



City of Kingston, Tennessee
Financial Reports
Year Ended June 30, 2017
Comprehensive Annual Financial Report



SUBMITTED BY

CAROLYN BREWER, CMFO

TABLE OF CONTENTS

Page Nos.

INTRODUCTORY SECTION

Letter of Transmittal	i-iii
Organizational Chart	iv
Form of Government	v
Principal Officials	vi

FINANCIAL SECTION

INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10

BASIC FINANCIAL STATEMENTS

Government - Wide Financial Statements:

Statement of Net Position	11-12
Statement of Activities	13-16

Fund Financial Statements:

Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	19-20
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - General Fund	22-31
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - Drug Enforcement Fund	32

TABLE OF CONTENTS
(continued)

	<u>Page Nos.</u>
Statement of Net Position - Water and Sewer Fund	33-34
Statement of Revenue, Expenses and Change in Net Position - Water and Sewer Fund	35-37
Statement of Cash Flows - Water and Sewer Fund	38-39
Notes to the Financial Statements	40-64
 REQUIRED SUPPLEMENTARY INFORMATION	
Changes in Net Pension Liability(Asset)	65-66
Pension Contributions	67
 OTHER SUPPLEMENTARY INFORMATION	
Property Taxes Receivable	68-69
Long-Term Debt Requirements	70-82
Expenditures of Federal Awards and State Financial Assistance	83-84
Utility Rates and Metered Customers	85
Water Utility Reporting Worksheet	86
Water Utility Performance Indicators	87
 STATISTICAL SECTION	
Table of Contents	-
Net Position by Component - Last Ten Fiscal Years	88-89
Changes in Net Position - Last Ten Fiscal Years	90-95
Fund Balances of Governmental Funds - Last Ten Fiscal Years	96-97
Fund Balances of Budgeted Governmental Funds - Last Ten Fiscal Years	98-99

TABLE OF CONTENTS
(continued)

	<u>Page Nos.</u>
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	100-103
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	104-105
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	106
Principal Property Taxpayers - Current Fiscal Year and Ten Years Ago	107-108
Property Tax Levies and Collections - Last Ten Fiscal Years	109
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	110-111
Direct and Overlapping Governmental Activities Debt	112
Legal Debt Margin Information - Last Ten Fiscal Years	113
Pledged Revenue Coverage - Last Ten Fiscal Years	114-115
Demographic and Economic Statistics - Last Ten Fiscal Years	116
Principal Employers - Current Year and Nine Years Ago	117
Full-Time Equivalent City Government Employees by Function - Last Ten Fiscal Years	118
Operating Indicators by Function - Last Ten Fiscal Years	119-120
Capital Asset Statistics by Function - Last Ten Fiscal Years	121-124
 INTERNAL CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	125-126
Prior Year Findings and Questioned Costs	127

TABLE OF CONTENTS
(continued)

	<u>Page Nos.</u>
Independent Accountants' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	128-129
Findings and Questioned Costs	130

INTRODUCTORY SECTION



January 22, 2018

Honorable Mayor,
Members of City Council and
Citizens of the City of Kingston, Tennessee

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited annually in accordance with auditing standards generally accepted in the United States of America by a licensed firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Kingston for the fiscal year ended June 30, 2017.

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

The City of Kingston's financial statements have been audited by Mitchell Emert & Hill, P.C. Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Kingston, for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Kingston's financial statements, for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The City is required to have an annual audit in conformity with the provisions of generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. The independent auditors' report on the internal control structure and compliance with applicable laws and regulations is included.

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

PROFILE OF THE CITY OF KINGSTON

Kingston is notable from several historical aspects. It is one of the oldest towns in Tennessee, having been founded in 1799. It served as state capital for one day in 1807. Because of the geographic position of Kingston, the Tennessee State Legislature convened there as part of plan to deceive the Indians. The site was of early military importance because of the fact that Southwest Point, which overlooks the confluence of the Clinch and Tennessee Rivers, was an excellent position for the frontier fort which was started there in 1792 by John Sevier, Tennessee's first Governor. Kingston also serves as the seat of the Roane County Courthouse. Historic Roane County Courthouse/Roane County Museum of History and Art is one of only seven antebellum Tennessee courthouses still standing, the Courthouse was built in 1854 using handmade bricks made by slaves.

Kingston's unique location on Interstate 40 is between Knoxville and Nashville and 18 miles from Oak Ridge, which afford Kingston's residents the ability to access the amenities from these metropolitan areas. Kingston serves a population of 5,934 and provides a wide range of services. The City of Kingston operates under the Council-Manager form of government, as authorized under Chapter 298, Private Acts of 1972 as amended from the original Private Acts of 1903. Elections are held every two years to be held in the November general election. There are seven members of City Council; the Mayor, Vice-Mayor and five Council Members. These are elected for four year terms and only three or four seats are up for election at any given time. The Council Members and Mayor are elected by the citizens and the Vice-Mayor is elected by the Council Members after the election and goes to the top vote getter in the election. The Council Members are responsible among other things, for passing ordinances, adopting the budget, appointing committees, hiring the City Manager, and appointing the City Attorney and City Judge. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the City's day-to-day operations, and for appointing the heads of the various departments.

The City provides a full range of services which include police and fire protection; waste management services; maintenance of highways, streets, and infrastructure; recreational activities and cultural events. In addition to general government activities, the governing body approves the annual budget and debt issues. The governing body also acts as the Kingston Water and Sewer Board and therefore, these activities are reported separately within the financial statements of the City of Kingston.

Long-term Financial Planning

The annual budget serves as the foundation for the City of Kingston's financial planning and control. The council reviews capital outlay needs each year at their budget meetings. The finance department compiles budgetary information to be distributed to the departments by February 28. Budget requests are submitted to the Finance Director and City Manager in March, at which time the finance department compiles the data and makes revenue estimates. Budget meetings are held in April of each year with the department heads. On May first, the City Manager and/or the Finance Director make a formal balanced budget presentation to the city council.

After much review and debate among the council, the budget may be revised to include any recommendations of the city council. The council is required to hold a public hearing on the proposed budget and to adopt a final budget and tax rate by June 30 each year, which is the close of the City's fiscal year. The appropriated budget is prepared by fund, function and department.

Department heads may make transfers within their department budget, but transfer of appropriations between departments and funds require approval of the city council. Budget to actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted.

Local Economy

The City of Kingston has no major industries, therefore property taxes, and local and state sales taxes are our major revenues. During the past ten-year period we have strived to keep property taxes at a minimum to provide the necessary services for the citizens of Kingston. Over the past ten years the boundaries of the City of Kingston have doubled due to some annexations and a large development that is ongoing at this time.

Relevant Financial Policies

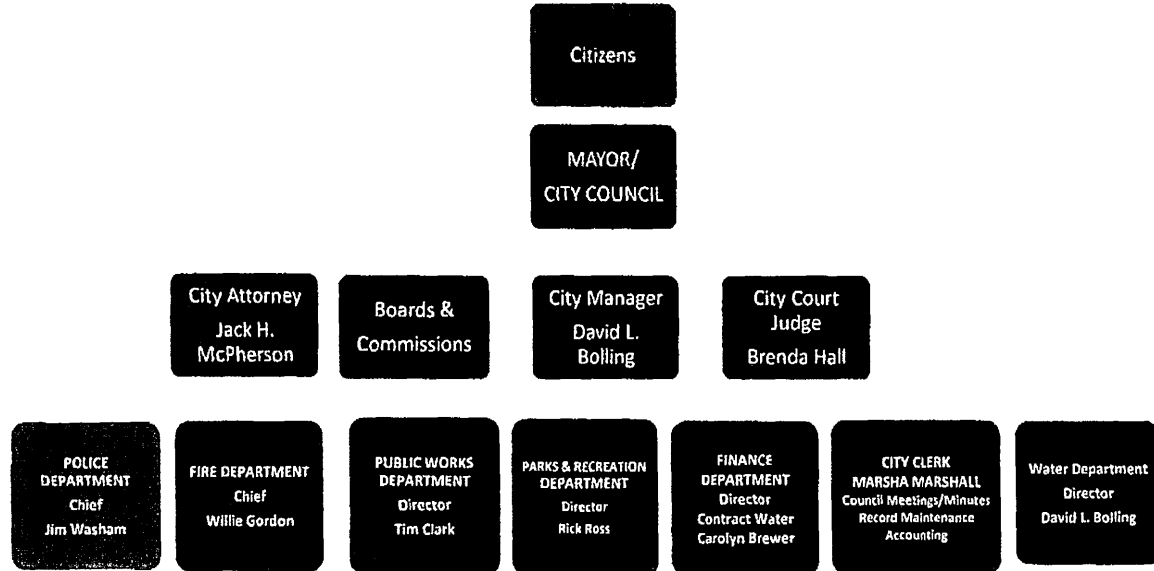
Revenue policies provide for the City to budget revenues conservatively so that the chance of a revenue shortage during the year is remote. The City reviews annually all rates, fees and charges to assure that they maintain their inflation-adjusted purchasing power. The policy for the City has been to fund many of its capital projects with grant monies which we have accomplished over the past ten years.

The preparation of this CAFR on a timely basis was made possible by the dedicated service of the entire staff of the finance and administration departments, in addition to the City's independent certified public accountants. Credit must also be given to the Mayor, City Council, and the City Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Kingston's finances.

Respectfully submitted,

Carolyn Brewer
Director of Finance

Kingston City Government



CITY OF KINGSTON, TENNESSEE

FORM OF GOVERNMENT

June 30, 2017

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.

See the accompanying independent accountants' audit report.

CITY OF KINGSTON, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2017

Tim Neal, Mayor
Randy Childs, Vice Mayor
Tony Brown, Council Member
Sarah Humphreys, Council Member
Tara Stockton, Council Member
Don White, Council Member
Stephanie Wright, Council Member
David Bolling, City Manager
Carolyn Brewer, CMFO

See the accompanying independent accountants' audit report.

FINANCIAL SECTION

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, 2017, 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements; Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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, 2017, the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for 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.

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 pages 65 to 66 and the schedule of pension contributions on page 67 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City of Kingston, Tennessee's basic financial statements. The introductory section, accompanying other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements; Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic 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 introductory and statistical sections, as listed in the table of contents, and the schedules of utility rates and metered customers, water utility reporting worksheet and water utility performance indicators 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 22, 2018 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 solely 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 effectiveness of 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.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The script is cursive and fluid, with the ampersand clearly visible between the two names.

January 22, 2018



Management's Discussion and Analysis For the Year Ended June 30, 2017

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, 2017. 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 City's net position at June 30, 2017 was \$24,774,243 (\$24,017,365 in 2016).
- The City's net position increased by \$756,878 (\$1,462,222 in 2016) or 3 percent during the year ended June 30, 2017 (6.1 percent during 2016).
- At June 30, 2017 the City's governmental funds reported combined ending fund balances of \$1,621,476; a decrease of \$616,801 for the year ended June 30, 2017. At June 30, 2016 the City's governmental funds reported combined ending fund balances of \$2,238,277; an increase of \$1,008,483 for the year ended June 30, 2016. As of June 30, 2017 \$1,321,971 (\$1,611,251 in 2016) of governmental fund balances is unassigned and available for ongoing operations.
- At June 30, 2017 the unassigned general fund balance was \$1,321,971 (\$1,611,251 in 2016) or 16 percent (26 percent in 2016) 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 serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net 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 16 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 22 to 32.

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 fund - 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 33 to 39 in the basic financial statements.

Notes to the Financial Statements - The notes to the financial statements 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. At June 30, 2017 the City's net position was \$24,774,243 (\$24,017,365 in 2016).

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:

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets	\$ 8,660,996	\$ 9,593,269
Capital assets, net of accumulated depreciation	30,389,873	30,046,799
Other assets	<u>265,286</u>	<u>402,681</u>
	39,316,154	40,042,750
 DEFERRED OUTFLOWS OF RESOURCES	 <u>385,809</u>	 <u>333,427</u>
Deferred outflows related to pension	<u>\$ 39,701,963</u>	<u>\$ 40,376,177</u>
 LIABILITIES		
Current liabilities	\$ 1,304,437	\$ 1,598,762
Noncurrent liabilities	<u>11,473,121</u>	<u>12,304,350</u>
	12,777,558	13,903,112
 DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	2,107,250	2,117,244
Deferred inflows related to pension	42,912	235,634
Deferred revenue	<u>0</u>	<u>102,820</u>
	2,150,162	2,455,698
 NET POSITION		
Net investment in capital assets	18,075,441	16,731,677
Restricted	2,412,155	3,055,744
Unrestricted	<u>4,286,647</u>	<u>4,229,944</u>
	24,774,243	24,017,365
	<u>\$ 39,701,963</u>	<u>\$ 40,376,177</u>

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:

	<u>2017</u>	<u>2016</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 4,382,759	\$ 4,405,608
Operating grants and contributions	318,204	365,330
Capital grants and contributions	925,989	944,899
General Revenue:		
Local taxes	3,579,721	3,495,152
Intergovernmental	744,387	811,630
Investment income	17,478	11,747
Insurance recoveries	<u>0</u>	<u>109,197</u>
	9,968,538	10,143,563
EXPENSES		
General government	1,412,846	1,371,548
Public safety	1,948,270	1,840,615
Public welfare	1,049,880	873,150
Streets and highways	1,077,568	1,054,399
Solid waste management	287,988	287,276
Interest on long-term debt	72,032	41,268
Water and sewer	<u>3,363,076</u>	<u>3,213,085</u>
	9,211,660	8,681,341
Increase in net position	756,878	1,462,222
Net position at the beginning of the year	<u>24,017,365</u>	<u>22,555,143</u>
Net position at the end of the year	<u>\$ 24,774,243</u>	<u>\$ 24,017,365</u>

Governmental Activities - For the year ended June 30, 2017, governmental activities increased the City's net position by \$193,130 (\$1,151,481 in 2016).

The City's main sources of revenue are 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, 2017, business-type activities increased the City's net position by \$563,748 (\$310,741 in 2016).

Capital Assets

The City's investment in capital assets as of June 30, 2017 was \$30,389,873 (\$30,046,799 in 2016) net of accumulated depreciation.

