,000	5,000	3,428	(1,572)
Safety supplies and incentives	11,500	9,700	8,469	(1,231)
Equipment	6,500	6,500	4,678	(1,823)
Uniforms	8,500	7,000	5,110	(1,890)
Travel	2,000	2,000	632	(1,368)
Miscellaneous	6,500	6,500	1,991	(4,509)
	992,764	992,764	932,247	(60,517)
Public works:				
Salaries and wages	398,464	369,964	371,617	1,653
Payroll taxes	29,690	29,690	27,220	(2,470)
Health insurance	127,225	114,225	114,082	(143)
Retirement	22,205	22,205	21,815	(390)
Utilities	11,500	11,500	9,505	(1,995)

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND
(continued)

Year Ended June 30, 2015

	Budget			Variance Over
	Original	Final	Actual	(Under)
Public works (continued):				
Telephone	5,000	5,000	4,342	(658)
Repairs and maintenance	30,200	11,200	7,131	(4,069)
Gasoline	33,000	29,000	25,840	(3,160)
Operating supplies	42,800	42,800	33,547	(9,253)
Uniforms	5,000	5,000	2,660	(2,340)
Traffic lights	2,500	2,500	1,874	(626)
Signs	6,200	2,200	83	(2,117)
Sidewalks	15,000	8,000	3,179	(4,821)
Street paving	50,000	130,200	112,024	(18,176)
Storm drains	20,000	15,000	17,314	2,314
Brush removal	7,000	0	0	0
Snow removal and salt	10,000	5,000	4,165	(835)
Travel	500	0	0	0
	816,284	803,484	756,397	(47,087)
Building and codes:				
Salaries and wages	11,266	11,366	11,399	33
Payroll taxes	840	890	844	(46)
Retirement	740	790	742	(48)
Telephone	600	600	318	(282)
Operating supplies	2,100	1,900	328	(1,572)
	15,546	15,546	13,631	(1,915)
State street aid:				
Utilities	155,000	161,000	159,874	(1,126)
Waste disposal	291,685	295,685	294,244	(1,441)

CITY OF KINGSTON, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND
(continued)

Year Ended June 30, 2015

	Budget			Variance Over
	Original	Final	Actual	(Under)
Animal control:				
Salaries and wages	13,494	13,994	13,933	(61)
Payroll taxes	1,006	1,106	1,029	(77)
Retirement	885	985	908	(77)
Vet services	3,500	3,500	3,040	(460)
Operating supplies	600	100	0	(100)
Gasoline	500	100	0	(100)
	19,985	19,785	18,910	(875)
Swimming pool:				
Salaries and wages	25,000	25,000	16,992	(8,008)
Payroll taxes	1,865	1,865	1,300	(565)
Utilities	2,000	2,000	1,229	(771)
Repairs and maintenance	4,500	4,500	1,773	(2,727)
Operating supplies	5,000	5,000	2,638	(2,362)
	38,365	38,365	23,931	(14,434)
Parks and recreation:				
Salaries and wages	290,370	290,370	283,710	(6,660)
Payroll taxes	21,635	21,635	20,587	(1,048)
Health insurance	82,550	82,550	77,395	(5,155)
Retirement	17,410	17,410	16,536	(874)
Utilities	64,000	63,460	55,965	(7,495)
Telephone	5,000	5,400	5,285	(115)
Repairs and maintenance	66,000	66,000	55,019	(10,981)
Gasoline	10,500	10,500	7,785	(2,715)
Operating supplies	14,150	14,150	11,597	(2,553)
Office supplies	5,000	5,000	5,339	339
Uniforms	2,500	2,500	1,545	(955)
Special events	9,350	9,350	43,788	34,438

CITY OF KINGSTON, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND
(continued)

Year Ended June 30, 2015

	Budget			Variance Over
	Original	Final	Actual	(Under)
Parks and recreation (continued):				
Travel	2,000	2,000	1,173	(827)
Training	2,500	2,640	504	(2,136)
	592,965	592,965	586,229	(6,736)
Library:				
Salaries and wages	109,360	108,860	105,279	(3,581)
Payroll taxes	8,150	8,150	7,822	(328)
Health insurance	31,703	24,203	16,586	(7,617)
Retirement	5,025	5,025	4,774	(251)
Utilities	16,700	16,700	11,984	(4,716)
Telephone	1,500	1,500	1,368	(132)
Repairs and maintenance	2,800	2,800	7,666	4,866
Books	13,000	18,000	9,259	(8,741)
Subscriptions	3,500	3,500	3,412	(88)
Office supplies	3,900	3,900	2,992	(908)
Cleaning	5,800	5,800	4,484	(1,316)
Small equipment	3,606	6,106	2,958	(3,148)
Program supplies	2,250	2,750	1,714	(1,036)
	207,294	207,294	180,298	(26,996)
Capital outlay:				
Ladd Landing	346,000	346,000	44,140	(301,860)
Porter Park	0	0	2,000	2,000
Vehicles and equipment	0	0	7,983	7,983
	346,000	346,000	54,123	(291,877)

CITY OF KINGSTON, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND
(continued)

Year Ended June 30, 2015

	Budget			Variance Over
	Original	Final	Actual	(Under)
Debt service:				
Principal	277,834	277,834	277,834	0
Interest	64,797	62,997	41,195	(21,802)
	342,631	340,831	319,030	(21,802)
TOTAL EXPENDITURES	5,773,324	5,770,324	5,180,436	(589,888)
(DEFICIENCY)EXCESS OF REVENUE OVER EXPENDITURES	(363,346)	(360,346)	99,695	460,041
OTHER FINANCING SOURCES				
Line of credit proceeds	0	0	42,885	42,885
(DEFICIENCY)EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	(363,346)	(360,346)	142,580	502,926
FUND BALANCE AT THE BEGINNING OF THE YEAR	363,346	360,346	1,077,505	717,159
FUND BALANCE AT THE END OF THE YEAR	$ 0	$ 0	$ 1,220,085	$ 1,220,085

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET DRUG ENFORCEMENT FUND

Year Ended June 30, 2015

	Budget			Variance Over
	Original	Final	Actual	(Under)
REVENUE				
Drug related fines	$ 19,800	$ 19,800	$ 9,605	$ (10,195)
Equitable sharing program	0	0	1,520	1,520
Sale of confiscated items	0	0	1,200	1,200
Interest	200	200	0	(200)
TOTAL REVENUE	20,000	20,000	12,325	(7,675)
EXPENDITURES				
Education	1,000	1,000	0	(1,000)
Accounting services	1,000	1,000	1,000	0
Contractual services	2,000	2,000	0	(2,000)
Operating supplies	8,000	8,000	7,687	(313)
Uniforms	2,000	2,000	0	(2,000)
Small equipment	10,500	10,500	2,750	(7,750)
TOTAL EXPENDITURES	24,500	24,500	11,437	(13,063)
(DEFICIENCY)EXCESS OF REVENUE OVER EXPENDITURES	(4,500)	(4,500)	888	5,388
FUND BALANCE AT THE BEGINNING OF THE YEAR	4,500	4,500	8,821	4,321
FUND BALANCE AT THE END OF THE YEAR	$ 0	$ 0	$ 9,709	$ 9,709

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

STATEMENT OF NET POSITION
WATER AND SEWER FUND

June 30, 2015

CURRENT ASSETS		
Cash		$ 1,338,535
Accounts receivable, net of allowance for uncollectible accounts of $200,000		668,733
Grant receivable		172,942
Materials and supplies		100,507
TOTAL CURRENT ASSETS		2,280,717
RESTRICTED ASSETS		
Bond sinking and reserve fund	$ 995,668	
Construction projects	1,066,558	2,062,226
CAPITAL ASSETS		
Land	270,618	
Vehicles	469,346	
Machinery and equipment	431,506	
Utility plant	26,361,445	
Construction in process	688,489	
	28,221,404	
Accumulated depreciation	(7,873,504)	20,347,900
OTHER ASSET		
Net pension asset		107,997
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflow related to pension		43,243
		$ 24,842,084

See the accompanying notes to the financial statements.

