

Financial Statements

CITY OF KINGSTON, TENNESSEE

Year Ended June 30, 2016

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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, 2016, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2016, the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the general fund and the drug enforcement fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 10, the schedule of changes in net pension liability(asset) on page 61 and the schedule of pension contributions on page 62 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 financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, on our consideration of City of Kingston, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kingston, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mitchell Emert + Hill". The signature is written in a cursive, flowing style.

December 19, 2016

Management's Discussion and Analysis For the Year Ended June 30, 2016

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, 2016. 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, 2016 was \$24,017,365 (\$22,555,143 in 2015).
- The City's net position increased by \$1,462,222 (\$411,554 in 2015) or 6.1 percent during the year ended June 30, 2016 (1.8 percent during 2015).
- 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. At June 30, 2015 the City's governmental funds reported combined ending fund balances of \$1,229,794; an increase of \$143,467 for the year ended June 30, 2015. As of June 30, 2016 \$1,814,449 (\$1,117,121 in 2015) of governmental fund balances is unassigned and available for ongoing operations.
- At June 30, 2016 the unassigned general fund balance was \$1,814,449 (\$1,117,121 in 2015) or 29 percent (22 percent in 2015) 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 13 of this report.

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

Proprietary Funds - Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains one type of proprietary 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 30 to 35 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, 2016 the City's net position was \$24,017,365 (\$22,555,143 in 2015).

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>2016</u>	<u>2015</u>
ASSETS		
Current assets	\$ 9,593,269	\$ 8,197,682
Capital assets, net of accumulated depreciation	30,046,799	30,025,174
Other assets	<u>402,681</u>	<u>452,190</u>
	40,042,750	38,675,047
 DEFERRED OUTFLOW OF RESOURCES	 <u>333,427</u>	 <u>178,804</u>
Deferred outflow related to pension	<u>\$ 40,376,177</u>	<u>\$ 38,853,849</u>
 LIABILITIES		
Current liabilities	\$ 1,598,762	\$ 1,201,896
Noncurrent liabilities	<u>12,304,350</u>	<u>12,669,621</u>
	13,903,112	13,871,517
 DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	2,117,244	2,123,227
Deferred inflows related to pension	235,634	303,962
Deferred revenue	<u>102,820</u>	<u>0</u>
	2,455,698	2,427,189
 NET POSITION		
Net investment in capital assets	16,731,677	16,582,324
Restricted	3,055,744	2,627,089
Unrestricted	<u>4,229,944</u>	<u>3,345,729</u>
	<u>24,017,365</u>	<u>22,555,143</u>
	<u>\$ 40,376,177</u>	<u>\$ 38,853,849</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>2016</u>	<u>2015</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 4,405,608	\$ 4,062,999
Operating grants and contributions	365,330	376,728
Capital grants and contributions	944,899	231,814
General Revenue:		
Local taxes	3,495,152	3,130,674
Intergovernmental	811,630	785,138
Investment income	11,747	3,486
Insurance recoveries	<u>109,197</u>	<u>0</u>
	<u>10,143,563</u>	<u>8,590,836</u>
EXPENSES		
General government	1,371,548	1,210,179
Public safety	1,840,615	1,833,879
Public welfare	873,150	862,875
Streets and highways	1,054,399	999,208
Solid waste management	287,276	294,244
Interest on long-term debt	41,268	41,195
Water and sewer	<u>3,213,085</u>	<u>2,937,703</u>
	<u>8,681,341</u>	<u>8,179,282</u>
Increase in net position	1,462,222	411,554
Net position at the beginning of the year	<u>22,555,143</u>	<u>22,143,589</u>
Net position at the end of the year	<u>\$ 24,017,365</u>	<u>\$ 22,555,143</u>

Governmental Activities - For the year ended June 30, 2016, governmental activities increased the City's net position by \$1,151,481 (\$36,519 in 2015).

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

Business-Type Activities - For the year ended June 30, 2016, business-type activities increased the City's net position by \$310,741 (\$375,037 in 2015).

Capital Assets

The City's investment in capital assets as of June 30, 2016 was \$30,046,799 (\$30,025,174 in 2015) net of accumulated depreciation.