	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 4,863,049	\$ 3,807,445
Construction in process	0	1,385,585
Building and building improvements	6,658,709	6,550,736

Machinery and equipment	1,456,807	1,285,746
Vehicles	2,882,033	2,961,595
Other improvements	2,059,955	2,059,955
Plant	27,894,412	26,379,046
Accumulated depreciation	<u>(15,425,093)</u>	<u>(14,383,310)</u>
	<u>\$ 30,389,873</u>	<u>\$ 30,046,799</u>

The major capital asset additions during the year ended June 30, 2017 were as follows:

Construction in process	\$ 1,293,357
Land and land improvements	1,055,604
Building and building improvements	107,972
Utility plant (includes completed construction in process projects)	1,515,366
Machinery and equipment	171,060
Vehicles	<u>54,600</u>
	<u>\$ 4,197,959</u>

Additional information on capital assets can be found in Note E to the financial statements.

Debt Administration

At June 30, 2017 the City's proprietary fund had outstanding debt of \$9,046,105 (\$9,553,291 in 2016) consisting of the following:

	<u>2017</u>	<u>2016</u>
Rural Development bonds	\$ 3,268,105	\$ 3,325,291
Tennessee Municipal bonds	<u>5,778,000</u>	<u>6,228,000</u>
Total debt-principal	9,046,105	9,553,291
Less: current portion due	<u>(529,784)</u>	<u>(507,186)</u>
Total long-term debt-principal	<u>\$ 8,516,321</u>	<u>\$ 9,046,105</u>

During the year ended June 30, 2017, the City retired \$507,186 (\$484,336 in 2016) of its proprietary fund debt.

At June 30, 2017 the City's governmental funds had outstanding debt of \$3,268,326 (\$3,761,831 in 2016) consisting of the following:

	<u>2017</u>	<u>2016</u>
Bonds payable	\$ 3,268,326	\$ 3,556,220
Notes payable	<u>0</u>	<u>205,612</u>
	3,268,326	3,761,831
Less: current portion due	<u>(311,526)</u>	<u>(503,587)</u>
Total long-term debt-principal	<u>\$ 2,956,800</u>	<u>\$ 3,258,244</u>

During the year ended June 30, 2017, the City retired \$2,184,032 (\$288,895 in 2016) of debt of its governmental funds.

Additional information on debt can be found in Note G to the financial statements.

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 decreased by \$615,939 for the year ended June 30, 2017 (increased by \$1,002,496 in 2016).

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 \$2,500,509 for the year ended June 30, 2017 and \$2,086,952 for the year ended June 30, 2016, which is 16% (14% in 2016) of total net position of the water and sewer fund.

General Fund Budgetary Highlights

There were no changes between original budgeted revenue or expenditures and the final amended budgeted revenue or expenditures for the drug enforcement fund.

During the year ended June 30, 2017, final amended budgeted revenue of the general fund increased approximately \$7,000 from original budgeted revenue. Final amended budgeted expenditures of the general fund increased approximately \$1,465,000 from original budgeted expenditures.

Economic Factors and Next Year's Budgets and Rates

The Board of Commissioners approved the budget for the year ending June 30, 2018. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2017.

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, 2017

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash	\$ 1,378,789	\$ 1,676,679	\$ 3,055,468
Restricted cash	0	1,847,363	1,847,363
Accounts receivable, net of allowance for uncollectible accounts	0	669,122	669,122
Property taxes receivable, net of allowance for uncollectible accounts	2,352,568	0	2,352,568
Other taxes receivable	211,723	0	211,723
Other accounts receivable	13,144	0	13,144
Grant receivable	77,500	103,293	180,793
Due from other governments	231,634	0	231,634
Materials and supplies	0	99,181	99,181
Net pension asset	203,508	61,778	265,286
Capital assets not being depreciated	802,084	270,618	1,072,702
Capital assets being depreciated, net of accumulated depreciation	<u>9,471,268</u>	<u>19,845,903</u>	<u>29,317,171</u>
	14,742,217	24,573,937	39,316,154
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>291,347</u>	<u>94,462</u>	<u>385,809</u>
	<u>\$ 15,033,564</u>	<u>\$ 24,668,399</u>	<u>\$ 39,701,963</u>

See the accompanying notes to the financial statements.

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Accounts payable	\$ 1,966	\$ 17,584	\$ 19,550
Accrued salaries	328,570	115,007	443,577
Current portion of long-term debt	311,526	529,784	841,310
Long-term debt, net of current portion	<u>2,956,800</u>	<u>8,516,321</u>	<u>11,473,121</u>
	3,598,862	9,178,696	12,777,558
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	2,107,250	0	2,107,250
Deferred inflows related to pension	<u>33,274</u>	<u>9,638</u>	<u>42,912</u>
	2,140,524	9,638	2,150,162
NET POSITION			
Net investment in capital assets	7,005,026	11,070,415	18,075,441
Restricted:			
Drug enforcement	14,834	0	14,834
Special projects	171,555	0	171,555
Solid waste collection and disposal	111,071	0	111,071
Street repairs	2,046	0	2,046
Construction projects	0	1,007,769	1,007,769
Debt retirement	0	839,594	839,594
Pension	203,508	61,778	265,286
Unrestricted	<u>1,786,138</u>	<u>2,500,509</u>	<u>4,286,647</u>
	<u>9,294,178</u>	<u>15,480,065</u>	<u>24,774,243</u>
	<u>\$ 15,033,564</u>	<u>\$ 24,668,399</u>	<u>\$ 39,701,963</u>

CITY OF KINGSTON, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

		Program Revenue		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	<u>Expenses</u>			
Governmental Activities:				
General government	\$ 1,412,846	\$ 552,344	\$ 0	\$ 0
Public safety	1,948,270	80,632	4,000	134,236
Public welfare	1,049,880	37,460	149,959	215,651
Streets and highways	1,077,568	44,719	164,245	0
Solid waste management	287,988	328,824	0	0
Interest on long-term debt	<u>72,032</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total governmental activities	5,848,584	1,043,979	318,204	349,887
Business-Type Activities:				
Water and sewer	<u>3,363,076</u>	<u>3,338,780</u>	<u>0</u>	<u>576,102</u>
	<u>\$ 9,211,660</u>	<u>\$ 4,382,759</u>	<u>\$ 318,204</u>	<u>\$ 925,989</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and Changes In Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (860,502)	\$ 0	\$ (860,502)
(1,729,403)	0	(1,729,403)
(646,810)	0	(646,810)
(868,604)	0	(868,604)
40,836	0	40,836
<u>(72,032)</u>	<u>0</u>	<u>(72,032)</u>
(4,136,515)	0	(4,136,515)
<u>0</u>	<u>551,806</u>	<u>551,806</u>
<u>\$ (4,136,515)</u>	<u>\$ 551,806</u>	<u>\$ (3,584,709)</u>

CITY OF KINGSTON, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2017

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

NET POSITION AT THE END OF THE YEAR

Net (Expense)Revenue and Changes In Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (4,136,515)	\$ 551,806	\$ (3,584,709)
2,151,613	0	2,151,613
41,325	0	41,325
82,705	0	82,705
996,949	0	996,949
78,910	0	78,910
169,514	0	169,514
58,705	0	58,705
744,387	0	744,387
5,537	11,941	17,478
4,329,645	11,941	4,341,586
193,130	563,748	756,878
9,101,048	14,916,317	24,017,365
<u>\$ 9,294,178</u>	<u>\$ 15,480,065</u>	<u>\$ 24,774,243</u>

CITY OF KINGSTON, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	Drug Enforcement Fund	Totals
ASSETS			
Cash	\$ 1,363,955	\$ 14,834	\$ 1,378,789
Property taxes receivable, net of allowance for uncollectible accounts of \$20,000	2,352,568	0	2,352,568
Other taxes receivable	211,723	0	211,723
Due from other governments	231,634	0	231,634
Grants receivable	77,500	0	77,500
Other accounts receivable	13,144	0	13,144
	<u>\$ 4,250,524</u>	<u>\$ 14,834</u>	<u>\$ 4,265,358</u>
LIABILITIES			
Accounts payable	\$ 1,966	\$ 0	\$ 1,966
Accrued salaries	147,326	0	147,326
	<u>149,292</u>	<u>0</u>	<u>149,292</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	2,345,236	0	2,345,236
Deferred state shared and local taxes	149,354	0	149,354
	<u>2,494,590</u>	<u>0</u>	<u>2,494,590</u>
FUND BALANCES			
Restricted	284,671	14,834	299,505
Unassigned	1,321,971	0	1,321,971
	<u>1,606,642</u>	<u>14,834</u>	<u>1,621,476</u>
	<u>\$ 4,250,524</u>	<u>\$ 14,834</u>	<u>\$ 4,265,358</u>

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, 2017

Total Fund Balance - Governmental Funds	\$ 1,621,476
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.	10,273,352
Net pension assets and liabilities, and the related deferred outflows and deferred inflows 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	203,508
Deferred outflows of resources	291,347
Deferred inflows of resources	(33,274)
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.	387,339
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	
Compensated absences	(181,244)
Long-term debt	<u>(3,268,326)</u>
Net Position of Governmental Activities	<u>\$ 9,294,178</u>

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, 2017

	General Fund	Drug Enforcement Fund	Totals
REVENUE			
Taxes:			
Property tax	\$ 2,151,302	\$ 0	\$ 2,151,302
Interest and penalty	41,325	0	41,325
In-Lieu of tax payments	82,705	0	82,705
Local sales tax	1,008,641	0	1,008,641
Business tax	76,970	0	76,970
Wholesale beer tax	169,514	0	169,514
Wholesale liquor tax	58,705	0	58,705
Intergovernmental	1,360,100	0	1,360,100
Licenses, permits and fees	1,400	0	1,400
Charges for services	987,157	5,335	992,492
Fines and forfeitures	44,031	9,365	53,396
Investment earnings	5,537	0	5,537
Donations	50,424	0	50,424
TOTAL REVENUE	6,037,811	14,700	6,052,511
EXPENDITURES			
Current:			
General government	1,086,285	0	1,086,285
Public safety	1,919,733	7,461	1,927,194
Public welfare	966,432	0	966,432
Streets and highways	1,044,100	0	1,044,100
Solid waste management	287,988	0	287,988
Debt service	2,256,064	0	2,256,064
Capital outlay	783,674	8,100	791,774
TOTAL EXPENDITURES	8,344,276	15,561	8,359,837

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2017

	General Fund	Drug Enforcement Fund	Totals
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	(2,306,465)	(861)	(2,307,326)
OTHER FINANCING SOURCES			
Note proceeds	<u>1,690,526</u>	<u>0</u>	<u>1,690,526</u>
(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	(615,939)	(861)	(616,801)
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>2,222,581</u>	<u>15,695</u>	<u>2,238,277</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 1,606,642</u>	<u>\$ 14,834</u>	<u>\$ 1,621,476</u>

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, 2017

(Deficiency) of Revenue and Other Financing Sources Over Expenditures - Governmental Funds	\$ (616,801)
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	791,774
Depreciation expense	(507,122)
Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities.	133,639
Accruals for long-term compensated absences reported in the statement of activities do 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.	(38,750)
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, 2016	(398,136)
Deferred tax revenue - June 30, 2017	387,339
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.	(52,319)
Long-term debt provides current financial resources in the governmental funds, but the issuance of debt increases long-term debt obligations for governmental activities.	(1,690,526)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	<u>2,184,032</u>
Change in Net Position of Governmental Activities	<u>\$ 193,130</u>

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, 2017

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
REVENUE				
Taxes:				
Property taxes	\$ 2,084,400	\$ 2,092,616	\$ 2,151,302	\$ 58,686
Interest and penalty	20,000	20,000	41,325	21,325
In-Lieu of tax payments	58,393	58,393	82,705	24,312
Local sales tax	1,050,000	1,050,000	1,008,641	(41,359)
Business tax	70,000	70,000	76,970	6,970
Wholesale beer tax	191,000	191,000	169,514	(21,486)
Wholesale liquor tax	46,000	46,000	58,705	12,705
	<u>3,519,793</u>	<u>3,528,009</u>	<u>3,589,162</u>	<u>61,153</u>
Intergovernmental:				
TVA In-Lieu of tax payments	72,450	72,450	69,772	(2,678)
State income tax	138,000	128,000	87,612	(40,388)
State gas tax	163,000	163,000	164,771	1,771
State beer tax	3,090	3,090	2,865	(225)
State liquor tax	8,000	8,000	4,503	(3,497)
State sales tax	486,000	486,000	492,468	6,468
Corporate excise tax	9,300	7,300	6,708	(592)
Hotel and motel tax	52,000	52,000	32,579	(19,421)
HOME grant	0	0	96,227	96,227
LPRF grant	500,000	516,383	198,250	(318,133)
Assistance to firefighters grant	0	0	119,236	119,236
TML safety grant	4,000	4,000	4,000	0
TDOT grant	0	0	17,401	17,401
Police equipment grant	0	0	15,000	15,000
City streets and transportation	12,500	12,500	11,993	(507)
Special impact area fund	37,061	37,061	36,715	(346)
	<u>1,485,401</u>	<u>1,489,784</u>	<u>1,360,100</u>	<u>(129,684)</u>

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**

(continued)

Year Ended June 30, 2017

	Budget		Actual	Variance Over (Under)
	Original	Final		
Licenses and permits:				
Beer and liquor licenses	2,050	2,050	1,400	(650)
Charges for services:				
Cable fees	90,500	90,500	88,582	(1,918)
Parks and recreation	9,800	16,800	18,821	2,021
Police services	0	1,726	21,902	20,176
Swimming pool	23,500	23,500	18,639	(4,861)
Highway and street charges	48,500	48,500	44,719	(3,781)
Water and gas contracts	461,318	461,318	461,318	0
Miscellaneous charges	3,300	3,300	4,352	1,052
Garbage collection fees	325,500	325,500	328,824	3,324
	<u>962,418</u>	<u>971,144</u>	<u>987,157</u>	<u>16,013</u>
Fines and forfeitures	60,000	46,000	44,031	(1,969)
Other revenue:				
Donations	0	0	50,424	50,424
Interest	<u>2,000</u>	<u>2,000</u>	<u>5,537</u>	<u>3,537</u>
	<u>2,000</u>	<u>2,000</u>	<u>55,961</u>	<u>53,961</u>
TOTAL REVENUE	6,031,662	6,038,987	6,037,811	(1,176)
EXPENDITURES				
Legislative:				
Salaries and wages	24,346	24,396	24,371	(25)
Payroll taxes	1,863	1,833	1,830	(3)
Health insurance	7,350	7,050	7,044	(6)
Retirement	1,505	1,505	1,464	(41)
Dues	3,550	3,440	3,408	(32)
Donations	10,000	10,000	10,000	0