CURRENT LIABILITIES		
Accounts payable		$ 11,927
Accrued employee benefits		40,483
		52,410
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Current maturities of long-term debt	$ 484,336	
Retainage payable	20,925	505,261
TOTAL CURRENT LIABILITIES		557,671
LONG-TERM DEBT, net of current portion		
Bonds payable		9,553,291
LONG-TERM COMPENSATED ABSENCES		52,047
DEFERRED INFLOW OF RESOURCES		
Deferred inflow related to pension		73,498
NET POSITION		
Net investment in capital assets	10,310,273	
Restricted:		
Construction projects	1,066,558	
Debt retirement	995,668	
Unrestricted	2,233,077	14,605,576
		$ 24,842,084

CITY OF KINGSTON, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
WATER AND SEWER FUND

Year Ended June 30, 2015

OPERATING REVENUE		
Charges for services		$ 3,071,553
Other operating revenue		9,797
TOTAL OPERATING REVENUE		3,081,350
OPERATING EXPENSES		
Water purification:		
Salaries	$ 194,434	
Payroll taxes	14,082	
Hospital and health insurance	39,898	
Retirement	322	
Education	575	
Legal ads and notices	723	
Utilities	84,137	
Repairs and maintenance	50,563	
Chemicals	74,258	
Operating supplies	4,207	
Clothing and uniforms	4,688	
Safety incentive and supplies	2,704	470,591
Water transmission and collection:		
Salaries	350,210	
Payroll taxes	24,271	
Hospital and health insurance	107,229	
Retirement	620	
Education	780	
Repairs and maintenance	157,699	
Utilities	8,922	
Operating supplies	20,553	
Clothing and uniforms	3,664	
Safety incentive and supplies	2,885	676,834

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
WATER AND SEWER FUND
(continued)

Year Ended June 30, 2015

Sewer treatment and disposal:		
Salaries	41,842	
Payroll taxes	3,081	
Hospital and health insurance	8,656	
Retirement	78	
TML Dues	2,000	
Travel	1,617	
Operating supplies	1,930	59,204
Sewer rehabilitation:		
Salaries	105,604	
Payroll taxes	7,618	
Hospital and health insurance	34,392	
Retirement	183	
Education	1,375	
Utilities	86,904	
Repairs and maintenance	56,323	
Chemicals	41,299	
Operating supplies	36,602	
Garbage disposal	38,028	
Travel	530	
Clothing and uniforms	991	
Safety incentive and supplies	1,630	411,479
General and administration:		
Contract operations	386,000	
Salaries	25,349	
Payroll taxes	3,518	
Hospital and health insurance	5,649	
Retirement	58	
Property and liability insurance	60,367	
Workers' compensation	42,500	
Unemployment	14,300	
Utilities	22,886	

CITY OF KINGSTON, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
WATER AND SEWER FUND
(continued)

Year Ended June 30, 2015

General and administration (continued):		
Professional services	40,900	
TML dues	7,317	
Engineering costs	8,689	
Miscellaneous	100	617,633
Depreciation		536,464
TOTAL OPERATING EXPENSES		2,772,205
INCOME FROM OPERATIONS		309,145
NONOPERATING REVENUE(EXPENSE)		
Interest income	2,830	
Interest expense	(165,498)	(162,668)
INCOME BEFORE CAPITAL CONTRIBUTIONS		146,477
Capital contributions		228,559
CHANGE IN NET POSITION		375,037
NET POSITION AT THE BEGINNING OF THE YEAR, as restated		14,230,539
NET POSITION AT THE END OF THE YEAR		$14,605,576

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND

Year Ended June 30, 2015

CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Cash received from customers		$ 3,081,674
Cash paid to suppliers		(1,584,479)
Cash paid to employees		(690,856)
NET CASH PROVIDED BY OPERATING ACTIVITIES		806,339
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	$ (922,758)	
Capital contribution	76,613	
Proceeds from issuance of long-term debt	463,357	
Principal payments on long-term debt	(449,333)	
Interest paid on debt	(165,498)	
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		(997,619)
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
Interest received		2,830
NET (DECREASE) IN CASH		(188,450)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,589,211
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		$ 3,400,761

CITY OF KINGSTON, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND
(continued)

Year Ended June 30, 2015

RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Income from operations		$ 309,145
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	$ 536,464	
Deferred retirement contributions	(43,243)	
Decrease(increase) in:		
Accounts receivable	324	
Materials and supplies	(23,629)	
Increase in:		
Accounts payable	695	
Accrued salaries	8,439	
Long-term compensated absences	18,144	497,194
NET CASH PROVIDED BY OPERATING ACTIVITIES		$ 806,339

See the accompanying notes to the financial statements.

NOTE A - DESCRIPTION OF ORGANIZATION

City of Kingston, Tennessee (the City) was incorporated in 1903 under the provisions of the State of Tennessee and operated under a Council-Manager form of government. It has the usual corporate powers of municipalities, including taxation, entering into contracts, and issuing bonds. The following services are authorized by Charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, water and sewer, and general administrative duties.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City, for financial reporting purposes, includes all funds relevant to the operations of City of Kingston, Tennessee. The financial statements presented herein do not include agencies that have been formed under applicable state laws, or separate and distinct units of government apart from the City. As of June 30, 2015 and for the year then ended, the City had no discretely presented component units which were required to be included in these financial statements.

Government-wide and fund financial statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 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 revenue are reported instead as general revenue. 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.

Measurement Focus, Basis of Accounting and Basis of 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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 30 days of the end of the current fiscal period. Property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to claims and judgments, are recorded only when the payment is due.

All trade receivables are shown net of an allowance for uncollectible accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1, and is referred to as the lien date. Revenue from property taxes, however, is recognized in the period for which the taxes are levied, which for the City is October 1 of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous eight fiscal years. These property tax receivables are presented on the general fund balance sheet with offsetting deferred revenue to reflect the amounts not available as of June 30. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the Roane County Clerk for collection.

The City reports the following major governmental funds:

The *general fund* is the City'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 *drug enforcement fund* is used to account for costs associated with drug investigation and control and officers' training.

The City reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the water and sewer departments, which operate and maintain a water distribution and sewer collection system for residents and businesses on a user charge basis.

All activities necessary to provide theses services are accounted for in such a manner as to show profit or loss similar to comparable private enterprises.

The City had no internal service funds or fiduciary funds as of or for the year ended June 30, 2015.

Proprietary fund financial statements include a statement of net position, a statement of revenue, expenses and change in net position and a statement of cash flows for each major proprietary fund. Proprietary funds are accounts for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses, and change in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the City's proprietary funds is charges to customers for sales and services. The City also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the City's water and sewer function, and various other functions of the City. Elimination of these charges would distort the direct costs and program revenue reported in the various functions concerned.