	<u>2016</u>	<u>2015</u>
Land and land improvements	\$ 3,807,445	\$ 3,807,445
Construction in process	1,385,585	734,629
Building and building improvements	6,550,736	6,545,534
Machinery and equipment	1,285,746	1,016,116
Vehicles	2,961,595	2,793,363
Other improvements	2,059,955	2,059,955
Plant	26,379,046	26,323,795
Accumulated depreciation	<u>(14,383,310)</u>	<u>(13,255,663)</u>
	<u>\$ 30,046,799</u>	<u>\$ 30,025,174</u>

The major capital asset additions during the year ended June 30, 2016 were as follows:

Construction in process	\$ 650,956
Building and building improvements	5,202
Utility plant (includes completed construction in process projects)	55,251
Machinery and equipment	269,630
Vehicles	<u>168,232</u>
	<u>\$ 1,149,271</u>

Debt Administration

At June 30, 2016 the City's proprietary fund had outstanding debt of \$9,553,291 (\$10,037,627 in 2015) consisting of the following:

	<u>2016</u>	<u>2015</u>
Rural Development bonds	\$ 3,325,291	\$ 3,380,627
Tennessee Municipal bonds	<u>6,228,000</u>	<u>6,657,000</u>
Total debt-principal	9,553,291	10,037,627
Less: current portion due	<u>(507,186)</u>	<u>(484,336)</u>
Total long-term debt-principal	<u>\$ 9,046,105</u>	<u>\$ 9,553,291</u>

During the year ended June 30, 2016 the City retired \$484,336 (\$449,333 in 2015) of its proprietary fund debt.

At June 30, 2016 the City's governmental funds had outstanding debt of \$3,761,831 (\$3,405,223 in 2015) consisting of the following:

	<u>2016</u>	<u>2015</u>
Bonds payable	\$ 3,556,220	\$ 3,292,445
Notes payable	205,612	95,410
Capital leases	<u>0</u>	<u>17,369</u>
	3,761,831	3,405,223
Less: current portion due	<u>(503,587)</u>	<u>(288,894)</u>
Total long-term debt-principal	<u>\$ 3,258,244</u>	<u>\$ 3,116,329</u>

During the year ended June 30, 2016, the City retired \$288,895 (\$469,319 in 2015) of debt of its governmental funds.

Financial Analysis of the City's Funds

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

Governmental Funds - The focus of the City's governmental funds financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund's fund balance increased by \$1,002,496 for the year ended June 30, 2016 (\$142,580 in 2015).

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 \$2,182,274 for the year ended June 30, 2016 and \$2,233,077 for the year ended June 30, 2015, which is 15% (15% in 2015) of total net position of the water and sewer fund.

General Fund Budgetary Highlights

During the year ended June 30, 2016, final amended budgeted revenue of the general fund increased approximately \$9,000 from original budgeted revenue. Final amended budgeted expenditures of the general fund decreased approximately \$81,000 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, 2017. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2016.

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, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 1,848,693	\$ 1,458,229	\$ 3,306,923
Restricted cash	0	2,229,235	2,229,235
Accounts receivable, net of allowance for uncollectible accounts	0	752,755	752,755
Property taxes receivable, net of allowance for uncollectible accounts	2,362,693	0	2,362,693
Other taxes receivable	247,701	0	247,701
Other accounts receivable	16,467	0	16,467
Grant receivable	287,646	14,958	302,604
Due from other governments	244,367	0	244,367
Interfund balances	(36,675)	36,675	0
Materials and supplies	0	130,524	130,524
Net pension asset	307,359	95,322	402,681
Capital assets not being depreciated	1,375,246	1,083,041	2,458,287
Capital assets being depreciated, net of accumulated depreciation	<u>8,613,454</u>	<u>18,975,058</u>	<u>27,588,512</u>
	15,266,951	24,775,799	40,042,750
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>251,769</u>	<u>81,659</u>	<u>333,427</u>
	<u>\$ 15,518,720</u>	<u>\$ 24,857,457</u>	<u>\$ 40,376,177</u>

See the accompanying notes to the financial statements.