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2017

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Legislative (continued):				
Legal notices	5,500	5,865	5,270	(595)
Public relations	5,000	6,500	67,769	61,269
Telephone	2,500	250	215	(35)
Travel	9,000	11,275	9,692	(1,583)
	<u>70,614</u>	<u>72,114</u>	<u>131,063</u>	<u>58,949</u>
City Court:				
Salaries and wages	14,221	13,770	13,778	8
Payroll taxes	1,088	1,054	1,053	(1)
Retirement	240	260	251	(9)
Court costs	5,500	4,000	3,999	(1)
Repairs and maintenance	3,200	3,100	3,095	(5)
Operating supplies	750	250	212	(38)
Travel	1,200	550	535	(15)
Training	1,000	600	565	(35)
	<u>27,199</u>	<u>23,584</u>	<u>23,488</u>	<u>(96)</u>
City Manager's office:				
Salaries and wages	81,785	78,540	76,252	(2,288)
Payroll taxes	6,258	5,758	5,688	(70)
Health insurance	17,450	20,560	20,517	(43)
Retirement	5,151	4,751	4,580	(171)
Employee training	200	225	225	0
Travel	1,330	3,750	3,598	(152)
TML dues	3,000	500	377	(123)
	<u>115,174</u>	<u>114,084</u>	<u>111,237</u>	<u>(2,847)</u>

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2017

	Budget		Actual	Variance Over (Under)
	Original	Final		
Financial administration:				
Salaries and wages	271,810	281,810	268,482	(13,328)
Payroll taxes	20,650	20,650	19,490	(1,160)
Health insurance	62,400	50,400	50,477	77
Retirement	15,000	15,000	12,946	(2,054)
Data processing services	23,000	23,000	17,833	(5,167)
Office supplies	14,000	14,000	10,741	(3,259)
Professional services	12,000	6,000	5,350	(650)
Postage	17,120	9,120	6,543	(2,577)
Training	4,500	3,500	2,969	(531)
Travel	6,000	6,500	6,195	(305)
Telephone	25,400	11,960	6,379	(5,581)
Repairs and maintenance	14,000	14,000	11,957	(2,043)
	<u>485,880</u>	<u>455,940</u>	<u>419,362</u>	<u>(36,578)</u>
Planning and zoning:				
State planning office	10,175	10,175	10,175	0
Operating supplies	100	100	26	(74)
	<u>10,275</u>	<u>10,275</u>	<u>10,201</u>	<u>(74)</u>
City Hall:				
Payroll taxes	1,377	1,377	831	(546)
Utilities	36,500	31,500	30,251	(1,249)
Telephone	8,000	16,200	17,457	1,257
Repairs and maintenance	15,300	15,800	15,488	(312)
Professional services	16,000	14,300	13,658	(642)
Operating supplies	6,500	7,500	8,020	520
	<u>83,677</u>	<u>86,677</u>	<u>85,705</u>	<u>(972)</u>

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2017

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Salaries and wages	3,750	1,950	1,950	0
Payroll taxes	185	210	203	(7)
Workers compensation	86,000	74,200	74,156	(44)
Unemployment insurance	8,200	0	0	0
Insurance	68,600	49,100	48,269	(831)
Home rehabilitation	0	0	96,227	96,227
E-911	75,062	75,082	75,075	(7)
Miscellaneous	7,400	8,650	9,346	696
	<u>249,197</u>	<u>209,192</u>	<u>305,226</u>	<u>96,034</u>
Police department:				
Salaries and wages	579,162	611,762	609,391	(2,371)
Payroll taxes	45,367	45,967	44,770	(1,197)
Health insurance	164,625	162,625	166,286	3,661
Retirement	36,375	36,375	35,915	(460)
Office expense	7,500	6,525	5,304	(1,221)
Telephone	16,500	18,500	18,470	(30)
Safety supplies and incentives	8,000	8,000	7,487	(513)
Gasoline	40,000	26,200	26,190	(10)
Travel	7,000	8,000	8,398	398
Training	6,000	3,000	1,509	(1,491)
Uniforms	9,000	8,000	7,706	(294)
Data processing services	8,000	6,800	5,783	(1,017)
Operating supplies	6,500	9,300	15,432	6,132
Small equipment	13,500	11,500	8,775	(2,725)
Utilities	1,100	1,100	700	(400)
	<u>948,629</u>	<u>963,654</u>	<u>962,116</u>	<u>(1,538)</u>
Automotive services:				
Repairs and maintenance	78,000	81,000	73,610	(7,390)

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2017

	Budget		Actual	Variance Over (Under)
	Original	Final		
Fire department:				
Salaries and wages	593,204	597,704	593,024	(4,680)
Payroll taxes	49,835	45,835	44,094	(1,741)
Health insurance	228,955	173,955	180,844	6,889
Retirement	37,475	36,475	34,946	(1,529)
Training	7,500	7,500	3,370	(4,130)
Volunteers	12,000	6,500	6,360	(140)
Utilities	21,500	20,300	17,625	(2,675)
Telephone	11,485	12,500	10,974	(1,526)
Gasoline	10,000	9,000	7,292	(1,708)
Repairs and maintenance	11,000	13,000	12,660	(340)
Operating supplies	6,500	11,000	23,083	12,083
Office supplies	3,000	4,000	3,904	(96)
Safety supplies and incentives	11,500	12,000	11,739	(261)
Uniforms	7,500	7,500	4,341	(3,159)
Travel	2,000	2,000	678	(1,322)
Miscellaneous	4,000	4,000	2,684	(1,316)
	1,017,454	963,269	957,618	(5,651)
Public works:				
Salaries and wages	415,493	387,743	384,468	(3,275)
Payroll taxes	29,690	28,690	28,495	(195)
Health insurance	125,080	117,580	116,716	(864)
Retirement	24,500	21,000	20,525	(475)
Utilities	9,600	11,120	10,279	(841)
Telephone	5,000	4,300	4,269	(31)
Repairs and maintenance	12,500	6,000	6,612	612
Gasoline	23,000	20,600	18,357	(2,243)
Operating supplies	44,500	44,200	42,242	(1,958)
Uniforms	5,000	5,000	4,683	(317)

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2017

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Public works (continued):				
Traffic lights	9,000	5,000	2,067	(2,933)
Signs	5,000	5,600	6,242	642
Sidewalks	15,000	9,245	8,480	(765)
Street paving	100,000	192,400	123,854	(68,546)
Storm drains	20,000	13,000	11,950	(1,050)
Brush removal	10,000	10,000	10,000	0
Snow removal and salt	19,000	9,000	8,525	(475)
	<u>872,363</u>	<u>890,478</u>	<u>807,764</u>	<u>(82,714)</u>
State street aid:				
Utilities	161,000	162,750	162,725	(25)
Waste disposal	297,856	288,356	287,988	(368)
Animal control:				
Salaries and wages	19,500	19,500	18,991	(509)
Payroll taxes	1,467	1,467	1,426	(41)
Health insurance	0	300	371	71
Retirement	1,155	1,155	1,141	(14)
Vet services	3,600	3,100	1,640	(1,460)
Operating supplies	500	700	587	(113)
Gasoline	500	500	290	(210)
	<u>26,722</u>	<u>26,722</u>	<u>24,446</u>	<u>(2,276)</u>
Swimming pool:				
Salaries and wages	24,000	24,000	22,662	(1,338)
Payroll taxes	1,865	1,865	1,734	(131)
Utilities	2,000	2,000	1,303	(697)

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2017

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Swimming pool (continued):				
Repairs and maintenance	5,000	5,000	5,580	580
Operating supplies	5,500	5,500	3,391	(2,109)
	<u>38,365</u>	<u>38,365</u>	<u>34,670</u>	<u>(3,695)</u>
Parks and recreation:				
Salaries and wages	301,599	301,599	293,055	(8,544)
Payroll taxes	22,690	22,590	21,605	(985)
Health insurance	79,500	73,500	76,630	3,130
Retirement	16,100	16,500	16,131	(369)
Utilities	64,000	71,000	68,736	(2,264)
Telephone	5,000	5,500	4,949	(551)
Repairs and maintenance	76,000	98,900	100,876	1,976
Gasoline	7,000	7,800	7,624	(176)
Operating supplies	19,150	19,900	21,650	1,750
Office supplies	6,000	6,000	6,263	263
Uniforms	3,000	3,000	2,528	(472)
Special events	6,800	4,050	69,738	65,688
Travel	2,000	3,000	2,909	(91)
Training	2,500	2,500	1,739	(761)
	<u>611,339</u>	<u>635,839</u>	<u>694,433</u>	<u>58,594</u>
Library:				
Salaries and wages	127,468	132,768	131,778	(990)
Payroll taxes	9,742	10,242	10,067	(175)
Health insurance	14,840	14,200	14,697	497
Retirement	5,635	5,780	5,741	(39)
Utilities	12,665	12,015	11,989	(26)
Telephone	1,200	1,550	1,522	(28)
Repairs and maintenance	2,500	3,750	9,818	6,068
Books	15,034	15,034	15,014	(20)

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2017

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Library (continued):				
Subscriptions	3,000	1,400	1,336	(64)
Office supplies	7,400	4,100	3,703	(397)
Cleaning	5,200	4,745	4,606	(139)
Program supplies	3,610	2,710	2,615	(95)
	<u>208,294</u>	<u>208,294</u>	<u>212,886</u>	<u>4,592</u>
Capital outlay:				
Police department	15,000	15,000	41,852	26,852
Fire department	0	0	137,171	137,171
Public works	10,000	18,500	14,237	(4,263)
Parks and recreation	700,000	500,000	590,414	90,414
	<u>725,000</u>	<u>533,500</u>	<u>783,674</u>	<u>250,174</u>
Debt service:				
Principal	277,800	1,993,070	2,184,032	190,962
Interest	70,225	86,580	72,032	(14,548)
	<u>348,025</u>	<u>2,079,650</u>	<u>2,256,064</u>	<u>176,414</u>
TOTAL EXPENDITURES	<u>6,375,063</u>	<u>7,843,743</u>	<u>8,344,276</u>	<u>500,533</u>
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	(343,401)	(1,804,756)	(2,306,465)	(501,709)
OTHER FINANCING SOURCES				
Note proceeds	<u>200,000</u>	<u>1,681,620</u>	<u>1,690,526</u>	<u>8,906</u>
(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	(143,401)	(123,136)	(615,939)	(492,803)

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2017

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>	
	<u>Original</u>	<u>Final</u>			
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>143,401</u>	<u>123,136</u>	<u>2,222,581</u>	<u>2,099,445</u>	
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,606,642</u>	<u>\$ 1,606,642</u>	

CITY OF KINGSTON, TENNESSEE

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

Year Ended June 30, 2017

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUE				
Drug related fines	\$ 18,500	\$ 18,500	\$ 9,365	\$ (9,135)
Sale of confiscated items	0	0	5,335	5,335
Interest	<u>100</u>	<u>100</u>	<u>0</u>	<u>(100)</u>
TOTAL REVENUE	18,600	18,600	14,700	(3,900)
EXPENDITURES				
Education	1,000	1,000	0	(1,000)
Accounting services	1,000	1,000	1,000	0
Contractual services	2,000	2,000	1,000	(1,000)
Operating supplies	8,000	8,000	5,461	(2,539)
Uniforms	2,000	2,000	0	(2,000)
Capital outlay	<u>14,100</u>	<u>14,100</u>	<u>8,100</u>	<u>(6,000)</u>
TOTAL EXPENDITURES	<u>28,100</u>	<u>28,100</u>	<u>15,561</u>	<u>(12,539)</u>
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	(9,500)	(9,500)	(861)	8,639
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>9,500</u>	<u>9,500</u>	<u>15,695</u>	<u>6,195</u>
FUND BALANCE AT THE END OF THE YEAR	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 14,834</u></u>	<u><u>\$ 14,834</u></u>

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

STATEMENT OF NET POSITION
WATER AND SEWER FUND

June 30, 2017

CURRENT ASSETS

Cash		\$ 1,676,679
Accounts receivable, net of allowance for uncollectible accounts of \$200,000		669,122
Grant receivable		103,293
Materials and supplies		<u>99,181</u>
		2,548,275

RESTRICTED ASSETS

Bond sinking and reserve fund	\$ 839,594	
Construction projects	<u>1,007,769</u>	1,847,363

CAPITAL ASSETS

Land	270,618	
Vehicles	498,378	
Machinery and equipment	573,851	
Utility plant	<u>27,937,264</u>	
	29,280,111	
Accumulated depreciation	<u>(9,163,591)</u>	20,116,520

OTHER ASSET

Net pension asset		61,778
-------------------	--	--------

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension		<u>94,462</u>
		<u>\$ 24,668,399</u>

See the accompanying notes to the financial statements.