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net position groups:

Net investment in capital assets

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Net investment in capital assets at June 30, 2015 has been calculated as follows:

Governmental activities:	
Capital assets	$ 15,059,433
Accumulated depreciation	(5,382,159)
Principal balance on long-term debt	(3,405,223)
	$ 6,272,051
Business-Type activities:	
Capital assets	$ 28,221,404
Accumulated depreciation	(7,873,504)
Principal balance on long-term debt	(10,037,627)
	$ 10,310,273

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the City pursuant to those stipulations or that expire by the passage of time. Net position of the general fund is restricted for special projects for which the City receives restricted donations and for solid waste collection and disposal. Net position of the drug enforcement fund is classified as restricted net position because its use is limited to drug enforcement. Net position of the water and sewer fund is restricted for construction projects and debt services. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted

This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of "restricted" or "net investment in capital assets". Unrestricted net position may be designated for specific purposes by action of management or the city council or may otherwise be limited by contractual agreements with outside parties.

Fund Balances

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable Fund Balance

Fund balances reported as nonspendable in the accompanying financial statements represent amounts for prepaid expenses or inventory.

Restricted Fund Balance

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The city council commits resources for specific purposes by passing ordinances.

Assigned Fund Balance

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by the city council.

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the general fund is the only fund of the City that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the general fund.

The City would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Budgets and Budgetary Accounting

The city council is required to adopt, by ordinance, total budget appropriations by line item for all funds. The City's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP). All budget amendments must be approved by the city council. Unused appropriations lapse at the end of the year.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns on the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years.

Materials and Supplies

Materials and supplies of the proprietary fund are valued at the lower of cost (determined on a first-in, first-out basis) or market. The cost of inventory items of the governmental fund types (primarily materials and supplies) are recorded as expenditures when purchased.

Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on years of employment, and may accumulate a maximum of one year's vacation leave and 960 hours sick leave. In the event of termination, employees who have completed at least six months of service are paid for any unused vacation leave. Employees who have not completed six months of service are not paid for unused vacation leave. In the event of retirement, employees are compensated for 50% of accumulated unused sick leave.

Accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it. Governmental activities report accumulated vacation and sick leave as expenditures and liability, regardless of the timing of the related cash flow. Accumulated vacation and sick leave of the proprietary fund is recorded as an expense and liability of the fund as the benefits accrue to the employees.

Property Taxes

Property taxes are levied on October 1, and are due and payable at that time. Taxes become delinquent and begin accumulating interest and penalties the following March 1, and attach as an enforceable lien on property after one year of delinquency.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable and taxes receivable are provided based upon historical trends. The allowances for uncollectible accounts at June 30, 2015 were as follows:

Governmental funds	$ 20,000
Proprietary fund	200,000

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (in the government-wide financial statements), information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the respective plan. Investments are reported at fair value.

The fund financial statements report retirement expense based on contributions made to the plans.

NOTE C - CASH AND INVESTMENTS

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2015 were as follows:

	Governmental Activities	Business-Type Activities	Totals
Cash on hand	$ 510	$ 487	$ 997
Bank deposits (checking and savings accounts)	824,542	3,400,274	4,224,816
Totals	$ 825,052	$ 3,400,761	$ 4,225,813
Unrestricted assets	$ 825,052	$ 1,338,535	$ 2,163,588
Restricted assets	0	2,062,226	2,062,226
Totals	$ 825,052	$ 3,400,761	$ 4,225,813

State of Tennessee law authorizes the City to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchases agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2015 were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

NOTE D - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (the Pool) and pays an annual premium to the Pool for its workers' compensation and general liability coverage, destruction of property and employee dishonesty bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows the Pool to make additional assessments or refund surplus revenue to the City. It is not possible to estimate the amount of such additional assessments or refunds.

NOTE E - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance 7/1/14	Additions	Retirements	Balance 6/30/15
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 802,084	$ 0	$ 0	$ 802,084
Construction in process	0	46,140	0	46,140
	802,084	46,140	0	848,224
Capital assets being depreciated				
Land improvements	2,734,743	0	0	2,734,743
Buildings and improvements	6,507,885	0	0	6,507,885
Other improvements	2,059,955	0	0	2,059,955
Vehicles	2,324,017	0	0	2,324,017
Machinery and equipment	576,627	7,983	0	584,610
	14,203,225	7,983	0	14,211,208
Accumulated depreciation				
Land improvements	(52,375)	(72,477)	0	(124,852)
Buildings and improvements	(2,507,970)	(194,067)	0	(2,702,037)
Other improvements	(317,107)	(51,774)	0	(368,881)
Vehicles	(1,547,290)	(173,955)	0	(1,721,246)
Machinery and equipment	(436,852)	(28,291)	0	(465,143)
	(4,861,595)	(520,564)	0	(5,382,159)
	$ 10,143,714	$ (466,441)	$ 0	$ 9,677,275

Depreciation expense is charged to the various governmental functions as follows:

General government	$ 339,312
Public safety	64,618
Public welfare	76,409
Public works	40,226
	$ 520,564

	Balance 7/1/14	Additions	Retirements	Balance 6/30/15
Business-Type Activities:				
Capital assets not being depreciated				
Land	$ 270,618	$ 0	$ 0	$ 270,618
Construction in process	5,556,123	704,366	(5,572,000)	688,489
	5,826,741	704,366	(5,572,000)	959,108
Capital assets being depreciated				
Buildings and improvements	37,650	0	0	37,650
Vehicles	456,346	13,000	0	469,346
Machinery and equipment	431,506	0	0	431,506
Utility plant	20,751,795	5,572,000	0	26,323,795
	21,677,297	5,585,000	0	27,262,297
Accumulated depreciation				
Buildings and improvements	(20,804)	(1,089)	0	(21,893)
Vehicles	(373,595)	(36,353)	0	(409,948)
Machinery and equipment	(255,711)	(33,828)	0	(289,539)
Utility plant	(6,686,930)	(465,194)	0	(7,152,124)
	(7,337,041)	(536,464)	0	(7,873,504)
	$ 20,166,998	$ 5,752,902	$ (5,572,000)	$ 20,347,900

NOTE F - PENSION PLAN

Plan Description

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than ½%. A 1% COLA is granted if the CPI change is between ½% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	37
Active employees	62
	107

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the City were $178,804 based on the rate of 6.56% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability(Asset)

The City's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

Discount rate

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

Changes in Net Pension Liability(Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) – (b)
Changes for the year ended June 30, 2014:			
Increase(decrease)			
Service cost	$ 194,838	$ 0	$ 194,838
Interest	260,177	0	260,177
Differences between expected and actual experience	(61,302)	0	(61,302)
Contributions – employer	0	174,516	(174,516)
Contributions – employee	0	128,510	(128,510)
Net investment income	0	566,249	(566,249)
Benefit payments, including refunds of employee contributions	(116,127)	(116,127)	0
Administrative expense	0	(2,302)	2,302
Net changes for the year ended June 30, 2014	277,586	750,846	(473,260)
Balances at June 30, 2013	3,332,254	3,311,184	21,070
Balances at June 30, 2014	$ 3,609,840	$ 4,062,030	$ (452,190)

Sensitivity of the net pension liability(asset) to changes in the discount rate

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability(asset)	$ 109,711	$ (452,190)	$ (910,443)

Pension expense

For the year ended June 30, 2015, the City recognized, in the government-wide statement of activities, pension expense of $5,218.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 55,172
Net difference between projected and actual earnings on pension plan investments	0	248,790
Contributions subsequent to the measurement date of June 30, 2014	178,804	not applicable
Totals	$ 178,804	$ 303,962

The amount shown above for “contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction(increase) to net pension liability(asset) in the following measurement period.

Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2016	$ (68,328)
2017	(68,328)
2018	(68,328)
2019	(68,328)
2020	(6,130)
Thereafter	(24,520)

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

NOTE G - LONG-TERM DEBT

Long-term debt at June 30, 2015 consisted of the following:

Governmental Activities:

$1,000,000 loan from Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, Series 2003, payable in annual installments ranging from $54,000 in 2016 to $71,000 in 2024, interest rate is 1.07% at 6/30/15	$ 542,000
$1,000,000 loan from Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, Series 2008, payable in annual installments ranging from $59,000 in 2016 to $92,000 in 2025, interest rate is 1.07% at 6/30/15	744,000
$2,000,000 loan from Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, Series 2012, payable in annual installments ranging from $54,000 in 2016 to $63,444 in 2037, interest rate is 1.07% at 6/30/15	1,790,445
Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2013, payable in annual installments ranging from $52,000 in 2016 to $56,001 in 2019, interest rate is 2.29% at 6/30/15	216,000
Municipal Asset Management, capital lease for fire truck, payable in annual installments of $54,688, including interest at 4.1% until maturity in 2016	52,525
Line of credit with a bank, interest at 2.90% due monthly, principal due August 2016, total borrowing limit $300,000	42,885
Ford Motor Credit, capital lease for police cars, payable in annual installments of $18,412, including interest at 6.0% until maturity in 2016	17,369
	3,405,223
Less current maturities	(288,894)
	$ 3,116,329

Business-Type Activities:

Tennessee Municipal Bond Fund, Series 1999, Waterworks Revenue Bond, payments due monthly and in varying amounts until May 2025, interest at 1.07% at 6/30/15	$ 3,638,000
Tennessee Municipal Bond Fund, Series 2004, Waterworks Revenue Bond, payments due monthly and in varying amounts until May 2023, interest at 1.07% at 6/30/15	1,510,000
Tennessee Municipal Bond Fund, Series 2008, Waterworks Revenue Bond, payments due monthly and in varying amounts until May 2029, interest at 1.07% at 6/30/15	1,509,000
USDA Rural Development, Water Revenue and Tax Bond Series 2010, payable in annual installments of $52,720, including interest at 2.5% through March 2051	1,244,864
USDA Rural Development, Water Revenue and Tax Bond Series 2010A, payable in annual installments of $40,582, including interest at 3.75% through October 2049	782,501
USDA Rural Development, Water Revenue and Tax Bond Series 2010B, payable in annual installments of $36,112 including interest at 2.5% through June 2053	885,000
USDA Rural Development, Water Revenue and Tax Bond Series 2010C, payable in annual installments of $19,831, including interest at 2.5% through March 2051	468,262
	10,037,627
Less current maturities	(484,336)
	$ 9,553,291

Maturities of long-term debt as of June 30, 2015 are as follows:

Governmental Activities:

Year Ending June 30,	Principal	Interest	Totals
2016	$ 288,894	$ 42,314	$ 331,208
2017	268,885	34,990	303,875
2018	235,000	31,822	266,822
2019	244,001	28,636	272,637
2020	195,000	25,342	220,342
2021	203,000	23,256	226,256
2022	210,000	21,084	231,084
2023	218,000	18,837	236,837
2024	232,000	16,504	248,504
2025	169,000	14,022	183,022
2026	80,000	12,213	92,213
2027	83,000	11,357	94,357
2028	87,000	10,469	97,469
2029	90,000	9,538	99,538
2030	94,000	8,575	102,575
2031	97,000	7,570	104,570
2032	101,000	6,532	107,532
2033	105,000	5,451	110,451
2034	109,000	4,328	113,328
2035	114,000	3,161	117,161
2036	118,000	1,941	119,941
2037	63,444	679	64,123
	$ 3,405,223	$ 338,622	$ 3,743,845

Business-Type Activities:

Year Ending June 30,	Principal	Interest	Totals
2016	$ 484,336	$ 165,092	$ 649,428
2017	507,185	158,699	665,884
2018	529,784	152,285	682,069
2019	554,429	145,601	700,030
2020	578,882	138,862	717,744
2021	604,856	131,357	736,213
2022	633,648	123,776	757,424
2023	661,492	115,853	777,345
2024	692,171	107,820	799,991
2025	724,336	98,988	823,324
2026	285,346	89,990	375,336
2027	297,415	85,654	383,069
2028	307,347	81,346	388,693
2029	319,729	76,503	396,232
2030	179,984	71,680	251,664
2031	186,305	68,310	254,615
2032	191,524	65,000	256,524
2033	197,150	61,251	258,401
2034	91,682	57,563	149,245
2035	94,288	54,957	149,245
2036	96,829	52,416	149,245
2037	99,731	49,514	149,245
2038	102,575	46,670	149,245
2039	105,504	43,741	149,245
2040	108,408	40,837	149,245
2041	111,621	37,624	149,245
2042	114,818	34,427	149,245
2043	118,110	31,135	149,245
2044	121,426	27,819	149,245
2045	124,990	24,255	149,245
2046	128,586	20,659	149,245
2047	132,289	16,956	149,245
2048	136,069	13,176	149,245

Business-Type Activities (continued):

Year Ending June 30,	Principal	Interest	Totals
2049	140,031	9,214	149,245
2050	116,599	5,465	122,064
2051	87,783	2,785	90,568
2052	34,745	1,367	36,112
2053	35,625	485	36,110
	$ 10,037,627	$ 2,509,132	$ 12,546,758

Changes in long-term debt for the year ended June 30, 2015 were as follows:

	Balance 7/1/14	Additions	Payments	Balance 6/30/15	Amounts Due Within One Year
Governmental Activities:					
Tennessee Municipal Bond Fund, Series 2003	$ 594,000	$ 0	$ 52,000	$ 542,000	$ 54,000
Tennessee Municipal Bond Fund, Series 2008	800,000	0	56,000	744,000	59,000
Tennessee Municipal Bond Fund, Series 2012	1,842,445	0	52,000	1,790,445	54,000
Tennessee Municipal Bond Fund, Series 2013	267,000	0	51,000	216,000	52,000
Municipal Asset Management	102,972	0	50,447	52,525	52,525
Ford Motor Credit	33,756	0	16,387	17,369	17,369
Citizens Bank - line of credit	0	42,885	0	42,885	0
	$ 3,640,173	$ 42,885	$ 277,834	$ 3,405,223	$ 288,894

	Balance 7/1/14	Additions	Payments	Balance 6/30/15	Amounts Due Within One Year
Business-Type Activities:					
Tennessee Municipal Bond Fund, Series 1999	$ 3,913,000	$ 0	$ 275,000	$ 3,638,000	$ 289,000
Tennessee Municipal Bond Fund, Series 2004	1,571,000	0	61,000	1,510,000	63,000
Tennessee Municipal Bond Fund, Series 2008	1,582,000	0	73,000	1,509,000	77,000
Rural Development Series 2010	1,266,171	0	21,310	1,244,864	21,716
Rural Development Series 2010A	793,509	0	11,008	782,501	11,347
Rural Development Series 2010B	421,643	463,357	0	885,000	14,087
Rural Development Series 2010C	476,277	0	8,015	468,262	8,186
	$ 10,023,600	$ 463,357	$ 449,333	$ 10,037,627	$ 484,336

Interest costs are expensed and reported as a direct expense of the program for which the borrowing is related. Interest costs incurred for the year ended June 30, 2015 were $41,195 for governmental activities and $165,498 for business-type activities, all of which was expensed.