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Accounts payable	\$ 71,321	\$ 124,578	\$ 195,899
Accrued salaries	288,409	103,683	392,092
Current portion of long-term debt	503,587	507,186	1,010,773
Long-term debt, net of current portion	<u>3,258,244</u>	<u>9,046,105</u>	<u>12,304,350</u>
	4,121,561	9,781,552	13,903,112
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	2,117,244	0	2,117,244
Deferred inflows related to pension	178,867	56,767	235,634
Unearned contribution	<u>0</u>	<u>102,820</u>	<u>102,820</u>
	2,296,111	159,587	2,455,698
NET POSITION			
Net investment in capital assets	6,226,869	10,504,808	16,731,677
Restricted:			
Drug enforcement	15,695	0	15,695
Special projects	337,899	0	337,899
Solid waste collection and disposal	70,234	0	70,234
Street repairs	4,949	0	4,949
Construction projects	198,250	1,291,120	1,489,370
Debt retirement	0	938,115	938,115
Pension	307,359	95,322	402,681
Unrestricted	<u>1,939,793</u>	<u>2,086,952</u>	<u>4,026,745</u>
	<u>9,101,048</u>	<u>14,916,317</u>	<u>24,017,365</u>
	<u>\$ 15,518,720</u>	<u>\$ 24,857,457</u>	<u>\$ 40,376,177</u>

CITY OF KINGSTON, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

	<u>Expenses</u>	<u>Fee, Fines and Charges for Services</u>	<u>Program Revenue Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 1,371,548	\$ 554,632	\$ 0	\$ 375,000
Public safety	1,840,615	87,407	4,000	0
Public welfare	873,150	28,064	198,182	416,834
Streets and highways	1,054,399	47,974	163,148	0
Solid waste management	287,276	324,979	0	0
Interest on long-term debt	<u>41,268</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total governmental activities	5,468,256	1,043,057	365,330	791,834
Business-Type Activities:				
Water and sewer	<u>3,213,085</u>	<u>3,362,551</u>	<u>0</u>	<u>153,065</u>
	<u>\$ 8,681,341</u>	<u>\$ 4,405,608</u>	<u>\$ 365,330</u>	<u>\$ 944,899</u>

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (441,916)	\$ 0	\$ (441,916)
(1,749,208)	0	(1,749,208)
(230,070)	0	(230,070)
(843,277)	0	(843,277)
37,703	0	37,703
(41,268)	0	(41,268)
(3,268,036)	0	(3,268,036)
0	302,531	302,531
<u>\$ (3,268,036)</u>	<u>\$ 302,531</u>	<u>\$ (2,965,505)</u>

CITY OF KINGSTON, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2016

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
- Insurance recoveries

Total general revenue

CHANGES IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR

NET POSITION AT THE END OF THE YEAR

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (3,268,036)	\$ 302,531	\$ (2,965,505)
2,060,905	0	2,060,905
15,515	0	15,515
76,267	0	76,267
1,026,933	0	1,026,933
77,274	0	77,274
191,295	0	191,295
46,963	0	46,963
811,630	0	811,630
3,537	8,210	11,747
109,197	0	109,197
4,419,517	8,210	4,427,727
1,151,481	310,741	1,462,222
7,949,566	14,605,576	22,555,143
\$ 9,101,048	\$ 14,916,317	\$ 24,017,365

CITY OF KINGSTON, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2016

	<u>General Fund</u>	<u>Drug Enforcement Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 1,832,997	\$ 15,695	\$ 1,848,693
Property taxes receivable (net of allowance for uncollectible accounts of \$20,000)	2,362,693	0	2,362,693
Other taxes receivable	247,701	0	247,701
Due from other governments	244,367	0	244,367
Grants receivable	287,646	0	287,646
Other accounts receivable	16,467	0	16,467
	<u>\$ 4,991,871</u>	<u>\$ 15,695</u>	<u>\$ 5,007,567</u>
LIABILITIES			
Accounts payable	\$ 71,321	\$ 0	\$ 71,321
Accrued salaries	145,915	0	145,915
Due to other funds	36,675	0	36,675
	<u>253,911</u>	<u>0</u>	<u>253,911</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	2,354,919	0	2,354,919
Deferred state shared and local taxes	160,461	0	160,461
	<u>2,515,379</u>	<u>0</u>	<u>2,515,379</u>
FUND BALANCES			
Restricted	611,331	15,695	627,026
Unassigned	1,611,251	0	1,611,251
	<u>2,222,581</u>	<u>15,695</u>	<u>2,238,277</u>
	<u>\$ 4,991,871</u>	<u>\$ 15,695</u>	<u>\$ 5,007,567</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, 2016