CURRENT LIABILITIES

Accounts payable	\$	17,584
Accrued employee benefits		<u>49,104</u>
		66,688

**CURRENT LIABILITY PAYABLE
FROM RESTRICTED ASSETS**

Current portion of long-term debt	<u>529,784</u>
	596,472

LONG-TERM LIABILITIES

Bonds payable	8,516,321
Long-term compensated absences	<u>65,903</u>
	8,582,224

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension	9,638
-------------------------------------	-------

NET POSITION

Net investment in capital assets	\$	11,070,415
Restricted:		
Construction projects		1,007,769
Debt retirement		839,594
Pension		61,778
Unrestricted		<u>2,500,509</u>
		<u>15,480,065</u>
	\$	<u><u>24,668,399</u></u>

CITY OF KINGSTON, TENNESSEE

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

Year Ended June 30, 2017

OPERATING REVENUE

Charges for services	\$ 3,333,382
Other operating revenue	<u>5,398</u>

TOTAL OPERATING REVENUE 3,338,780

OPERATING EXPENSES

Water purification:

Salaries	\$ 196,567	
Payroll taxes	14,399	
Hospital and health insurance	39,526	
Retirement	4,231	
Education	2,436	
Legal ads and notices	1,766	
Utilities	88,573	
Repairs and maintenance	68,541	
Chemicals	70,736	
Operating supplies	5,606	
Travel	718	
Clothing and uniforms	4,906	
Safety incentive and supplies	<u>1,005</u>	499,009

Water transmission and collection:

Salaries	298,539	
Payroll taxes	20,853	
Hospital and health insurance	90,449	
Retirement	6,916	
Education	3,436	
Utilities	17,465	
Repairs and maintenance	314,872	
Operating supplies	15,771	
Clothing and uniforms	<u>2,688</u>	770,989

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2017

Sewer treatment and disposal:

Salaries	46,147	
Payroll taxes	3,484	
Hospital and health insurance	6,155	
Retirement	1,069	
Travel	85	
Operating supplies	<u>2,756</u>	59,696

Sewer rehabilitation:

Salaries	170,990	
Payroll taxes	12,666	
Hospital and health insurance	48,915	
Retirement	3,906	
Education	2,247	
Utilities	82,210	
Repairs and maintenance	1,183	
Chemicals	62,550	
Operating supplies	14,072	
Garbage disposal	47,219	
Travel	4,068	
Clothing and uniforms	<u>2,337</u>	452,363

General and administration:

Contract operations	439,818	
Salaries	25,443	
Payroll taxes	3,689	
Hospital and health insurance	7,117	
Retirement	749	
Property and liability insurance	81,925	
Workers' compensation	51,000	
Utilities	35,284	
Data processing services	24,896	
Professional services	41,857	
TML dues	<u>12,502</u>	724,280

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2017

Depreciation		<u>668,822</u>
TOTAL OPERATING EXPENSES		<u>3,175,159</u>
INCOME FROM OPERATIONS		163,621
NONOPERATING REVENUE(EXPENSE)		
Interest income	11,941	
Interest expense	<u>(187,916)</u>	<u>(175,975)</u>
(LOSS) BEFORE CAPITAL CONTRIBUTIONS		(12,354)
Capital contributions		<u>576,102</u>
CHANGE IN NET POSITION		563,748
NET POSITION AT THE BEGINNING OF THE YEAR		<u>14,916,317</u>
NET POSITION AT THE END OF THE YEAR		<u>\$ 15,480,065</u>

CITY OF KINGSTON, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND

Year Ended June 30, 2017

**CASH PROVIDED(USED) BY
OPERATING ACTIVITIES**

Cash received from customers	\$ 3,333,382
Cash paid to suppliers	(1,744,983)
Cash paid to employees	<u>(726,362)</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

862,037

**CASH PROVIDED(USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	\$ (727,243)
Capital contributions	384,946
Principal payments on long-term debt	(507,186)
Interest paid on debt	<u>(187,916)</u>

**NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

(1,037,399)

**CASH PROVIDED(USED) BY
INVESTING ACTIVITIES**

Interest received	<u>11,941</u>
-------------------	---------------

NET (DECREASE) IN CASH

(163,422)

**CASH AND CASH EQUIVALENTS
AT THE BEGINNING OF THE YEAR**

3,687,464

**CASH AND CASH EQUIVALENTS
AT THE END OF THE YEAR**

\$ 3,524,042

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

STATEMENT OF CASH FLOWS

WATER AND SEWER FUND

(continued)

Year Ended June 30, 2017

**RECONCILIATION OF INCOME
FROM OPERATIONS TO NET CASH
PROVIDED(USED) BY OPERATING ACTIVITIES**

Income from operations		\$ 163,621
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	\$ 668,822	
Deferred retirement contributions	(43,259)	
Pension expense	16,871	
Decrease in:		
Accounts receivable	83,634	
Due from other funds	36,675	
Materials and supplies	31,343	
Increase(decrease) in:		
Accounts payable	(106,994)	
Accrued salaries	4,967	
Long-term compensated absences	6,357	698,416
		<u>698,416</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ <u>862,037</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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, 2017 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.

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

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 the accrual basis of 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.

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

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 these 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, 2017.

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.

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

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, 2017 has been calculated as follows:

Governmental activities:

Capital assets	\$ 16,534,853
Accumulated depreciation	(6,261,502)
Principal balance on long-term debt	<u>(3,268,326)</u>
	<u>\$ 7,005,026</u>

Business-Type activities:

Capital assets	\$ 29,280,111
Accumulated depreciation	(9,163,591)
Principal balance on long-term debt	<u>(9,046,105)</u>
	<u>\$ 11,070,415</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

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, debt services and pension. Governmental funds also report restricted net position for pension. 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 Balances

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

Restricted Fund Balances

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.

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Committed Fund Balances

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 Balances

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 Balances

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 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.

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

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 and taxes receivable are provided based upon historical trends. Allowances for uncollectible accounts at June 30, 2017 were as follows:

Governmental funds	\$ 20,000
Proprietary fund	200,000

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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 City's 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 Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

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

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, 2017 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Cash on hand	\$ 510	\$ 487	\$ 997
Bank deposits (checking and savings accounts)	<u>1,378,279</u>	<u>3,523,555</u>	<u>4,901,834</u>
Totals	<u>\$ 1,378,789</u>	<u>\$ 3,524,042</u>	<u>\$ 4,902,831</u>
Unrestricted assets	\$ 1,378,789	\$ 1,676,679	\$ 3,055,468
Restricted assets	<u>0</u>	<u>1,847,363</u>	<u>1,847,363</u>
Totals	<u>\$ 1,378,789</u>	<u>\$ 3,524,042</u>	<u>\$ 4,902,831</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

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 repurchase 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) or National Credit Union Share Insurance Fund (NCUSIF) 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, 2017 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, if any.

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

NOTE E - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>7/1/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/17</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 802,084	\$ 0	\$ 0	\$ 802,084
Construction in process	<u>573,162</u>	<u>590,414</u>	<u>(1,163,576)</u>	<u>0</u>
	1,375,246	590,414	(1,163,576)	802,084
<u>Capital assets being depreciated</u>				
Land improvements	2,734,743	1,055,604	0	3,790,346
Buildings and improvements	6,507,885	107,972	0	6,615,856
Other improvements	2,059,955	0	0	2,059,955
Vehicles	2,453,570	48,300	(118,215)	2,383,656
Machinery and equipment	<u>729,896</u>	<u>153,060</u>	<u>0</u>	<u>882,956</u>
	14,486,048	1,364,936	(118,215)	15,732,769
<u>Accumulated depreciation</u>				
Land improvements	(197,328)	(80,390)	0	(277,719)
Buildings and improvements	(2,896,105)	(199,434)	0	(3,095,539)
Other improvements	(420,656)	(51,774)	0	(472,430)
Vehicles	(1,865,786)	(130,746)	118,215	(1,878,317)
Machinery and equipment	<u>(492,720)</u>	<u>(44,777)</u>	<u>0</u>	<u>(537,497)</u>
	<u>(5,872,595)</u>	<u>(507,122)</u>	<u>118,215</u>	<u>(6,261,502)</u>
	<u>\$ 9,988,700</u>	<u>\$ 1,448,228</u>	<u>\$ (1,163,576)</u>	<u>\$ 10,273,352</u>

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

General government	\$ 332,192
Public safety	45,020
Public welfare	90,051
Public works	<u>39,859</u>
	<u>\$ 507,122</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

	<u>Balance</u> <u>7/1/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/17</u>
Business-Type Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 270,618	\$ 0	\$ 0	\$ 270,618
Construction in process	<u>812,423</u>	<u>702,943</u>	<u>(1,515,366)</u>	<u>0</u>
	1,083,041	702,943	(1,515,366)	270,618
<u>Capital assets being depreciated</u>				
Buildings and improvements	42,852	0	0	42,852
Vehicles	508,024	6,300	(15,946)	498,378
Machinery and equipment	555,851	18,000	0	573,851
Utility plant	<u>26,379,046</u>	<u>1,515,366</u>	<u>0</u>	<u>27,894,412</u>
	27,485,772	1,539,666	(15,946)	29,009,493
<u>Accumulated depreciation</u>				
Buildings and improvements	(23,025)	(1,609)	0	(24,635)
Vehicles	(442,350)	(19,538)	15,946	(445,942)
Machinery and equipment	(321,524)	(36,978)	0	(358,502)
Utility plant	<u>(7,723,815)</u>	<u>(610,698)</u>	<u>0</u>	<u>(8,334,513)</u>
	(8,510,715)	(668,822)	15,946	(9,163,591)
	<u>\$ 20,058,099</u>	<u>\$ 1,573,787</u>	<u>\$ (1,515,366)</u>	<u>\$ 20,116,520</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

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 .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Employees Covered by Benefit Terms

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	39
Active employees	<u>64</u>
	<u>113</u>

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, 2017, employer contributions for the City were \$176,898 based on a rate of 6.01% 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, 2016, 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 the June 30, 2016 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%

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

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, 2015 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 from 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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
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%	<u>1%</u>
		<u>100%</u>

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.

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

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, 2016:			
Increase(decrease):			
Service cost	\$ 213,345	\$ 0	\$ 213,345
Interest	313,553	0	313,553
Differences between expected and actual experience	51,990	0	51,990
Contributions - employer	0	185,303	(185,303)
Contributions - employees	0	141,150	(141,150)
Net investment income	0	119,851	(119,851)
Benefit payments, including refunds of employee contributions	(105,077)	(105,077)	0
Administrative expense	0	(4,811)	4,811
Net changes for the year ended June 30, 2016	473,811	336,416	137,395
Balances at June 30, 2015	4,019,899	4,422,580	(402,681)
Balances at June 30, 2016	\$ 4,493,710	\$ 4,758,996	\$ (265,286)

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

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 <u>6.5%</u>	Current Discount Rate <u>7.5%</u>	1% Increase <u>8.5%</u>
Net pension liability(asset)	\$ 416,868	\$ (265,286)	\$ (825,167)

Pension Expense

For the year ended June 30, 2017, the City recognized pension expense of \$69,214.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, 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	\$ 46,303	\$ (42,912)
Net difference between projected and actual earnings on pension plan investments	162,620	0
Contributions subsequent to the measurement date of June 30, 2016	<u>176,886</u>	<u>not applicable</u>
Totals	<u>\$ 385,809</u>	<u>\$ (42,912)</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30,</u>	
2018	\$ 18,470
2019	18,470
2020	80,668
2021	43,653
2022	(340)
Thereafter	5,097

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

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

NOTE G - LONG-TERM DEBT

Long-term debt at June 30, 2017 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 \$56,000 in 2018 to \$71,000 in 2024, interest rate is 1.07% at 6/30/17	\$ 433,000
\$1,000,000 loan from Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, Series 2008, payable in annual installments ranging from \$65,000 in 2018 to \$92,000 in 2025, interest rate is 1.07% at 6/30/17	623,000
Tennessee Municipal Bond Fund, Series 2017, City Hall Refunding Bond, payments due monthly and in varying amounts until 2037	1,690,526
Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2013, payable in annual installments ranging from \$55,000 in 2018 to \$56,000 in 2019, interest rate is 2.29% at 6/30/17	111,000
Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2016, payable in annual installments ranging from \$21,400 in 2018 to \$22,900 in 2021, interest rate is 2.15% at 6/30/17	88,600
Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2015, payable in annual installments ranging from \$30,600 in 2018 to \$32,200 in 2020, interest rate is 2.45% at 6/30/17	94,200

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Governmental Activities (continued):

Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2016, payable in annual installments ranging from \$23,000 in 2018 to \$28,000 in 2026, interest rate is 2.87% at 6/30/17	<u>228,000</u>
	3,268,326
Less current maturities	<u>(311,526)</u>
	<u>\$ 2,956,800</u>

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 6/30/17	\$ 3,045,000
Tennessee Municipal Bond Fund, Series 2004, Waterworks Revenue Bond, payments due monthly and in varying amounts until May 2023, interest at 1.07% at 6/30/17	1,382,000
Tennessee Municipal Bond Fund, Series 2008, Waterworks Revenue Bond, payments due monthly and in varying amounts until May 2029, interest at 1.07% at 6/30/17	1,351,000
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	1,200,751
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	759,294
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	856,409

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Business-Type Activities (continued):

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	451,651
	9,046,105
Less current maturities	<u>(529,784)</u>
	<u>\$ 8,516,321</u>

Maturities of long-term debt as of June 30, 2017 are as follows:

Governmental Activities:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 311,526	\$ 57,215	\$ 368,741
2019	321,300	55,100	376,400
2020	274,600	49,879	324,479
2021	251,900	45,813	297,713
2022	236,000	42,401	278,401
2023	245,000	39,413	284,413
2024	260,000	36,301	296,301
2025	197,000	33,045	230,045
2026	109,000	29,950	138,950
2027	84,000	27,081	111,081
2028	87,000	24,939	111,939
2029	90,000	22,721	112,721
2030	94,000	18,029	112,029
2031	97,000	18,029	115,029
2032	101,000	15,555	116,555
2033	105,000	12,980	117,980
2034	109,000	10,302	119,302
2035	114,000	7,523	121,523

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Governmental Activities (continued):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2036	118,000	4,616	122,616
2037	<u>63,000</u>	<u>1,607</u>	<u>64,607</u>
	<u>\$ 3,268,326</u>	<u>\$ 552,496</u>	<u>\$ 3,820,822</u>

Business-Type Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 529,784	\$ 115,296	\$ 645,080
2019	554,429	110,102	664,531
2020	578,882	106,602	685,484
2021	604,856	102,487	707,343
2022	633,648	98,452	732,100
2023	661,492	94,252	755,744
2024	692,171	90,110	782,281
2025	724,336	85,360	809,696
2026	285,346	80,640	365,986
2027	297,415	77,808	375,223
2028	307,347	75,077	382,424
2029	319,729	71,867	391,596
2030	179,984	68,747	248,732
2031	186,305	66,073	252,379
2032	191,524	63,488	255,012
2033	197,150	60,484	257,634
2034	91,682	57,563	149,245
2035	94,288	54,956	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

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Business-Type Activities (continued):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2040	108,408	40,836	149,245
2041	111,621	37,624	149,245
2042	114,818	34,427	149,245
2043	118,110	31,134	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
2049	140,031	9,214	149,245
2050	116,599	5,465	122,063
2051	87,783	2,785	90,568
2052	34,745	1,367	36,112
2053	<u>35,625</u>	<u>485</u>	<u>36,110</u>
	<u>\$ 9,046,105</u>	<u>\$ 1,937,908</u>	<u>\$ 10,984,013</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