NOTE H - COMMITMENTS AND CONTINGENCIES

During the year ended June 30, 2015, the City entered into contracts totaling $478,276 for water and sewer construction projects. Total expenditures as of June 30, 2015 were $418,493.

NOTE I – SOLID WASTE COLLECTION FES

Tennessee Code Annotated Section 68-211-835 restricts funds generated from solid waste disposal fees for use in establishing and maintaining solid waste collection and disposal services. At June 30, 2015 the City held the following funds restricted for this purpose:

Solid waste collection fees	$ 326,775
Solid waste expenditures	(294,244)
	$ 32,531

NOTE J - RESTATEMENT

During the year ended June 30, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as an asset or liability and to more comprehensively and comparably measure the annual costs of pension benefits. In addition to the implementation of GASB Statement No. 68, net position of the water and sewer fund has been restated to record loan funds received prior to June 30, 2014 from the USDA Rural Development Water Revenue and Tax Bond, Series 2010B. Net position as of July 1, 2014 has been restated as follows:

	Governmental Activities	Business-Type Activities	Totals
Balance, June 30, 2014, as originally reported	$ 7,795,364	$ 14,616,421	$ 22,411,786
Loan funds received prior to June 30, 2014	0	(421,643)	(421,643)
Net pension asset, measurement date as of June 30, 2013	(15,975)	(5,095)	(21,070)
Deferred outflows for contributions made during the year ended June 30, 2014	133,660	40,855	174,516
Balance, June 30, 2014, as restated	$ 7,913,047	$ 14,230,539	$ 22,143,587

There was no effect on beginning fund balances related to the implementation of GASB Statement No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KINGSTON, TENNESSEE

CHANGES IN NET PENSION LIABILTY(ASSET)

June 30, 2015

	Measurement Date at June 30, 2014
Total pension liability	
Service cost	$ 194,838
Interest	260,177
Change in benefit terms	0
Differences between actual and expected experience	(61,302)
Change of assumptions	0
Benefit payments, including refunds of employee contributions	(116,127)
Net change in total pension liability	277,586
Total pension liability-beginning July 1, 2013	3,332,254
Total pension liability-ending June 30, 2014 (a)	3,609,840
Plan fiduciary net position	
Contributions-employer	174,516
Contributions-employee	128,510
Net investment income	566,249
Benefit payments, including refunds of employee contributions	(116,127)
Administrative expense	(2,302)
Net change in plan fiduciary net position	750,846
Plan fiduciary net position-beginning July 1, 2013	3,311,184
Plan fiduciary net position-ending June 30, 2014 (b)	4,062,030
Net Pension Liability (Asset)-ending (a)-(b)	$ (452,190)
Plan fiduciary net position as a percentage of total net pension liability	112.53%
Covered - employee payroll	$ 2,570,198
Net pension liability(asset) as a percentage of covered-employee payroll	17.59%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See the accompanying independent accountants' audit report.

CITY OF KINGSTON, TENNESSEE

PENSION CONTRIBUTIONS

June 30, 2015

	2015	2014
Actuarially determined contribution	$ 178,804	$ 174,516
Contributions in relation to the actuarially determined contribution	(178,804)	(174,516)
Contribution deficiency(excess)	$ 0	$ 0
Covered employee payroll	$ 2,725,668	$ 2,570,198
Contributions as a percentage of covered employee payroll	6.56%	6.79%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future fiscal years until 10 years of information is available.

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	3 years
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.5%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including adjustment for some anticipated improvement
Cost of Living Adjustments	2.5%

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF KINGSTON, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2015

Year of Levy	Rate	Total Assessment	Levy	Balance June 30, 2014
2015	$1.4500	$ 146,959,367	$ 2,123,227	$ 0
2014	1.1734	151,044,293	1,772,332	1,772,332
2013	1.1734	149,685,658	1,756,395	123,971
2012	1.1734	147,885,063	1,529,178	49,495
2011	1.0340	148,659,217	1,610,641	38,490
2010	1.0834	118,403,591	1,598,448	15,172
2009	1.3500	116,989,857	1,579,363	6,765
2008	1.3500	112,829,652	1,523,200	7,793
2007	1.3000	110,880,276	1,441,443	8,024
2006	1.3000	106,242,267	1,381,149	4,734
2005	1.2700	84,138,163	1,068,554	3,202
2004	1.2700	80,987,724	1,028,544	2,740
				$ 2,032,719

Property taxes unpaid for 2004 through 2013 have been filed with the Roane County Clerk and Master.

See the accompanying independent accountants' audit report.

Taxes Levied	Adjustments	Collections	Balance June 30, 2015
$ 2,123,227	$ 0	$ 0	$ 2,123,227
0	(435)	1,667,199	104,698
0	0	70,287	53,684
0	0	23,182	26,313
0	0	11,448	27,042
0	0	4,503	10,669
0	0	1,065	5,700
0	0	802	6,991
0	0	856	7,168
0	0	1,109	3,625
0	0	117	3,085
0	(2,740)	0	0
$ 2,123,227	$ (3,175)	$ 1,780,569	$ 2,372,202

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2015

	Principal	Interest	Totals
Governmental Activities:			
Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, Series 2003			
Year ending June 30,			
2016	$ 54,000	$ 5,799	$ 59,799
2017	55,000	5,222	60,222
2018	56,000	4,633	60,633
2019	58,000	4,034	62,034
2020	60,000	3,413	63,413
2021	61,000	2,771	63,771
2022	63,000	2,119	65,119
2023	64,000	1,445	65,445
2024	71,000	760	71,760
	$ 542,000	$ 30,197	$ 572,196
Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, Series 2008			
Year ending June 30,			
2016	$ 59,000	$ 7,961	$ 66,961
2017	62,000	7,330	69,330
2018	65,000	6,666	71,666
2019	69,000	5,971	74,971
2020	72,000	5,232	77,232
2021	76,000	4,462	80,462
2022	79,000	3,649	82,649

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2015

	Principal	Interest	Totals
Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, Series 2008 (continued)			
2023	83,000	2,803	85,803
2024	87,000	1,915	88,915
2025	92,000	984	92,984
	$ 744,000	$ 46,973	$ 790,973
Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, Series 2012			
Year ending June 30,			
2016	$ 54,000	$ 19,158	$ 73,158
2017	56,000	18,580	74,580
2018	59,000	17,981	76,981
2019	61,000	17,349	78,349
2020	63,000	16,697	79,697
2021	66,000	16,023	82,023
2022	68,000	15,316	83,316
2023	71,000	14,589	85,589
2024	74,000	13,829	87,829
2025	77,000	13,037	90,037
2026	80,000	12,213	92,213
2027	83,000	11,357	94,357
2028	87,000	10,469	97,469
2029	90,000	9,538	99,538
2030	94,000	8,575	102,575