Total Fund Balance - Governmental Funds	\$ 2,238,277
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources and therefore are not reported in the governmental funds balance sheet.	9,988,700
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.	398,135
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	307,359
Deferred outflow of resources	251,769
Deferred inflow of resources	(178,867)
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	
Compensated absences	(142,494)
Long-term debt	<u>(3,761,831)</u>
Net Position of Governmental Activities	<u>\$ 9,101,048</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, 2016

	<u>General Fund</u>	<u>Drug Enforcement Fund</u>	<u>Totals</u>
REVENUE			
Taxes:			
Property tax	\$ 2,036,168	\$ 0	\$ 2,036,168
Interest and penalty	15,515	0	15,515
In-Lieu of tax payments	76,267	0	76,267
Local sales tax	1,019,636	0	1,019,636
Business tax	78,609	0	78,609
Wholesale beer tax	191,295	0	191,295
Wholesale liquor tax	46,963	0	46,963
Intergovernmental	1,461,097	0	1,461,097
Licenses, permits and fees	1,150	0	1,150
Charges for services	955,184	19,712	974,895
Fines and forfeitures	49,956	17,710	67,666
Investment earnings	3,567	0	3,567
Donations	613,397	0	613,397
	6,548,803	37,422	6,586,225
TOTAL REVENUE			
EXPENDITURES			
Current:			
General government	1,056,570	0	1,056,570
Public safety	1,858,524	24,835	1,883,359
Public welfare	861,667	0	861,667
Streets and highways	1,002,349	0	1,002,349
Solid waste management	287,276	0	287,276
Debt service	330,162	0	330,162
Capital outlay	795,261	6,600	801,861
	6,191,809	31,435	6,223,245
TOTAL EXPENDITURES			

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2016

	<u>General Fund</u>	<u>Drug Enforcement Fund</u>	<u>Totals</u>
EXCESS OF REVENUE OVER EXPENDITURES	356,994	5,986	362,980
OTHER FINANCING SOURCES			
Note proceeds	<u>645,502</u>	<u>0</u>	<u>645,502</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	1,002,496	5,986	1,008,483
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>1,220,085</u>	<u>9,709</u>	<u>1,229,794</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 2,222,581</u>	<u>\$ 15,695</u>	<u>\$ 2,238,277</u>

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

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

Year Ended June 30, 2016

Excess of Revenue and Other Financing Sources Over Expenditures - Governmental Funds	\$ 1,008,483
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	801,861
Depreciation expense	(490,436)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	288,894
Long-term debt proceeds provide current financial resources in the governmental funds; however, the issuance of debt increases long-term obligations for governmental activities.	(645,502)
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.	(8,936)
Retirement contributions made after the actuarial measurement date are an expenditure the governmental funds, but increase deferred outflows for governmental activities.	139,906
Accruals for long-term compensated reported in the statement of activities does not require the use of current financial resources; therefore, they are not reported as expenditures in the statement of revenue, expenditures and changes in fund balances of governmental funds.	23,698
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, 2015	(364,623)
Deferred tax revenue - June 30, 2016	<u>398,135</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,151,481</u></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, 2016

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Taxes:				
Property taxes	\$2,132,537	\$2,050,674	\$ 2,036,168	\$ (14,506)
Interest and penalty	25,000	25,000	15,515	(9,485)
In-Lieu of tax payments	58,393	68,154	76,267	8,113
Local sales tax	995,000	1,017,000	1,019,636	2,636
Business tax	70,000	80,500	78,609	(1,891)
Wholesale beer tax	186,500	190,000	191,295	1,295
Wholesale liquor tax	53,300	53,300	46,963	(6,337)
	<u>3,520,730</u>	<u>3,484,628</u>	<u>3,464,453</u>	<u>(20,175)</u>
Intergovernmental:				
TVA In-Lieu of tax of payments	71,595	71,595	72,455	860
State income tax	138,000	138,000	126,023	(11,977)
State gas tax	158,000	163,000	162,630	(370)
State beer tax	2,838	2,838	2,897	59
State liquor tax	7,428	7,428	7,350	(78)
State sales tax	460,000	460,000	478,012	18,012
Corporate excise tax	7,600	7,600	9,378	1,778
Hotel and motel tax	47,000	50,000	51,126	1,126
HOME grant	0	0	5,000	5,000
LPRF grant	0	0	49,750	49,750
TEMA grant	112,955	147,612	12,872	(134,740)
THDA rebuild and recover grant	0	0	50,426	50,426
TML safety grant	3,500	4,000	4,000	0
TDOT grant	346,000	346,000	367,084	21,084
City streets and transportation	12,500	12,500	12,072	(428)
Special impact area fund	49,415	49,415	50,021	606
	<u>1,416,831</u>	<u>1,459,988</u>	<u>1,461,097</u>	<u>1,109</u>
Licenses and permits:				
Beer and liquor licenses	2,050	2,850	1,150	(1,700)