Changes in long-term debt for the year ended June 30, 2017 were as follows:

	<u>Balance</u> <u>7/1/16</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/17</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Tennessee Municipal Bond Fund, Series 2003	\$ 488,000	\$ 0	\$ 55,000	\$ 433,000	\$ 56,000
Tennessee Municipal Bond Fund, Series 2008	685,000	0	62,000	623,000	65,000
Tennessee Municipal Bond Fund, Series 2012	1,736,445	0	1,736,445	0	0
Tennessee Municipal Bond Fund, Series 2013	164,000	0	53,000	111,000	55,000
Tennessee Municipal Bond Fund, Series 2017	0	1,690,526	0	1,690,526	60,526
Citizens Bank - line of credit	205,612	0	205,612	0	0
Tennessee Municipal Bond Fund, Series 2016	250,000	0	22,000	228,000	23,000
Tennessee Municipal Bond Fund, Series 2016	108,775	0	20,175	88,600	21,400
Tennessee Municipal Bond Fund, Series 2015	<u>124,000</u>	<u>0</u>	<u>29,800</u>	<u>94,200</u>	<u>30,600</u>
	<u>\$ 3,761,831</u>	<u>\$ 1,690,526</u>	<u>\$ 2,184,032</u>	<u>\$ 3,268,326</u>	<u>\$ 311,526</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

	<u>Balance</u> <u>7/1/16</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/17</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Business-Type Activities:</u>					
Tennessee Municipal Bond Fund, Series 1999	\$ 3,349,000	\$ 0	\$ 304,000	\$ 3,045,000	\$ 319,000
Tennessee Municipal Bond Fund, Series 2004	1,447,000	0	65,000	1,382,000	67,000
Tennessee Municipal Bond Fund, Series 2008	1,432,000	0	81,000	1,351,000	85,000
Rural Development Series 2010	1,223,148	0	22,397	1,200,751	22,963
Rural Development Series 2010A	771,154	0	11,860	759,294	12,313
Rural Development Series 2010B	870,913	0	14,504	856,409	14,870
Rural Development Series 2010C	<u>460,076</u>	<u>0</u>	<u>8,425</u>	<u>451,651</u>	<u>8,638</u>
	<u>\$ 9,553,291</u>	<u>\$ 0</u>	<u>\$ 507,186</u>	<u>\$ 9,046,105</u>	<u>\$ 529,784</u>

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, 2017 were \$72,032 for governmental activities and \$187,916 for business-type activities, all of which was expensed.

NOTE H - STATE STREET AID FUNDS

Tennessee Code Annotated Section 54-4-204 restricts funds generated from certain gasoline taxes for use on street repairs and maintenance. At June 30, 2017 the City held the following funds restricted for this purpose:

Beginning restricted balance	\$ 0
Gasoline tax proceeds	164,771
Street repairs and maintenance expenditures	<u>(162,725)</u>
	<u>\$ 2,046</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2017

NOTE I - SOLID WASTE COLLECTION FEES

Tennessee Code Annotated Section 68-211-835 restricts funds generated from solid waste collection fees for use in establishing and maintaining solid waste collection and disposal services. At June 30, 2017 the City held the following funds restricted for this purpose:

Beginning restricted balance	\$ 70,234
Solid waste collection fees	328,824
Solid waste expenditures	<u>(287,988)</u>
	<u>\$ 111,071</u>

NOTE J - EXPENDITURES EXCEEDED APPROPRIATIONS

During the year ended June 30, 2017, expenditures exceeded appropriations in the following fund:

General fund	\$ 500,533
--------------	------------

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KINGSTON, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

June 30, 2017

	Measurement Date at June 30, 2016
<u>Total pension liability</u>	
Service cost	\$ 213,345
Interest	313,553
Differences between actual and expected experience	51,990
Benefit payments, including refunds of employee contributions	(105,077)
Net change in total pension liability	473,811
Total pension liability - beginning	4,019,899
Total pension liability - ending (a)	<u>\$ 4,493,710</u>
<u>Plan fiduciary net position</u>	
Contributions - employer	\$ 185,303
Contributions - employee	141,150
Net investment income	119,851
Benefit payments, including refunds of employee contributions	(105,077)
Administrative expense	(4,811)
Net change in plan fiduciary net position	336,416
Plan fiduciary net position - beginning	4,422,580
Plan fiduciary net position - ending (b)	<u>4,758,996</u>
Net pension liability(asset) - ending (a) - (b)	<u>\$ (265,286)</u>
Plan fiduciary net position as a percentage of total net pension liability	105.90%
Covered employee payroll	\$ 2,823,982
Net pension liability(asset) as a percentage of covered employee payroll	9.39%

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.

Measurement Date at June 30, 2015	2014
\$ 206,306	\$ 194,838
283,226	260,177
116	(61,302)
(79,589)	(116,127)
<u>410,059</u>	<u>277,586</u>
3,609,840	3,332,254
<u>\$4,019,899</u>	<u>\$3,609,840</u>

\$ 178,814	\$ 174,516
136,274	128,510
128,289	566,249
(79,589)	(116,127)
(3,238)	(2,302)
<u>360,550</u>	<u>750,846</u>
4,062,030	3,311,184
<u>4,422,580</u>	<u>4,062,030</u>
<u>\$ (402,681)</u>	<u>\$ (452,190)</u>

110.02% 112.53%

\$2,725,468 \$2,570,198

14.77% 17.59%

CITY OF KINGSTON, TENNESSEE

PENSION CONTRIBUTIONS

June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 176,898	\$ 185,231	\$ 178,814	\$ 174,516
Contributions in relation to the actuarially determined contribution	<u>(176,898)</u>	<u>(185,231)</u>	<u>(178,814)</u>	<u>(174,516)</u>
Contribution deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 2,943,407	\$ 2,823,641	\$ 2,725,468	\$ 2,570,198
Contributions as a percentage of covered employee payroll	6.01%	6.56%	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 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, 2017 were calculated based on the June 30, 2015 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	3.00%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation
Investment Rate of Return	7.50%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.50%

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF KINGSTON, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2017

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2016</u>
2017	\$1.4500	\$ 145,326,326	\$ 2,107,250	\$ 0
2016	1.4500	146,545,253	2,117,244	2,117,244
2015	1.4500	146,959,367	2,123,227	80,178
2014	1.1734	151,044,293	1,772,332	60,971
2013	1.1734	149,685,658	1,756,395	48,278
2012	1.1734	147,885,063	1,529,178	20,387
2011	1.0340	148,659,217	1,610,641	24,481
2010	1.0834	118,403,591	1,598,448	9,894
2009	1.3500	116,989,857	1,579,363	5,089
2008	1.3500	112,829,652	1,523,200	6,418
2007	1.3000	110,880,276	1,441,443	6,380
2006	1.3000	106,242,267	1,381,149	<u>3,373</u>
				<u>\$ 2,382,693</u>

Property taxes unpaid for 2006 through 2015 have been filed with the Roane County Clerk and Master.

See the accompanying independent accountants' audit report.

<u>Taxes Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2017</u>
\$ 2,107,250	\$ 0	\$ 0	\$ 2,107,250
0	34,369	2,046,867	104,746
0	0	39,142	41,036
0	0	26,415	34,556
0	0	18,984	29,294
0	0	7,177	13,210
0	0	7,085	17,396
0	0	2,145	7,749
0	0	275	4,814
0	0	336	6,082
0	55	0	6,435
<u>0</u>	<u>0</u>	<u>3,373</u>	<u>0</u>
<u>\$ 2,107,250</u>	<u>\$ 34,424</u>	<u>\$ 2,151,799</u>	<u>\$ 2,372,568</u>

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, Series 2003			
Year ending June 30,			
2018	\$ 56,000	\$ 1,559	\$ 57,559
2019	58,000	1,357	59,357
2020	60,000	1,148	61,148
2021	61,000	932	61,932
2022	63,000	713	63,713
2023	64,000	486	64,486
2024	<u>71,000</u>	<u>256</u>	<u>71,256</u>
	<u>\$ 433,000</u>	<u>\$ 6,451</u>	<u>\$ 439,451</u>
Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, Series 2008			
Year ending June 30,			
2018	\$ 65,000	\$ 2,243	\$ 67,243
2019	69,000	2,010	71,010
2020	72,000	1,760	73,760
2021	76,000	1,501	77,501
2022	79,000	1,228	80,228
2023	83,000	943	83,943
2024	87,000	644	87,644
2025	<u>92,000</u>	<u>331</u>	<u>92,331</u>
	<u>\$ 623,000</u>	<u>\$ 10,660</u>	<u>\$ 633,660</u>

See the accompanying independent accountants' audit report.

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond Fund			
Refunding Bond			
Year ending June 30,			
2018	\$ 60,526	\$ 37,959	\$ 98,485
2019	62,000	41,565	103,565
2020	64,000	39,984	103,984
2021	67,000	38,352	105,352
2022	69,000	36,644	105,644
2023	72,000	34,884	106,884
2024	75,000	33,048	108,048
2025	78,000	31,136	109,136
2026	81,000	29,147	110,147
2027	84,000	27,081	111,081
2028	87,000	24,939	111,939
2029	90,000	22,721	112,721
2030	94,000	18,029	112,029
2031	97,000	18,029	115,029
2032	101,000	15,554	116,554
2033	105,000	12,979	117,979
2034	109,000	10,301	119,301
2035	114,000	7,522	121,522
2036	118,000	4,615	122,615
2037	63,000	1,607	64,607
	<u>\$ 1,690,526</u>	<u>\$ 486,096</u>	<u>\$ 2,176,622</u>

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2013			
Year ending June 30,			
2018	\$ 55,000	\$ 3,756	\$ 58,756
2019	<u>56,000</u>	<u>1,282</u>	<u>57,282</u>
	<u>\$ 111,000</u>	<u>\$ 5,038</u>	<u>\$ 116,038</u>
Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2016			
Year ending June 30,			
2018	\$ 23,000	\$ 6,856	\$ 29,856
2019	23,000	5,884	28,884
2020	24,000	5,223	29,223
2021	25,000	4,535	29,535
2022	25,000	3,817	28,817
2023	26,000	3,100	29,100
2024	27,000	2,353	29,353
2025	27,000	1,578	28,578
2026	<u>28,000</u>	<u>804</u>	<u>28,804</u>
	<u>\$ 228,000</u>	<u>\$ 34,150</u>	<u>\$ 262,150</u>

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2016			
Year ending June 30,			
2018	\$ 21,400	\$ 2,170	\$ 23,570
2019	21,900	1,445	23,345
2020	22,400	974	23,374
2021	<u>22,900</u>	<u>492</u>	<u>23,392</u>
	<u>\$ 88,600</u>	<u>\$ 5,081</u>	<u>\$ 93,681</u>
Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2015			
Year ending June 30,			
2018	\$ 30,600	\$ 2,673	\$ 33,273
2019	31,400	1,558	32,958
2020	<u>32,200</u>	<u>789</u>	<u>32,989</u>
	<u>\$ 94,200</u>	<u>\$ 5,020</u>	<u>\$ 99,220</u>

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Business-Type Activities:</u>			
Tennessee Municipal Bond Fund			
Series 1999			
Year ending June 30,			
2018	\$ 319,000	\$ 13,398	\$ 332,398
2019	335,000	11,994	346,994
2020	351,000	10,520	361,520
2021	369,000	8,976	377,976
2022	388,000	7,352	395,352
2023	407,000	5,645	412,645
2024	427,000	3,854	430,854
2025	449,000	1,977	450,977
	<u>\$ 3,045,000</u>	<u>\$ 63,716</u>	<u>\$ 3,108,716</u>
Tennessee Municipal Bond Fund			
Series 2004			
Year ending June 30,			
2018	\$ 67,000	\$ 4,975	\$ 71,975
2019	70,000	4,734	74,734
2020	72,000	4,482	76,482
2021	74,000	4,223	78,223
2022	77,000	3,956	80,956
2023	79,000	3,679	82,679
2024	82,000	3,395	85,395
2025	84,000	3,100	87,100
2026	87,000	2,797	89,797

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond Fund			
Series 2004 (continued)			
2027	90,000	2,484	92,484
2028	92,000	2,160	94,160
2029	95,000	1,829	96,829
2030	98,000	1,487	99,487
2031	102,000	1,134	103,134
2032	105,000	766	105,766
2033	108,000	389	108,389
	<u>\$ 1,382,000</u>	<u>\$ 45,590</u>	<u>\$ 1,427,590</u>
Tennessee Municipal Bond Fund			
Series 2008			
Year ending June 30,			
2018	\$ 85,000	\$ 4,864	\$ 89,864
2019	89,000	4,558	93,558
2020	94,000	4,237	98,237
2021	98,000	3,899	101,899
2022	103,000	3,546	106,546
2023	108,000	3,175	111,175
2024	114,000	2,786	116,786
2025	120,000	2,376	122,376
2026	125,000	1,944	126,944
2027	132,000	1,494	133,494
2028	138,000	1,019	139,019
2029	145,000	522	145,522
	<u>\$ 1,351,000</u>	<u>\$ 34,420</u>	<u>\$ 1,385,420</u>

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Bond Series 2010			
Year ending June 30,			
2018	\$ 22,963	\$ 30,323	\$ 53,286
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
2041	40,772	11,948	52,720
2042	41,803	10,917	52,720
2043	42,860	9,860	52,720

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Bond Series 2010 (continued)			
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	401	39,580
	<u>\$ 1,200,751</u>	<u>\$ 579,156</u>	<u>\$ 1,779,907</u>

Rural Development Bond
Series 2010A

Year ending June 30,

2018	\$ 12,313	\$ 28,722	\$ 41,035
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
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

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Bond Series 2010A (continued)			
Year ending June 30,			
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
2049	39,275	1,307	40,582
2050	<u>13,296</u>	<u>115</u>	<u>13,411</u>
	<u>\$ 759,294</u>	<u>\$ 553,194</u>	<u>\$ 1,312,488</u>

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Bond Series 2010C			
Year ending June 30,			
2018	\$ 8,638	\$ 11,406	\$ 20,044
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
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

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Bond Series 2010C (continued)			
Year ending June 30,			
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	158	14,870
	<u>\$ 451,651</u>	<u>\$ 217,854</u>	<u>\$ 669,505</u>

Rural Development Bond Series 2010B			
Year ending June 30,			
2018	\$ 14,870	\$ 21,608	\$ 36,478
2019	15,246	20,865	36,111
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	17,497	36,111
2028	19,039	17,072	36,111

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Bond Series 2010B (continued)			
Year ending June 30,			
2029	19,567	16,544	36,111
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	13,382	36,111
2036	23,269	12,843	36,112
2037	23,893	12,219	36,112
2038	24,497	11,615	36,112
2039	25,116	10,995	36,111
2040	25,723	10,388	36,111
2041	26,402	9,710	36,112
2042	27,070	9,042	36,112
2043	27,754	8,358	36,112
2044	28,435	7,676	36,111
2045	29,175	6,937	36,112
2046	29,913	6,199	36,112
2047	30,669	5,442	36,111
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

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Bond Series 2010B (continued)			
Year ending June 30,			
2052	34,745	1,367	36,112
2053	<u>35,627</u>	<u>483</u>	<u>36,110</u>
	<u>\$ 856,409</u>	<u>\$ 443,978</u>	<u>\$ 1,300,387</u>

CITY OF KINGSTON, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2017

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Agriculture/ Rural Development	10.760	48-073-2119	\$ 102,820
U.S. Department of Transportation/ Tennessee Department of Transportation	20.205	STP-EN/HPP - 7300(17)	17,401
U.S. Department of Housing and Urban Development/Tennessee Department of Economic and Community Development	14.228	45442	473,284
U.S. Department of Housing and Urban Development/Tennessee Housing Development Agency	14.239	N/A	96,227
U.S. Department of Homeland Security/Federal Emergency Management Agency	97.044	N/A	119,236
U.S. Department of Justice/ Tennessee Department of Finance and Administration	16.738	N/A	<u>15,000</u>
Total Federal Awards			823,968

See the accompanying independent accountants' audit report.