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2015

	Principal	Interest	Totals
Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, Series 2012 (continued)			
2031	97,000	7,570	104,570
2032	101,000	6,532	107,532
2033	105,000	5,451	110,451
2034	109,000	4,328	113,328
2035	114,000	3,161	117,161
2036	118,000	1,941	119,941
2037	63,444	679	64,123
	$ 1,790,445	$ 244,369	$ 2,034,813
Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2013			
Year ending June 30,			
2016	$ 52,000	$ 4,946	$ 56,946
2017	53,000	3,756	56,756
2018	55,000	2,542	57,542
2019	56,000	1,282	57,282
	$ 216,000	$ 12,526	$ 228,526

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2015

	Principal	Interest	Totals
Line of Credit - Citizens National Bank			
Year ending June 30,			
2016	$ 0	$ 1,244	$ 1,244
2017	42,885	104	42,989
	$ 42,885	$ 1,348	$ 44,233
Municipal Asset Management capital lease			
Year ending June 30,			
2016	$ 52,525	$ 2,164	$ 54,688
Ford Motor Credit capital lease			
Year ending June 30,			
2016	$ 17,369	$ 1,042	$ 18,411
Business-Type Activities:			
Tennessee Municipal Bond Fund Series 1999			
Year ending June 30,			
2016	$ 289,000	$ 38,927	$ 327,927
2017	304,000	35,834	339,834
2018	319,000	32,582	351,582
2019	335,000	29,168	364,168
2020	351,000	25,584	376,584

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2015

	Principal	Interest	Totals
Tennessee Municipal Bond Fund Series 1999 (continued)			
2021	369,000	21,828	390,828
2022	388,000	17,880	405,880
2023	407,000	13,728	420,728
2024	427,000	9,373	436,373
2025	449,000	4,804	453,804
	$ 3,638,000	$ 229,708	$ 3,867,708
Tennessee Municipal Bond Fund Series 2004			
Year ending June 30,			
2016	$ 63,000	$ 16,157	$ 79,157
2017	65,000	15,483	80,483
2018	67,000	14,787	81,787
2019	70,000	14,071	84,071
2020	72,000	13,322	85,322
2021	74,000	12,551	86,551
2022	77,000	11,759	88,759
2023	79,000	10,935	89,935
2024	82,000	10,090	92,090
2025	84,000	9,213	93,213
2026	87,000	8,314	95,314
2027	90,000	7,383	97,383
2028	92,000	6,420	98,420
2029	95,000	5,436	100,436
2030	98,000	4,419	102,419
2031	102,000	3,371	105,371

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2015

	Principal	Interest	Totals
Tennessee Municipal Bond Fund Series 2004 (continued)			
2032	105,000	2,279	107,279
2033	108,000	1,156	109,156
	$ 1,510,000	$ 167,146	$ 1,677,146
Tennessee Municipal Bond Fund Series 2008			
Year ending June 30,			
2016	$ 77,000	$ 16,146	$ 93,146
2017	81,000	15,322	96,322
2018	85,000	14,456	99,456
2019	89,000	13,546	102,546
2020	94,000	12,594	106,594
2021	98,000	11,588	109,588
2022	103,000	10,540	113,540
2023	108,000	9,437	117,437
2024	114,000	8,282	122,282
2025	120,000	7,062	127,062
2026	125,000	5,778	130,778
2027	132,000	4,441	136,441
2028	138,000	3,028	141,028
2029	145,000	1,552	146,552
	$ 1,509,000	$ 133,772	$ 1,642,772

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2015

	Principal	Interest	Totals
Rural Development Bond Series 2010			
Year ending June 30,			
2016	$ 21,716	$ 30,957	$ 52,673
2017	22,397	30,323	52,720
2018	22,963	29,757	52,720
2019	23,544	29,176	52,720
2020	24,061	28,659	52,720
2021	24,747	27,973	52,720
2022	25,373	27,347	52,720
2023	26,015	26,705	52,720
2024	26,601	26,119	52,720
2025	27,345	25,375	52,720
2026	28,037	24,683	52,720
2027	28,746	23,974	52,720
2028	29,409	23,311	52,720
2029	30,217	22,503	52,720
2030	30,981	21,739	52,720
2031	31,764	20,956	52,720
2032	32,512	20,208	52,720
2033	33,390	19,330	52,720
2034	34,234	18,486	52,720
2035	35,100	17,620	52,720
2036	35,942	16,778	52,720
2037	36,896	15,824	52,720
2038	37,829	14,891	52,720
2039	38,786	13,934	52,720
2040	39,732	12,988	52,720

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2015

	Principal	Interest	Totals
Rural Development Bond Series 2010 (continued)			
2041	40,772	11,948	52,720
2042	41,803	10,917	52,720
2043	42,860	9,860	52,720
2044	43,920	8,800	52,720
2045	45,054	7,666	52,720
2046	46,194	6,526	52,720
2047	47,362	5,358	52,720
2048	48,549	4,171	52,720
2049	49,787	2,933	52,720
2050	51,046	1,674	52,720
2051	39,179	410	39,589
	$ 1,244,864	$ 639,880	$ 1,884,743
Rural Development Bond Series 2010A			
Year ending June 30,			
2016	$ 11,347	$ 29,235	$ 40,582
2017	11,860	28,722	40,582
2018	12,313	28,269	40,582
2019	12,783	27,799	40,582
2020	13,195	27,387	40,582
2021	13,774	26,808	40,582
2022	14,299	26,283	40,582
2023	14,845	25,737	40,582

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2015

	Principal	Interest	Totals
Rural Development Bond Series 2010A (continued)			
Year ending June 30,			
2024	15,342	25,240	40,582
2025	15,996	24,586	40,582
2026	16,607	23,975	40,582
2027	17,240	23,342	40,582
2028	17,836	22,746	40,582
2029	18,579	22,003	40,582
2030	19,287	21,295	40,582
2031	20,023	20,559	40,582
2032	20,733	19,849	40,582
2033	21,578	19,004	40,582
2034	22,401	18,181	40,582
2035	23,256	17,326	40,582
2036	24,098	16,484	40,582
2037	25,063	15,519	40,582
2038	26,019	14,563	40,582
2039	27,011	13,571	40,582
2040	28,008	12,574	40,582
2041	29,110	11,472	40,582
2042	30,221	10,361	40,582
2043	31,374	9,208	40,582
2044	32,549	8,033	40,582
2045	33,813	6,769	40,582
2046	35,103	5,479	40,582
2047	36,442	4,140	40,582
2048	37,825	2,757	40,582

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2015

	Principal	Interest	Totals
Rural Development Bond Series 2010A (continued)			
2049	39,275	1,307	40,582
2050	13,296	105	13,401
	$ 782,501	$ 610,688	$ 1,393,189
Rural Development Bond Series 2010C			
Year ending June 30,			
2016	$ 8,186	$ 11,645	$ 19,831
2017	8,425	11,406	19,831
2018	8,638	11,193	19,831
2019	8,856	10,975	19,831
2020	9,051	10,780	19,831
2021	9,309	10,522	19,831
2022	9,544	10,287	19,831
2023	9,786	10,045	19,831
2024	10,006	9,825	19,831
2025	10,286	9,545	19,831
2026	10,546	9,285	19,831
2027	10,813	9,018	19,831
2028	11,063	8,768	19,831
2029	11,366	8,465	19,831
2030	11,654	8,177	19,831
2031	11,949	7,882	19,831
2032	12,230	7,601	19,831