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Charges for services:				
Cable fees	88,000	92,400	91,843	(557)
Parks and recreation	6,300	6,300	6,634	334
Swimming pool	23,500	23,500	18,439	(5,061)
Highway and street charges	48,500	48,000	47,974	(26)
Water and gas contracts	461,318	461,318	461,318	0
Miscellaneous charges	3,700	3,700	3,997	297
Garbage collection fees	327,600	324,800	324,979	179
	<u>958,918</u>	<u>960,018</u>	<u>955,184</u>	<u>(4,834)</u>
Fines and forfeitures	60,000	60,000	49,956	(10,044)
Other revenue:				
Donations	0	0	129,201	129,201
TVA Image Repair	0	0	375,000	375,000
Insurance recoveries	0	0	109,197	109,197
Interest	500	500	3,567	3,067
	<u>500</u>	<u>500</u>	<u>616,964</u>	<u>616,464</u>
TOTAL REVENUE	5,959,029	5,967,984	6,548,803	580,819
EXPENDITURES				
Legislative:				
Salaries and wages	23,868	23,868	23,987	119
Payroll taxes	1,826	1,826	1,814	(12)
Health insurance	6,925	6,215	4,541	(1,674)
Retirement	1,505	1,505	1,566	61

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Legislative (continued):				
Dues	4,350	4,025	3,383	(642)
Donations	1,000	1,000	2,000	1,000
Legal notices	10,000	6,035	4,279	(1,756)
Public relations	5,326	5,326	54,999	49,673
Telephone	2,000	2,000	2,000	0
Travel	9,000	9,000	7,707	(1,293)
Reappraisal	12,500	12,500	12,014	(486)
	<u>78,300</u>	<u>73,300</u>	<u>118,290</u>	<u>44,990</u>
City Court:				
Salaries and wages	13,942	13,942	13,428	(514)
Payroll taxes	1,067	1,067	1,023	(44)
Retirement	235	235	263	28
Court costs	5,500	3,500	3,392	(108)
Repairs and maintenance	3,200	3,200	2,560	(640)
Operating supplies	750	750	0	(750)
Travel	1,200	1,200	1,011	(189)
Training	1,000	1,000	555	(445)
	<u>26,894</u>	<u>24,894</u>	<u>22,233</u>	<u>(2,661)</u>
City Manager's office:				
Salaries and wages	80,200	76,200	75,943	(257)
Payroll taxes	5,970	5,970	5,721	(249)
Health insurance	24,800	21,800	20,628	(1,172)
Retirement	5,050	5,050	4,963	(87)
Employee training	330	330	149	(181)
TML dues	3,000	3,000	1,038	(1,962)
	<u>119,350</u>	<u>112,350</u>	<u>108,442</u>	<u>(3,908)</u>