CITY OF KINGSTON, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

(continued)

Year Ended June 30, 2017

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>State Financial Assistance</u>			
TN Department of Environment and Conservation	N/A	N/A	<u>198,250</u>
Total Federal Awards and State Financial Assistance			<u>\$ 1,022,217</u>

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, 2017. The schedule is presented using the modified accrual basis of accounting.

NOTE 2 - INDIRECT COST RATE

City of Kingston, Tennessee has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - OUTSTANDING LOAN BALANCES

City of Kingston, Tennessee balances of federal loans outstanding at June 30, 2017 consisted of the following:

<u>CFDA #</u>	<u>Program Name</u>	<u>Balance at June 30, 2017</u>
10.760	Water and Waste Disposal Systems for Rural Communities	\$ 3,268,105

CITY OF KINGSTON, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2017

WATER

Inside City limits:

First 1,000 gallons (minimum billing)	\$ 10.42
Over 1,000 gallons (per thousand)	7.22

Outside City limits:

First 1,000 gallons (minimum billing)	16.33
Over 1,000 gallons (per thousand)	14.42

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)	\$ 10.42
Over 1,000 gallons (per thousand)	9.79

Outside City limits:

First 1,000 gallons (minimum billing)	19.47
Over 1,000 gallons (per thousand)	15.58

Number of Metered Customers:

Water	3,773
Sewer	2,480

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: **2017** **7/2016 - 6/2017**

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.

WATER SUPPLIED

Volume from own sources: **+** **?** **10** **366.861** MG/Yr
Water imported: **+** **?** **n/a** **0.000** MG/Yr
Water exported: **+** **?** **n/a** **0.000** MG/Yr

WATER SUPPLIED: **363.229** MG/Yr

Master Meter and Supply Error Adjustments

Enter grading in column 'E' and 'J' -----
Pcnt: **+** **?** **9** **1.00%** **0** **0** MG/Yr
Value: **+** **?** **0** **0** MG/Yr
+ **?** **0** **0** MG/Yr
+ **?** **0** **0** MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered: **+** **?** **10** **261.669** MG/Yr
Billed unmetered: **+** **?** **n/a** **0.000** MG/Yr
Unbilled metered: **+** **?** **10** **0.286** MG/Yr
Unbilled unmetered: **+** **?** **5** **4.540** MG/Yr

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

AUTHORIZED CONSUMPTION: **?** **266.495** MG/Yr

Click here: **?**
for help using option
buttons below

Pcnt: **1.25%** **0** **0** MG/Yr
Value: **0** **0** MG/Yr

Use buttons to select
percentage of water
supplied
OR
value

WATER LOSSES (Water Supplied - Authorized Consumption)

96.733 MG/Yr

Apparent Losses

Unauthorized consumption: **+** **?** **5** **0.908** 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
Systematic data handling errors: **+** **?** **5** **0.654** MG/Yr

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

Apparent Losses: **?** **1.562** MG/Yr

Pcnt: **0.25%** **0** **0** MG/Yr
Value: **0** **0** MG/Yr

0.25% **0** **0** MG/Yr
0.25% **0** **0** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **?** **95.171** MG/Yr

WATER LOSSES: **96.733** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **?** **101.560** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: **+** **?** **8** **150.0** miles
Number of active AND inactive service connections: **+** **?** **10** **4,112**
Service connection density: **?** **27** conn./mile main

Are customer meters typically located at the curbside or property line? **No** (length of service line, beyond the property boundary, that is the responsibility of the utility)
Average length of customer service line: **+** **?** **10** **0.0** ft

Average operating pressure: **+** **?** **7** **125.0** psi

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: 94 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: **2017** **7/2016 - 6/2017**

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 94 out of 100 *****

System Attributes:

Apparent Losses:	1.562	MGYr
+ Real Losses:	95.171	MGYr
= Water Losses:	96.733	MGYr

? Unavoidable Annual Real Losses (UARL): 65.17 MGYr

Annual cost of Apparent Losses: \$23,168

Annual cost of Real Losses: \$53,249

Valued at: **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: 28.0%

Non-revenue water as percent by cost of operating system: 7.0% Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: 1.04 gallons/connection/day

Real Losses per service connection per day: N/A gallons/connection/day

Real Losses per length of main per day*: 1,738.29 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): 95.17 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 1.46

* 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.

STATISTICAL SECTION

CITY OF KINGSTON, TENNESSEE

STATISTICAL SECTION (UNAUDITED)
TABLE OF CONTENTS

This section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City of Kingston, Tennessee's (the City's) overall financial health.

	<u>Page Nos.</u>
FINANCIAL TRENDS	88-103
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
REVENUE CAPACITY	104-108
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
DEBT CAPACITY	109-115
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
DEMOGRAPHIC AND ECONOMIC INFORMATION	116-117
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
OPERATING INFORMATION	118-124
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the audited financial statements for the relevant year.

CITY OF KINGSTON, TENNESSEE

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities:				
Net investment in capital assets	\$ 7,005,026	\$ 6,226,869	\$ 6,272,051	\$ 6,503,544
Restricted	503,014	934,386	112,673	66,336
Unrestricted	1,786,138	1,939,793	1,564,842	1,225,484
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total governmental activities	<u>\$ 9,294,178</u>	<u>\$ 9,101,048</u>	<u>\$ 7,949,566</u>	<u>\$ 7,795,364</u>
Business-Type Activities:				
Net investment in capital assets	\$ 11,070,415	\$ 10,504,808	\$ 10,310,273	\$ 10,565,038
Restricted	1,909,141	2,324,557	2,062,226	2,127,349
Unrestricted	<u>2,500,509</u>	<u>2,086,952</u>	<u>2,233,077</u>	<u>1,924,035</u>
Total business-type activities	<u>\$ 15,480,065</u>	<u>\$ 14,916,317</u>	<u>\$ 14,605,576</u>	<u>\$ 14,616,422</u>
Primary Government:				
Net investment in capital assets	\$ 18,075,441	\$ 16,731,677	\$ 16,582,324	\$ 17,068,582
Restricted	2,412,155	3,258,943	2,174,899	2,193,685
Unrestricted	4,286,647	4,026,745	3,797,919	3,149,519
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total primary government	<u>\$ 24,774,243</u>	<u>\$ 24,017,365</u>	<u>\$ 22,555,142</u>	<u>\$ 22,411,786</u>

(1) In 2015, the Government implemented GASB Statement No. 68 which revised the reporting for its liability related to pensions. Amounts for prior years have not been restated.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 6,246,208	\$ 3,981,888	\$ 3,295,599	\$ 2,194,039	\$ 2,420,857	\$ 2,699,517
7,766	11,629	18,767	10,749	23,673	1,428
1,915,326	0	1,397,436	2,169,966	2,170,197	1,902,485
0	2,072,869	0	0	0	0
<u>\$ 8,169,300</u>	<u>\$ 6,066,386</u>	<u>\$ 4,711,802</u>	<u>\$ 4,374,754</u>	<u>\$ 4,614,727</u>	<u>\$ 4,603,430</u>
\$ 7,634,855	\$ 4,496,075	\$ 5,399,749	\$ 4,427,146	\$ 4,256,484	\$ 5,104,607
2,898,696	4,605,291	1,154,751	2,000,823	1,569,901	637,829
2,467,711	3,310,132	763,102	589,670	586,321	528,500
<u>\$ 13,001,262</u>	<u>\$ 12,411,498</u>	<u>\$ 7,317,602</u>	<u>\$ 7,017,639</u>	<u>\$ 6,412,706</u>	<u>\$ 6,270,936</u>
\$ 13,881,063	\$ 8,477,963	\$ 8,695,348	\$ 6,621,185	\$ 6,677,341	\$ 7,804,124
2,906,462	4,616,920	1,173,518	2,011,572	1,593,574	639,257
4,383,037	3,310,132	2,160,538	2,759,636	2,756,518	2,430,985
0	2,072,869	0	0	0	0
<u>\$ 21,170,562</u>	<u>\$ 18,477,884</u>	<u>\$ 12,029,404</u>	<u>\$ 11,392,393</u>	<u>\$ 11,027,433</u>	<u>\$ 10,874,366</u>

CITY OF KINGSTON, TENNESSEE

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenses				
Governmental Activities:				
General government	\$ 1,412,846	\$ 1,371,548	\$ 1,210,179	\$ 1,268,877
State street aid	0	0	0	0
Public safety	1,948,270	1,840,615	1,833,879	2,007,100
Public welfare	1,049,880	873,150	862,875	971,084
Streets and highways	1,077,568	1,054,399	999,208	993,583
Drug fund	0	0	0	0
Solid waste management	287,988	287,276	294,244	295,916
Interest on long-term debt	72,032	41,268	41,195	54,685
	<u>5,848,584</u>	<u>5,468,256</u>	<u>5,241,580</u>	<u>5,591,246</u>
Total governmental activities	5,848,584	5,468,256	5,241,580	5,591,246
Business-Type Activities:				
Water and sewer	<u>3,363,076</u>	<u>3,213,085</u>	<u>2,937,703</u>	<u>2,890,320</u>
Total primary government	<u>\$ 9,211,660</u>	<u>\$ 8,681,341</u>	<u>\$ 8,179,283</u>	<u>\$ 8,481,566</u>
Program Revenue				
Governmental Activities:				
Charges for services:				
General government	552,344	554,632	506,580	461,005
Public safety	80,632	87,407	69,146	78,837
Public welfare	37,460	28,064	31,043	28,750
Streets and highways	44,719	47,974	48,105	44,103
Drug fund	0	0	0	0
Solid waste management	328,824	324,979	326,775	327,030
Operating grants and contributions	318,204	365,330	376,728	316,985
Capital grants and contributions	<u>349,887</u>	<u>791,834</u>	<u>3,255</u>	<u>155,087</u>
Total governmental activities	1,712,070	2,200,220	1,361,632	1,411,797

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,074,294	\$ 884,825	\$ 1,158,264	\$ 1,243,464	\$ 1,385,983	\$ 1,067,082
0	0	133,204	131,564	162,179	222,914
1,917,288	1,885,028	1,729,384	1,827,769	1,670,706	1,590,740
1,741,658	1,629,017	1,460,007	1,552,282	1,461,543	1,386,082
0	0	0	0	0	0
8,642	11,765	11,035	22,956	1,927	2,890
290,610	266,436	265,274	247,637	248,369	233,397
53,778	26,301	26,490	27,920	39,608	51,970
<u>5,086,270</u>	<u>4,703,372</u>	<u>4,783,658</u>	<u>5,053,592</u>	<u>4,970,315</u>	<u>4,555,075</u>
<u>2,920,895</u>	<u>2,777,809</u>	<u>3,141,943</u>	<u>3,445,029</u>	<u>2,733,544</u>	<u>2,592,162</u>
<u><u>\$ 8,007,165</u></u>	<u><u>\$ 7,481,181</u></u>	<u><u>\$ 7,925,601</u></u>	<u><u>\$ 8,498,621</u></u>	<u><u>\$ 7,703,859</u></u>	<u><u>\$ 7,147,237</u></u>
3,630	2,567	7,158	4,046	4,191	33,976
0	0	0	0	0	0
24,205	23,537	30,763	0	0	0
0	0	0	0	0	0
4,779	4,627	19,053	10,032	24,173	4,061
327,043	329,904	327,933	326,038	298,646	250,398
465,250	85,510	211,531	227,330	149,548	161,264
0	0	0	0	0	0
<u>824,907</u>	<u>446,145</u>	<u>596,438</u>	<u>567,446</u>	<u>476,558</u>	<u>449,699</u>

CITY OF KINGSTON, TENNESSEE

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

(continued)