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2015

	Principal	Interest	Totals
Rural Development Bond Series 2010C (continued)			
2033	12,560	7,271	19,831
2034	12,878	6,953	19,831
2035	13,203	6,628	19,831
2036	13,520	6,311	19,831
2037	13,879	5,952	19,831
2038	14,230	5,601	19,831
2039	14,590	5,241	19,831
2040	14,946	4,885	19,831
2041	15,337	4,494	19,831
2042	15,725	4,106	19,831
2043	16,122	3,709	19,831
2044	16,521	3,310	19,831
2045	16,948	2,883	19,831
2046	17,376	2,455	19,831
2047	17,816	2,015	19,831
2048	18,262	1,569	19,831
2049	18,728	1,103	19,831
2050	19,202	629	19,831
2051	14,712	154	14,866
	$ 468,262	$ 240,688	$ 708,951

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2015

	Principal	Interest	Totals
Rural Development Bond Series 2010B			
Year ending June 30,			
2016	$ 14,087	$ 22,025	$ 36,112
2017	14,504	21,608	36,112
2018	14,870	21,242	36,112
2019	15,246	20,866	36,112
2020	15,576	20,536	36,112
2021	16,026	20,086	36,112
2022	16,431	19,681	36,112
2023	16,847	19,265	36,112
2024	17,221	18,891	36,112
2025	17,708	18,404	36,112
2026	18,156	17,956	36,112
2027	18,614	17,498	36,112
2028	19,039	17,073	36,112
2029	19,567	16,545	36,112
2030	20,062	16,050	36,112
2031	20,570	15,542	36,112
2032	21,049	15,063	36,112
2033	21,622	14,490	36,112
2034	22,169	13,943	36,112
2035	22,729	13,383	36,112
2036	23,269	12,843	36,112
2037	23,893	12,219	36,112
2038	24,497	11,615	36,112
2039	25,116	10,996	36,112
2040	25,723	10,389	36,112
2041	26,402	9,710	36,112
2042	27,070	9,042	36,112

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2015

	Principal	Interest	Totals
Rural Development Bond Series 2010B (continued)			
Year ending June 30,			
2043	27,754	8,358	36,112
2044	28,435	7,677	36,112
2045	29,175	6,937	36,112
2046	29,913	6,199	36,112
2047	30,669	5,443	36,112
2048	31,433	4,679	36,112
2049	32,240	3,872	36,112
2050	33,055	3,057	36,112
2051	33,891	2,221	36,112
2052	34,745	1,367	36,112
2053	35,627	485	36,112
	$ 885,000	$ 487,256	$ 1,372,256

See the accompanying independent accountants' audit report.

CITY OF KINGSTON, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor	CFDA #	Contract Number	Expenditures
Federal Awards			
U.S. Department of Agriculture/ Rural Development	10.760	Loan 48-073-2119	$ 463,357
U.S. Department of Agriculture/ Rural Development	10.760	Grant 48-073-2119	207,485
U.S. Department of Agriculture/ Rural Development	10.760	Grant N/A	21,074
U.S. Department of Transportation/ Tennessee Department of Transportation	20.205	STP-EN/HPP - 7300(17)	1,255
U.S. Department of Transportation/ Tennessee Department of Transportation	20.607	42986-2809	4,998
U.S. Department of Transportation/ Tennessee Department of Transportation	20.205	STP-M-9124(10)	34,346
U.S. Department of Homeland Security – Federal Emergency Management Agency/ Tennessee Emergency Management Agency	97.036	FEMA-4211-DR-TN-145-U4N71-00	20,020
U.S. Department of Homeland Security – Federal Emergency Management Agency/ Tennessee Emergency Management Agency	97.036	FEMA-4189-DR-TN-145-39620-00	103,093
Total federal awards			855,628

CITY OF KINGSTON, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
(continued)

Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor	CFDA #	Contract Number	Expenditures
State Financial Assistance			
U.S. Department of Homeland Security – Federal Emergency Management Agency/ Tennessee Emergency Management Agency	N/A	FEMA-4211-DR-TN-145-U4N71-00	1,766
U.S. Department of Homeland Security – Federal Emergency Management Agency/ Tennessee Emergency Management Agency	N/A	FEMA-4189-DR-TN-145-39620-00	9,862
TN Department of Environment and Conservation	N/A	N/A	2,000
			13,628
			$ 869,257

NOTE 1 – BASIS OF PRESENTATION

This schedule summarizes the expenditures of City of Kingston, Tennessee under programs of the federal and state governments for the year ended June 30, 2015. The schedule is presented using the modified accrual basis of accounting.

See the accompanying independent accountants' audit report.

CITY OF KINGSTON, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2015

WATER

Utility Rates	
Inside City limits:	
First 1,000 gallons (minimum billing)	$ 19.44
Over 1,000 gallons (per thousand)	6.54
Outside City limits:	
First 1,000 gallons (minimum billing)	14.81
Over 1,000 gallons (per thousand)	13.07
East Roane	
First 1,000 gallons (minimum billing)	1.88
Over 1,000 gallons	N/A

SEWER

Inside City limits:	
First 1,000 gallons (minimum billing)	$ 9.44
Over 1,000 gallons (per thousand)	8.87
Outside City limits:	
First 1,000 gallons (minimum billing)	17.65
Over 1,000 gallons (per thousand)	14.12

Number of Metered Customers:

Water	3,727
Sewer	2,453

See the accompanying independent accountants' audit report.

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association.
Copyright © 2014, All Rights Reserved

? Click to access definition
+ Click to add a comment

Water Audit Report for: City of Kingston Water Dept. (TN0000360)
Reporting Year: 2015 (7/2014 - 6/2015)

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

Master Meter and Supply Error Adjustments

WATER SUPPLIED

					Pcnt:	Value:	
Volume from own sources:	10	345.610	MG/Yr	9	1.00%		MG/Yr
Water imported:	n/a	0.000	MG/Yr				MG/Yr
Water exported:	n/a	0.000	MG/Yr				MG/Yr
WATER SUPPLIED:		342.188	MG/Yr				

Enter negative % or value for under-registration
Enter positive % or value for over-registration

AUTHORIZED CONSUMPTION

Click here: ? for help using option buttons below

				Pcnt:	Value:	
Billed metered:	10	259.248	MG/Yr			
Billed unmetered:	n/a	0.000	MG/Yr			
Unbilled metered:	10	0.286	MG/Yr			
Unbilled unmetered:		4.277	MG/Yr	1.25%		MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: 263.812 MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption) 78.376 MG/Yr

Apparent Losses

				Pcnt:	Value:	
Unauthorized consumption:		0.855	MG/Yr	0.25%		MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	10	0.000	MG/Yr			MG/Yr
Systematic data handling errors:		0.648	MG/Yr	0.25%		MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: 1.504 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 76.873 MG/Yr

WATER LOSSES: 78.376 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 82.940 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	5	150.0	miles
Number of active AND inactive service connections:	8	4,075	
Service connection density:		27	conn./mile main
Are customer meters typically located at the curbstop or property line?		No	
Average length of customer service line:	10	0.0	ft
Average operating pressure:	6	115.0	psi

(length of service line, beyond the property boundary, that is the responsibility of the utility)

COST DATA

Total annual cost of operating water system:	10	$1,130,566	$/Year	
Customer retail unit cost (applied to Apparent Losses):	10	$14.83	$/1000 gallons (US)	
Variable production cost (applied to Real Losses):	10	$559.51	$/Million gallons	☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 93 out of 100 *****