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Financial administration:				
Salaries and wages	257,336	253,336	252,015	(1,321)
Payroll taxes	23,700	20,700	17,883	(2,817)
Health insurance	69,594	66,544	50,849	(15,695)
Retirement	16,020	16,020	13,614	(2,406)
Data processing services	21,000	21,000	19,523	(1,477)
Office supplies	15,700	15,000	8,699	(6,301)
Professional services	10,000	10,000	5,000	(5,000)
Postage	20,500	20,500	17,009	(3,491)
Training	2,500	2,500	2,357	(143)
Travel	5,300	6,000	5,693	(307)
Telephone	38,500	38,500	29,745	(8,755)
Repairs and maintenance	14,000	14,000	13,135	(865)
	<u>494,150</u>	<u>484,100</u>	<u>435,522</u>	<u>(48,578)</u>
Planning and zoning:				
State planning office	10,175	10,175	10,175	0
Operating supplies	100	100	0	(100)
	<u>10,275</u>	<u>10,275</u>	<u>10,175</u>	<u>(100)</u>
City Hall:				
Payroll taxes	0	650	555	(95)
Utilities	38,000	36,300	32,916	(3,384)
Telephone	8,000	6,050	4,738	(1,312)
Repairs and maintenance	15,300	15,300	11,138	(4,162)
Professional services	18,000	18,000	16,522	(1,478)
Operating supplies	6,500	6,500	6,066	(434)
	<u>85,800</u>	<u>82,800</u>	<u>71,934</u>	<u>(10,866)</u>

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Salaries and wages	3,750	3,750	1,958	(1,792)
Payroll taxes	185	185	164	(21)
Workers compensation	78,500	82,158	82,156	(2)
Unemployment insurance	8,200	700	663	(37)
Insurance	65,600	64,908	64,908	0
Home rehabilitation	0	0	55,426	55,426
Small equipment	13,407	13,407	9,207	(4,200)
E-911	71,488	71,488	71,435	(53)
Training	6,400	5,911	1,213	(4,698)
Subscriptions	1,000	1,000	228	(772)
	<u>248,530</u>	<u>243,507</u>	<u>287,359</u>	<u>43,852</u>
Police department:				
Salaries and wages	589,031	589,031	580,149	(8,882)
Payroll taxes	45,367	45,367	46,499	1,132
Health insurance	140,975	140,975	140,043	(932)
Retirement	36,375	36,375	36,828	453
Office expense	7,000	7,000	5,248	(1,752)
Telephone	16,500	16,500	15,608	(892)
Safety supplies and incentives	10,500	10,500	7,444	(3,056)
Gasoline	40,000	40,000	27,324	(12,676)
Travel	7,000	7,000	6,815	(185)
Training	6,000	6,000	2,378	(3,622)
Uniforms	10,000	10,000	7,900	(2,100)
Data processing service	4,500	4,500	3,782	(718)
Operating supplies	7,000	7,000	39,006	32,006
Small equipment	15,500	15,500	10,691	(4,809)
Utilities	1,100	1,100	856	(244)
	<u>936,848</u>	<u>936,848</u>	<u>930,571</u>	<u>(6,277)</u>

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Automotive services:				
Repairs and maintenance	81,500	86,500	78,011	(8,489)
Fire department:				
Salaries and wages	582,534	583,534	574,702	(8,832)
Payroll taxes	45,475	42,000	43,259	1,259
Health insurance	210,922	201,351	166,135	(35,216)
Retirement	37,475	37,475	36,952	(523)
Training	7,500	7,500	4,175	(3,325)
Volunteers	8,700	16,200	4,080	(12,120)
Utilities	28,300	28,300	18,310	(9,990)
Telephone	12,700	6,700	10,441	3,741
Gasoline	14,000	14,000	7,647	(6,353)
Repairs and maintenance	13,724	13,802	25,683	11,881
Operating supplies	8,000	8,000	7,329	(671)
Office supplies	5,000	5,000	2,374	(2,626)
Safety supplies and incentives	10,138	11,500	6,263	(5,237)
Equipment	15,000	15,000	14,515	(485)
Uniforms	7,138	8,500	3,570	(4,931)
Travel	2,000	2,000	736	(1,264)
Miscellaneous	2,800	6,500	1,781	(4,719)
	<u>1,011,406</u>	<u>1,007,362</u>	<u>927,953</u>	<u>(79,409)</u>
Public works:				
Salaries and wages	404,787	404,787	391,649	(13,138)
Payroll taxes	29,690	29,690	28,948	(742)
Health insurance	110,425	110,425	108,572	(1,853)
Retirement	23,005	23,005	22,689	(316)
Utilities	8,900	8,900	8,688	(212)