Unaudited - See the accompanying independent accountants' audit report.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Program Revenue (continued)				
Business-Type Activities:				
Charges for services:				
Water and sewer	\$ 3,338,780	\$ 3,362,551	\$ 3,081,350	\$ 3,025,375
Operating grants and contributions	0	0	0	0
Capital grants and contributions	<u>576,102</u>	<u>153,065</u>	<u>228,559</u>	<u>192,850</u>
Total business-type activities	<u>3,914,882</u>	<u>3,515,616</u>	<u>3,309,909</u>	<u>3,218,225</u>
Total primary government	<u><u>\$ 5,626,952</u></u>	<u><u>\$ 5,715,836</u></u>	<u><u>\$ 4,671,541</u></u>	<u><u>\$ 4,630,022</u></u>
Net (Expense)Revenue				
Governmental Activities	\$ (4,136,515)	\$ (3,268,036)	\$ (3,879,948)	\$ (4,179,450)
Business-Type Activities	<u>551,806</u>	<u>302,531</u>	<u>372,206</u>	<u>327,905</u>
Total primary government	<u><u>\$(3,584,709)</u></u>	<u><u>\$(2,965,505)</u></u>	<u><u>\$(3,507,742)</u></u>	<u><u>\$(3,851,546)</u></u>
General Revenue and Other				
Changes in Net Position				
Governmental Activities:				
Property tax	\$ 2,151,613	\$ 2,060,905	\$ 1,769,157	\$ 1,764,506
Interest and penalty	41,325	15,515	24,077	25,959
In-Lieu of tax payments	82,705	76,267	60,042	29,463
Local sales tax	996,949	1,026,933	972,633	941,642
Other local taxes	307,129	315,533	304,764	283,664
Intergovernmental	744,387	811,630	785,138	697,687
Licenses and permits	0	0	0	0
Fines and fees	0	0	0	0
Investment earnings	5,537	3,537	656	706
Other revenue	<u>0</u>	<u>109,197</u>	<u>0</u>	<u>1,653</u>
Total governmental activities	4,329,645	4,419,517	3,916,467	3,745,280

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 3,018,996	\$ 3,343,046	\$ 3,441,906	\$ 4,049,962	\$ 2,875,314	\$ 2,729,418
491,663	4,878,080	0	0	0	0
0	0	0	0	0	0
<u>3,510,659</u>	<u>8,221,126</u>	<u>3,441,906</u>	<u>4,049,962</u>	<u>2,875,314</u>	<u>2,729,418</u>
<u>\$ 4,335,566</u>	<u>\$ 8,667,271</u>	<u>\$ 4,038,344</u>	<u>\$ 4,617,408</u>	<u>\$ 3,351,872</u>	<u>\$ 3,179,117</u>
\$ (4,261,363)	\$ (4,257,227)	\$ (4,187,220)	\$ (4,486,146)	\$ (4,493,757)	\$ (4,105,376)
589,764	5,443,317	299,963	604,933	141,770	137,256
<u>\$ (3,671,599)</u>	<u>\$ 1,186,090</u>	<u>\$ (3,887,257)</u>	<u>\$ (3,881,213)</u>	<u>\$ (4,351,987)</u>	<u>\$ (3,968,120)</u>
\$ 1,819,118	\$ 1,524,016	\$ 1,610,641	\$ 1,650,170	\$ 1,796,158	\$ 1,502,294
0	0	0	0	0	0
0	0	0	0	0	0
963,004	1,313,143	998,882	950,055	1,092,143	1,111,000
304,695	418,116	316,620	343,262	368,095	358,372
801,567	807,751	579,217	614,564	592,344	586,360
124,581	141,319	129,269	165,503	163,224	100,304
122,438	92,676	136,385	79,724	79,437	82,241
2,612	1,994	5,266	9,534	11,646	26,151
2,226,262	1,312,796	508,015	433,361	402,007	92,700
6,364,277	5,611,811	4,284,295	4,246,173	4,505,054	3,859,422

CITY OF KINGSTON, TENNESSEE

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(continued)

Unaudited - See the accompanying independent accountants' audit report.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Revenue and Other				
Changes in Net Position				
(continued)				
Business-Type Activities:				
Investment earnings	11,941	8,210	2,830	3,133
Other revenue	0	0	0	4,363
Prior period adjustments and restatements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total business-type activities	<u>11,941</u>	<u>8,210</u>	<u>2,830</u>	<u>7,496</u>
Total primary government	<u><u>\$ 4,341,586</u></u>	<u><u>\$ 4,427,727</u></u>	<u><u>\$ 3,919,297</u></u>	<u><u>\$ 3,752,776</u></u>
Changes in Net Position				
Governmental Activities	\$ 193,130	\$ 1,151,481	\$ 36,519	\$ (434,169)
Business-Type Activities	<u>563,748</u>	<u>310,741</u>	<u>375,036</u>	<u>335,401</u>
Total primary government	<u><u>\$ 756,878</u></u>	<u><u>\$ 1,462,222</u></u>	<u><u>\$ 411,555</u></u>	<u><u>\$ (98,769)</u></u>

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	(349,421)	0	0	0	0
0	(349,421)	0	0	0	0
<u>\$ 6,364,277</u>	<u>\$ 5,262,390</u>	<u>\$ 4,284,295</u>	<u>\$ 4,246,173</u>	<u>\$ 4,505,054</u>	<u>\$ 3,859,422</u>
\$ 2,102,914	\$ 1,354,584	\$ 97,075	\$ (239,973)	\$ 11,297	\$ (245,954)
589,764	5,093,896	299,963	604,933	141,770	137,256
<u>\$ 2,692,678</u>	<u>\$ 6,448,480</u>	<u>\$ 397,038</u>	<u>\$ 364,960</u>	<u>\$ 153,067</u>	<u>\$ (108,698)</u>

CITY OF KINGSTON, TENNESSEE

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund				
Restricted	\$ 284,671	\$ 611,331	\$ 102,964	\$ 57,515
Unrestricted	0	0	0	0
Unassigned	1,321,971	1,611,251	1,117,121	1,019,991
Unreserved	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	1,606,642	2,222,582	1,220,085	1,077,506
All other governmental funds				
Restricted	14,834	15,695	9,709	8,821
Reserved	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>14,834</u>	<u>15,695</u>	<u>9,709</u>	<u>8,821</u>
Total governmental funds	<u><u>\$ 1,621,476</u></u>	<u><u>\$ 2,238,277</u></u>	<u><u>\$ 1,229,794</u></u>	<u><u>\$ 1,086,327</u></u>

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1,782,910	1,843,679	0	0	0	0
0	0	1,459,988	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>1,335,336</u>	<u>1,347,093</u>	<u>1,070,294</u>
1,782,910	1,843,679	1,459,988	1,335,336	1,347,093	1,070,294
2,383	4,546	0	0	0	0
<u>0</u>	<u>0</u>	<u>18,767</u>	<u>10,749</u>	<u>23,673</u>	<u>1,428</u>
<u>2,383</u>	<u>4,546</u>	<u>18,767</u>	<u>10,749</u>	<u>23,673</u>	<u>1,428</u>
<u><u>\$ 1,785,293</u></u>	<u><u>\$ 1,848,225</u></u>	<u><u>\$ 1,478,755</u></u>	<u><u>\$ 1,346,085</u></u>	<u><u>\$ 1,370,766</u></u>	<u><u>\$ 1,071,722</u></u>

CITY OF KINGSTON, TENNESSEE

FUND BALANCES OF BUDGETED GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund				
Restricted	\$ 284,671	\$ 611,331	\$ 102,964	\$ 57,515
Unrestricted	0	0	0	0
Unassigned	1,321,971	1,611,251	1,117,121	1,019,991
Unreserved	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total general fund	<u>1,606,642</u>	<u>2,222,582</u>	<u>1,220,085</u>	<u>1,077,506</u>
Drug Enforcement Fund				
Restricted	14,834	15,695	9,709	8,821
Reserved	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total drug enforcement fund	<u>14,834</u>	<u>15,695</u>	<u>9,709</u>	<u>8,821</u>
Total budgeted governmental funds	<u><u>\$ 1,621,476</u></u>	<u><u>\$ 2,238,277</u></u>	<u><u>\$ 1,229,794</u></u>	<u><u>\$ 1,086,327</u></u>

Note: The schedule above reflects fund balances for those governmental funds for which legally required budgets are prepared and approved. Both of these funds are considered major funds of the City.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1,782,910	1,843,679	0	0	0	0
0	0	1,459,988	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>1,335,336</u>	<u>1,347,093</u>	<u>1,070,294</u>
1,782,910	1,843,679	1,459,988	1,335,336	1,347,093	1,070,294
2,383	4,546	0	0	0	0
<u>0</u>	<u>0</u>	<u>18,767</u>	<u>10,749</u>	<u>23,673</u>	<u>1,428</u>
<u>2,383</u>	<u>4,546</u>	<u>18,767</u>	<u>10,749</u>	<u>23,673</u>	<u>1,428</u>
<u><u>\$ 1,785,293</u></u>	<u><u>\$ 1,848,225</u></u>	<u><u>\$ 1,478,755</u></u>	<u><u>\$ 1,346,085</u></u>	<u><u>\$ 1,370,766</u></u>	<u><u>\$ 1,071,722</u></u>

CITY OF KINGSTON, TENNESSEE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
REVENUE				
Taxes:				
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0
Property tax	2,151,302	2,036,168	1,786,182	1,753,293
Interest and penalty	41,325	15,515	24,077	25,959
In-Lieu of tax payments	82,705	76,267	60,042	29,463
Local sales tax	1,008,641	1,019,636	972,501	939,795
Business tax	76,970	78,609	71,344	68,598
Wholesale beer tax	169,514	191,295	180,176	179,834
Wholesale liquor tax	58,705	46,963	53,921	32,659
Intergovernmental	1,360,100	1,461,097	1,085,088	1,014,886
Public welfare	0	0	0	0
Charges for services	992,492	974,895	903,902	843,094
Licenses and permits	1,400	1,150	11,321	17,794
Fees for services	0	0	0	0
Fines and forfeitures	53,396	67,666	66,426	78,837
Drug fund	0	0	0	0
Solid waste management	0	0	0	0
Other revenue	0	0	0	1,653
Donations	50,424	613,397	76,820	70,022
Investment earnings	5,537	3,567	656	706
TOTAL REVENUE	<u>6,052,511</u>	<u>6,586,225</u>	<u>5,292,456</u>	<u>5,056,593</u>
EXPENDITURES				
Current:				
General government	1,086,285	1,056,570	891,073	919,478
Public safety	1,927,194	1,883,359	1,842,678	1,829,007
Public welfare	966,432	861,667	809,369	887,992
Streets and highways	1,044,100	1,002,349	981,357	929,628
Solid waste management	287,988	287,276	294,244	295,916
Debt service	2,256,064	330,162	319,030	512,524
Capital outlay	791,774	801,861	54,123	542,974
TOTAL EXPENDITURES	<u>8,359,837</u>	<u>6,223,244</u>	<u>5,191,874</u>	<u>5,917,519</u>

2013	2012	2011	2010	2009	2008
\$ 3,182,472	\$ 3,014,562	\$ 2,943,932	\$ 2,883,193	\$ 3,867,663	\$ 2,719,587
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
801,567	807,751	751,234	715,137	105,461	702,602
3,630	2,567	7,158	4,046	4,191	33,976
0	0	129,269	165,503	20,764	0
124,581	141,319	0	0	0	212,794
24,205	23,537	0	0	0	0
122,438	92,676	136,385	79,724	71,538	82,241
4,779	4,627	19,053	10,032	24,173	4,061
327,043	329,904	327,933	326,038	298,646	250,398
2,236,012	1,138,807	560,503	543,216	402,007	205,888
0	0	0	0	0	0
2,612	1,994	5,266	9,534	11,646	26,151
6,829,339	5,557,744	4,880,733	4,736,423	4,806,089	4,237,698
897,684	772,051	945,171	835,387	941,367	819,331
1,789,558	1,747,267	1,648,616	1,714,009	1,554,523	1,421,517
2,016,623	1,885,988	1,779,585	1,817,724	1,755,908	1,729,320
0	0	0	0	0	0
0	0	0	0	0	0
770,290	262,659	26,490	27,920	200,090	206,283
3,767,103	1,115,954	218,555	1,021,739	55,156	29,454
9,241,258	5,783,919	4,618,417	5,416,779	4,507,044	4,205,905

CITY OF KINGSTON, TENNESSEE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(continued)

Unaudited - See the accompanying independent accountants' audit report.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	(2,307,326)	362,981	100,582	(860,926)
OTHER FINANCING SOURCES (USES)				
Debt proceeds	0	0	0	0
Line of credit proceeds	0	0	42,885	0
Capital lease proceeds	0	0	0	52,167
Capital note proceeds	1,690,526	645,502	0	267,000
Retirement of debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,690,526</u>	<u>645,502</u>	<u>42,885</u>	<u>319,167</u>
NET CHANGES IN FUND BALANCES	<u><u>\$ (616,801)</u></u>	<u><u>\$ 1,008,483</u></u>	<u><u>\$ 143,467</u></u>	<u><u>\$ (541,759)</u></u>
Debt service as a percentage of noncapitalized expenditures	29.81%	6.09%	6.21%	9.54%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
(2,411,919)	(226,175)	262,316	(680,356)	299,045	31,793
2,348,987	595,645	119,440	849,000	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	(249,086)	(193,325)	0	0
<u>2,348,987</u>	<u>595,645</u>	<u>(129,646)</u>	<u>655,675</u>	<u>0</u>	<u>0</u>
<u>\$ (62,932)</u>	<u>\$ 369,470</u>	<u>\$ 132,670</u>	<u>\$ (24,681)</u>	<u>\$ 299,045</u>	<u>\$ 31,793</u>
14.07%	5.63%	0.60%	0.64%	4.49%	4.94%

CITY OF KINGSTON, TENNESSEE

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Utility Property</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Market Value</u>
2008	\$111,767,215	\$ 5,219,642	\$ 2,019,548	\$119,006,405	\$488,929,535
2009	113,870,255	4,533,336	1,774,742	120,178,333	528,293,664
2010	143,542,320	5,116,897	2,076,545	150,735,762	531,773,386
2011	142,709,285	5,175,778	2,053,350	149,938,413	529,981,117
2012	142,845,870	6,839,788	2,171,096	151,856,754	535,782,367
2013	143,336,600	5,122,001	2,346,966	150,805,567	532,469,520
2014	143,992,270	4,705,057	2,784,475	151,481,802	534,654,118
2015	138,173,071	5,249,686	2,730,417	146,153,174	508,513,795
2016	138,793,110	4,491,841	2,336,446	145,621,397	507,373,552
2017					

Sources: State of Tennessee - Division of Property Assessments and Annual Tax Aggregate Report of Tennessee

City Property Tax Rate		Taxable Assessed Value as a % of Actual Taxable Value
\$	1.3500	24.3%
	1.3500	22.7%
	1.0834	28.3%
	1.0340	28.3%
	1.1734	28.3%
	1.1734	28.3%
	1.1734	28.3%
	1.4500	28.7%
	1.4500	28.7%
	1.4500	28.7%

CITY OF KINGSTON, TENNESSEE

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

<u>Tax Year</u>	<u>City (Direct Rate)</u>	<u>County (Overlapping Rate)</u>	<u>Totals</u>
2008	\$ 1.3500	\$ 2.5400	\$ 3.8900
2009	1.3500	2.6100	3.9600
2010	1.0834	2.1000	3.1834
2011	1.0340	2.1300	3.1640
2012	1.1734	2.1300	3.3034
2013	1.1734	2.1300	3.3034
2014	1.1734	2.1300	3.3034
2015	1.4500	2.5150	3.9650
2016	1.4500	2.5150	3.9650
2017	1.4500	2.5150	3.9650

Tax rates are per \$100 of assessed valuation.