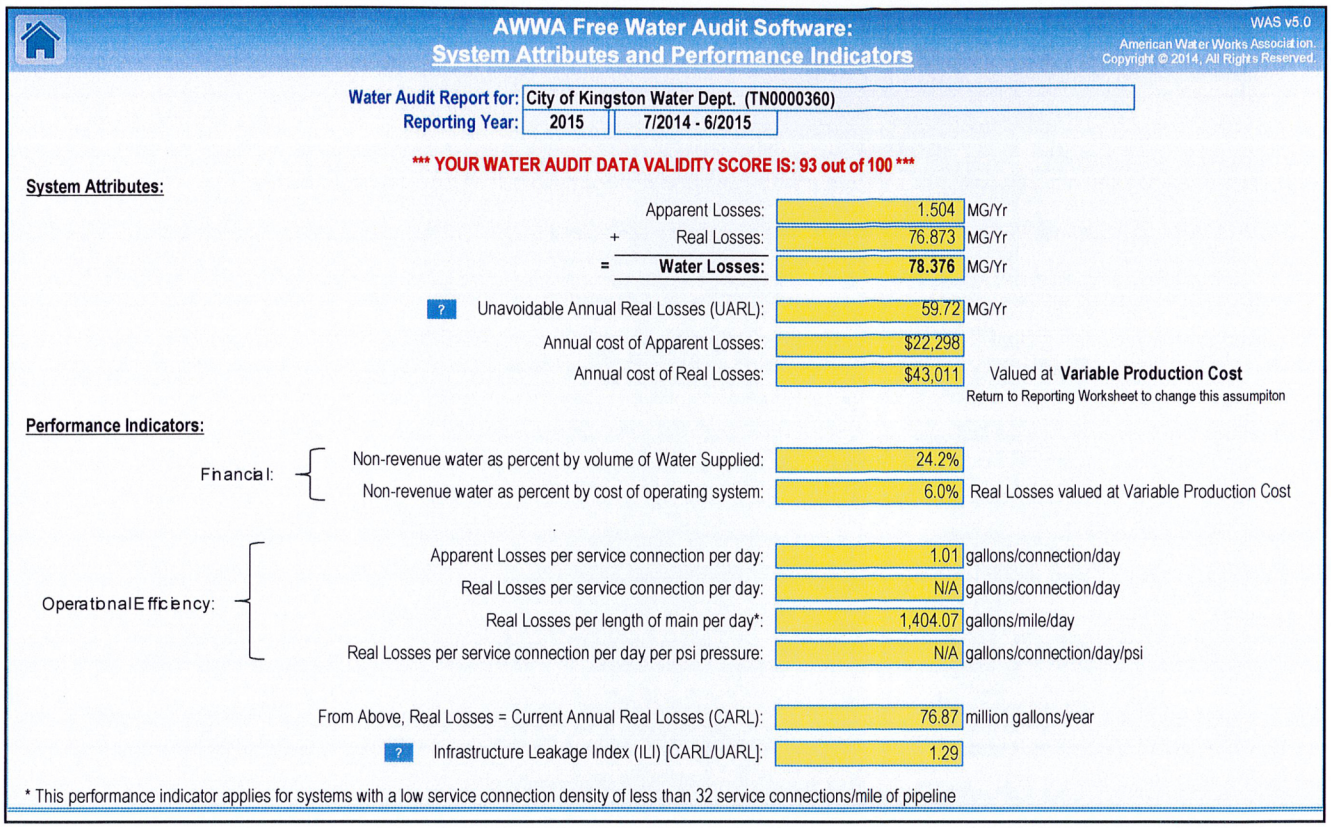
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Unauthorized consumption
2: Systematic data handling errors
3: Unbilled unmetered

See the accompanying independent accountants' audit report.



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
American Water Works Association.
Copyright © 2014, All Rights Reserved.

Water Audit Report for: City of Kingston Water Dept. (TN0000360)
Reporting Year: 2015 | 7/2014 - 6/2015

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 93 out of 100 ***

System Attributes:

	Apparent Losses:	1.504	MG/Yr
+	Real Losses:	76.873	MG/Yr
=	**Water Losses:**	**78.376**	MG/Yr
?	Unavoidable Annual Real Losses (UARL):	59.72	MG/Yr
	Annual cost of Apparent Losses:	$22,298	
	Annual cost of Real Losses:	$43,011	Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumpiton

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	24.2%	
	Non-revenue water as percent by cost of operating system:	6.0%	Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	1.01	gallons/connection/day
	Real Losses per service connection per day:	N/A	gallons/connection/day
	Real Losses per length of main per day*:	1,404.07	gallons/mile/day
	Real Losses per service connection per day per psi pressure:	N/A	gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	76.87	million gallons/year
?	Infrastructure Leakage Index (ILI) [CARL/UARL]:	1.29	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

See the accompanying independent accountants' audit report.

CITY OF KINGSTON, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2015

Tim Neal, Mayor
Tony Brown, Vice Mayor
John Bykit, Council Member
Norman Sugarman, Council Member
Don White, Council Member
Sarah Humphreys, Council Member
Randy Childs, Council Member
David Bolling, City Manager
Carolyn Brewer, CMFO

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

MEH MITCHELL EMERT & HILL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT ACCOUNTANTS' 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*

Mayor and City Council
City of Kingston, Tennessee
Kingston, Tennessee

We have audited, in accordance with the 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 of America, the financial statements of the governmental activities, business-type activities, and each major fund of City of Kingston, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Kingston, Tennessee's basic financial statements and have issued our report thereon dated January 5, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Kingston, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Kingston, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Kingston, Tennessee's internal control.

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

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

416 Erin Drive • Knoxville, Tennessee 37919 • (865) 522-2396 • Fax (865) 523-6318

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kingston, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Kingston, Tennessee's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kingston, Tennessee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 5, 2016

CITY OF KINGSTON, TENNESSEE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

No findings were reported in the prior year.

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Mayor and City Council
City of Kingston, Tennessee
Kingston, Tennessee

Report on Compliance for Each Major Federal Program

We have audited City of Kingston, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Kingston, Tennessee's major federal programs for the year ended June 30, 2015. City of Kingston, Tennessee's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Kingston, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; 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 City of Kingston, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Kingston, Tennessee's compliance.

416 Erin Drive • Knoxville, Tennessee 37919 • (865) 522-2396 • Fax (865) 523-6318

Opinion on Each Major Federal Program

In our opinion, City of Kingston, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of City of Kingston, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Kingston, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular-A133, 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 City of Kingston, Tennessee's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

January 5, 2016

CITY OF KINGSTON, TENNESSEE

FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

SUMMARY OF AUDIT RESULTS

1. The Independent Accountants' Audit Report expresses an unqualified opinion on the financial statements of City of Kingston, Tennessee.

2. No significant deficiencies in internal control over financial reporting were disclosed.

3. No instances of noncompliance material to the financial statements were disclosed.

4. No significant deficiencies in internal control over major federal programs were disclosed.

5. The Independent Accountants' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 expresses an unqualified opinion on City of Kingston, Tennessee's compliance with laws, regulations, contracts, and grant agreements applicable to its federal programs.

6. No findings or questioned costs were disclosed which would be required to be reported in accordance with OMB Circular A-133.

7. The following programs were tested as major programs:

Program Name	CFDA No.
Water and Wastewater Disposal Systems For Rural Communities	10.760

8. The threshold for distinguishing Types A and B programs was $300,000.

9. City of Kingston, Tennessee was determined not to be a low-risk auditee.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs were disclosed which would be required to be reported in accordance with OMB Circular A-133.