Sources: State of Tennessee - Division of Property Assessments and Annual Tax Aggregate Report of Tennessee

CITY OF KINGSTON, TENNESSEE

PRINCIPAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND TEN YEARS AGO

Unaudited - See the accompanying independent accountants' audit report.

Taxpayer	2016	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Johnson Family Property	\$ 3,904,600	1.30%
Matt Caldwell Properties	1,804,005	1.25%
DSSI	1,442,335	1.00%
Pickel Properties	1,210,730	0.84%
Old Capitol Town	976,760	0.68%
Bellsouth Telephone	950,909	0.66%
Buntrock Properties	890,530	0.62%
Jim Henry Properties	699,215	0.49%
Badger Properties	365,240	0.26%
Sugarman Properties	637,000	0.18%

Sources: City Finance Department, Tax Rolls

Taxpayer	2007	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Old Capitol Town	\$ 2,141,160	1.90%
Caldwell Properties	1,458,955	1.30%
Bellsouth Telephone	1,426,368	1.27%
Buntrock Properties	1,411,140	1.25%
Sugarman Properties	1,182,330	1.05%
Johnson Family Property	1,022,275	0.91%
Pickel Properties	943,625	0.84%
Jim Henry Properties	613,865	0.55%
Muecke Properties	464,966	0.42%
Badger Properties	447,920	0.40%

CITY OF KINGSTON, TENNESSEE

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 1,523,200	\$ 1,433,333	94.10%	\$ 57,897	\$ 1,517,118	99.60%
2009	1,579,363	1,459,221	92.39%	115,328	1,574,549	99.70%
2010	1,598,448	1,515,001	94.78%	75,698	1,590,699	99.52%
2011	1,610,641	1,465,701	91.00%	127,544	1,593,245	98.92%
2012	1,529,178	1,463,709	95.72%	52,259	1,515,968	99.14%
2013	1,756,395	1,639,354	93.34%	87,747	1,727,101	98.33%
2014	1,772,332	1,667,199	94.07%	64,097	1,731,296	97.68%
2015	2,123,227	2,004,679	94.42%	13,802	2,018,481	95.07%
2016	2,117,244	2,046,867	96.68%	0	2,046,867	96.68%
2017	2,107,250	0	0.00%	0	0	0.00%

CITY OF KINGSTON, TENNESSEE

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

Fiscal Year	Governmental Activities				Business-Type Activities
	Loans and Notes	Capital Leases	Line of Credit	Total Governmental Activities	Revenue Bonds
2008	\$ 877,000	\$ 586,690	\$ 0	\$ 1,463,690	\$ 7,068,212
2009	833,000	517,517	0	1,350,517	7,855,976
2010	1,701,000	482,421	0	2,183,421	7,367,318
2011	1,712,491	381,562	0	2,094,053	0
2012	1,661,000	254,205	290,645	2,205,850	8,093,000
2013	3,451,000	159,692	179,632	3,790,324	7,688,000
2014	3,503,445	136,728	0	3,640,173	7,066,000
2015	3,292,444	69,894	42,885	3,405,223	6,657,000
2016	3,556,219	0	205,612	3,761,831	6,228,000
2017	3,268,326	0	0	3,268,326	5,778,000

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Business-Type
Activities (continued)

Revenue and Tax Bonds	Loan Commitments	Capital Leases	Total Business-Type Activities	Total Primary Government	Percent of Personal Income	Per Capita
\$ 0	\$ 0	\$104,382	\$ 7,172,594	\$ 8,636,284	6.27%	\$1,641
0	0	81,641	7,937,617	9,288,134	6.74%	1,764
0	0	57,277	7,424,595	9,608,016	6.17%	1,619
6,793,000	0	0	6,793,000	8,887,053	5.08%	1,498
814,361	1,716,375	0	10,623,736	12,829,586	7.84%	2,162
2,575,181	416,643	0	10,679,824	14,470,148	8.56%	2,439
2,535,957	0	0	9,601,957	13,242,130	8.64%	2,232
3,380,627	0	0	10,037,627	13,442,850	8.86%	2,265
3,325,291	0	0	9,553,291	13,315,122	8.69%	2,244
3,268,105	0	0	9,046,105	12,314,431	7.81%	2,075

CITY OF KINGSTON, TENNESSEE

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

Unaudited - See the accompanying independent accountants' audit report.

	<u>Debt Outstanding</u>	<u>Estimated % Applicable</u>	<u>Estimated Share Direct/Overlapping</u>
County	\$ 37,605,737	10.95%	\$ 4,117,828
City	\$ 3,268,326	100%	\$ 3,268,326

CITY OF KINGSTON, TENNESSEE

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

The State of Tennessee imposes no legal debt margin on municipalities. City of Kingston, Tennessee has not established a legal debt margin; therefore, this schedule is not applicable.

CITY OF KINGSTON, TENNESSEE

PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

<u>Fiscal Year</u>	<u>Available Revenue (A)</u>	<u>Less: Operating Expenses (B)</u>	<u>Net Revenue Available</u>	<u>Principal</u>	<u>Debt Service Interest</u>
2008	\$ 2,729,418	\$ 1,873,472	\$ 855,946	\$ 412,772	\$ 276,499
2009	2,875,314	2,133,012	742,302	433,977	147,974
2010	4,049,962	2,950,714	1,099,248	513,022	94,073
2011	3,441,906	2,383,852	1,058,054	631,595	82,284
2012	3,343,046	2,257,796	1,085,250	393,639	104,740
2013	3,018,996	2,308,104	710,892	422,180	132,926
2014	3,032,871	2,202,426	830,445	661,224	235,008
2015	3,084,180	2,235,741	848,439	449,333	165,498
2016	3,370,761	2,417,053	953,708	484,336	158,822
2017	3,350,721	2,506,337	844,384	507,186	187,916

(A) Available revenue includes operating revenue and interest income.

(B) Operating expenses excludes depreciation.

<u>Total</u>	<u>Coverage Ratio</u>
\$ 689,271	1.24
581,951	1.28
607,095	1.81
713,879	1.48
498,379	2.18
555,106	1.28
896,232	0.93
614,831	1.38
643,158	1.48
695,102	1.21

CITY OF KINGSTON, TENNESSEE

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Personal Income</u>	<u>Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2008	5,264	\$ 26,159	\$ 137,700,976	39.1	1,920	N/A
2009	5,264	26,169	137,753,616	39.3	1,927	7.20%
2010	5,934	26,252	155,779,368	39.2	1,921	8.50%
2011	5,934	29,466	174,851,244	43.7	1,776	9.70%
2012	5,934	27,578	163,647,852	43.0	1,863	10.00%
2013	5,934	28,490	169,059,660	41.9	1,769	10.50%
2014	5,934	25,824	153,239,616	49.0	1,707	8.00%
2015	5,934	25,561	151,678,974	48.8	1,881	6.70%
2016	5,934	25,824	153,239,616	48.9	1,882	6.50%
2017	5,934	26,586	157,761,324	49.0	1,890	3.80%

Sources:

www.tennessee.hometownlocator.com
www.census.gov
www.areavibes.com
www.usnews.com

CITY OF KINGSTON, TENNESSEE

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Unaudited - See the accompanying independent accountants' audit report.

Employer	June 30, 2017			June 30, 2008		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Roane Co. Government	484	1	21.18%	465	1	20.35%
Michael Dunn Center	345	2	15.10%	305	2	13.35%
Roane County Schools	251	3	10.98%	249	3	10.90%
Food City grocery store	150	4	6.56%	135	4	5.91%
City of Kingston	77	5	3.37%	77	5	3.37%
McDonalds restaurant	63	6	2.76%	57	6	2.49%
Taco Bell restaurant	40	7	1.75%	30	7	1.31%
Kiddie Korner Daycare	35	8	1.53%	25	8	1.09%
Calvary School & Daycare	23	9	1.01%	19	9	0.83%
Brookdale Senior Living	21	10	0.92%	19	10	0.83%
	<u>1,489</u>		<u>65.16%</u>	<u>1,381</u>		<u>60.43%</u>

Sources: various city businesses; Roane County government; Roane County schools

CITY OF KINGSTON, TENNESSEE

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

	Full-Time Equivalent Employees as of June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental Activities:										
City Manager	1	1	1	1	1	1	1	1	1	1
Finance	8	8	7	7	7	7	7	7	7	7
Purchasing	1	1	1	1	1	1	1	1	1	1
Police	14	14	14	14	14	14	14	14	14	14
Fire	15	15	15	15	15	15	15	15	15	15
Parks and Recreation	7	7	7	7	7	7	7	7	8	8
Public Works/Street	11	11	11	11	11	11	12	12	13	13
Library	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>5</u>
	63	63	62	62	62	62	63	63	64	64
Business-Type Activities:										
Utility Water and Sewer	<u>14</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>13</u>	<u>13</u>	<u>13</u>
Total primary government	<u><u>77</u></u>	<u><u>77</u></u>	<u><u>76</u></u>	<u><u>76</u></u>	<u><u>76</u></u>	<u><u>76</u></u>	<u><u>77</u></u>	<u><u>76</u></u>	<u><u>77</u></u>	<u><u>77</u></u>

Source: City Finance Department

CITY OF KINGSTON, TENNESSEE

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities:				
General government:				
Building permits issued	55	54	51	62
Police:				
Arrests	246	333	288	340
Traffic citations	224	355	359	495
Fire:				
Fire calls	840	750	835	776
Fire inspections	368	368	368	364
Business-Type Activities:				
Parks and recreation rentals:				
Community center	127	128	112	116
Swimming pool	112	76	106	101
Pavillion	62	71	58	47
Water and sewer:				
Water sales (millions of gallons)	262	266	259	246
Water produced (millions of gallons)	367	384	346	323

Source: various city departments

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
37	49	50	35	62	70
202	249	340	326	294	212
482	589	442	371	514	582
788	741	652	604	604	538
366	366	362	362	366	364
97	130	102	92	99	101
94	110	108	105	110	104
63	59	38	9	22	34
261	257	261	242	287	325
368	367	367	315	364	396

CITY OF KINGSTON, TENNESSEE

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Unaudited - See the accompanying independent accountants' audit report.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities:				
Police:				
Stations	1	1	1	1
Patrol units	13	13	13	13
Fire:				
Stations	2	2	2	2
Fire trucks	3	3	3	3
ERV	2	2	1	1
Parks and recreation:				
Community center	1	1	1	1
SWP fort and visitors center	1	1	1	1
Parks	5	4	4	4
Parks (acreage)	33.9	33.9	33.9	33.9
Tennis courts	2	2	2	2
Baseball fields	2	2	2	2
Softball fields	2	2	2	2
Soccer fields	2	2	2	2
Track	1	1	1	1
Walking trails	2	2	2	1
Swimming pool	1	1	1	1
Basketball courts	2	2	2	2
Public works:				
Streets (miles)	60	60	60	60
Sidewalks	6	6	6	6
Traffic signals	8	8	8	8
Street paving (miles)	0	0	0	0
Stop and yield signs	289	289	288	288
Street lights	592	591	589	589
Library:				
Building	1	1	1	1

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
1	1	1	1	1	1
13	13	13	13	13	14
2	2	2	2	2	2
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
3	3	3	3	3	3
33.9	33.9	33.9	33.9	33.9	33.9
2	2	2	2	2	2
2	2	2	2	2	2
2	2	2	2	2	2
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
60	60	60	60	60	60
6	6	6	6	6	6
8	8	8	8	8	8
0	0	0	0	0	0
288	288	288	288	288	288
586	586	584	582	582	580
1	1	1	1	1	1

CITY OF KINGSTON, TENNESSEE

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

(continued)

Unaudited - See the accompanying independent accountants' audit report.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Business-Type Activities:				
Water and sewer:				
Water pipe (miles)	150	150	150	150
Sewer pipe (miles)	59	59	59	59
Water treatment capacity (millions of gallons)	3	3	3	3
Water storage capacity (millions of gallons)	2	2	2	2

Sources: various city departments and Rockwood Electric Utility

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
150	150	150	150	150	150
59	59	59	59	59	59
3	3	3	3	3	3
2	2	2	2	2	2

INTERNAL CONTROL

AND

COMPLIANCE

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, the business-type activities and each major fund of City of Kingston, Tennessee as of and for the year ended June 30, 2017, 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 22, 2018.

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 a 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kingston, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Kingston, Tennessee, in a separate letter dated January 22, 2018.

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.

A handwritten signature in black ink that reads "Mitchell Emert + Hill". The script is cursive and fluid, with the first letters of "Mitchell" and "Emert" being capitalized and prominent. The plus sign is written as a simple cross.

January 22, 2018

CITY OF KINGSTON, TENNESSEE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

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 THE UNIFORM GUIDANCE

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 Compliance Supplement* that could have a direct and material effect of City of Kingston, Tennessee's major federal programs for the year ended June 30, 2017. 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 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements; Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

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, 2017.

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 the Uniform Guidance, 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 the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The script is cursive and fluid, with the first letters of the first and last names being capitalized and prominent.

January 22, 2018

CITY OF KINGSTON, TENNESSEE

FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

SUMMARY OF AUDIT RESULTS

1. The Independent Accountants' Audit Report expresses an unmodified 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 as Required by the Uniform Guidance expresses an unmodified opinion on City of Kingston, Tennessee's compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its major federal programs.
6. No findings or questioned costs were disclosed which would be required to be reported in accordance with the Uniform Guidance.
7. The following program was tested as a major program:

<u>Program Name</u>	<u>CFDA No.</u>
Community Development Block Grants	14.228

8. The threshold for distinguishing Types A and B programs was \$750,000.
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 the Uniform Guidance.