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2016

	Budget		Actual	Variance Over (Under)
	Original	Final		
Public works (continued):				
Telephone	4,000	4,000	3,747	(253)
Repairs and maintenance	7,600	7,600	7,847	247
Gasoline	14,104	14,104	14,087	(17)
Operating supplies	52,720	52,720	53,334	614
Uniforms	5,000	5,000	4,764	(236)
Traffic lights	8,750	8,750	8,718	(32)
Signs	1,000	1,000	325	(675)
Sidewalks	12,500	12,500	12,319	(181)
Street paving	85,930	89,744	69,715	(20,029)
Storm drains	27,500	27,500	14,734	(12,766)
Brush removal	3,084	3,084	3,000	(84)
Snow removal and salt	13,600	13,600	13,523	(77)
	<u>812,595</u>	<u>816,409</u>	<u>766,658</u>	<u>(49,751)</u>
Building and codes:				
Salaries and wages	1,750	1,750	1,741	(9)
Payroll taxes	130	130	130	(0)
Retirement	115	115	114	(1)
Operating supplies	100	1,005	631	(374)
	<u>2,095</u>	<u>3,000</u>	<u>2,616</u>	<u>(384)</u>
State street aid:				
Utilities	161,000	158,000	157,681	(319)
Waste disposal	322,098	322,098	287,276	(34,822)

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Animal control:				
Salaries and wages	14,085	15,110	15,168	58
Payroll taxes	1,062	1,150	1,143	(7)
Retirement	935	992	991	(1)
Vet services	3,300	3,428	1,780	(1,648)
Operating supplies	500	500	365	(135)
Gasoline	500	520	511	(9)
	<u>20,382</u>	<u>21,700</u>	<u>19,958</u>	<u>(1,742)</u>
Swimming pool:				
Salaries and wages	25,000	25,000	18,023	(6,977)
Payroll taxes	1,865	1,865	1,379	(486)
Utilities	2,000	2,000	2,280	280
Repairs and maintenance	5,000	5,000	2,846	(2,154)
Operating supplies	5,500	5,500	2,373	(3,127)
	<u>39,365</u>	<u>39,365</u>	<u>26,901</u>	<u>(12,464)</u>
Parks and recreation:				
Salaries and wages	290,489	280,489	268,308	(12,181)
Payroll taxes	21,300	21,300	19,850	(1,450)
Health insurance	78,550	78,550	64,811	(13,739)
Retirement	16,500	16,500	15,834	(666)
Utilities	64,000	64,000	57,431	(6,569)
Telephone	6,000	6,000	5,492	(508)
Repairs and maintenance	77,000	77,000	85,099	8,099
Gasoline	10,500	10,500	5,739	(4,761)
Operating supplies	15,150	15,150	12,840	(2,310)
Office supplies	5,000	5,000	5,899	899
Uniforms	3,000	3,000	2,126	(874)
Special events	9,300	9,300	42,017	32,717

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Parks and recreation (continued):				
Travel	2,000	2,000	1,413	(587)
Training	2,500	2,500	674	(1,826)
	<u>601,289</u>	<u>591,289</u>	<u>587,533</u>	<u>(3,756)</u>
Library:				
Salaries and wages	130,065	130,065	129,564	(501)
Payroll taxes	9,800	9,800	9,817	17
Health insurance	19,189	19,189	18,596	(593)
Retirement	7,000	7,000	6,069	(931)
Utilities	12,400	12,400	10,188	(2,212)
Telephone	1,200	1,200	830	(370)
Repairs and maintenance	2,000	2,000	15,873	13,873
Books	12,400	12,400	17,398	4,998
Subscriptions	800	800	681	(119)
Office supplies	3,900	3,900	3,325	(575)
Cleaning	4,190	4,190	3,766	(424)
Small equipment	2,200	2,200	8,939	6,739
Program supplies	3,150	3,150	2,230	(920)
	<u>208,294</u>	<u>208,294</u>	<u>227,275</u>	<u>18,981</u>
Capital outlay:				
Police department	124,000	124,000	122,954	(1,046)
Fire department	0	0	36,530	36,530
Public works	108,755	108,755	108,755	0
Parks and recreation	596,000	552,836	527,022	(25,814)
	<u>828,755</u>	<u>785,591</u>	<u>795,261</u>	<u>9,670</u>

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2016

	Budget		Actual	Variance Over (Under)
	Original	Final		
Debt service:				
Principal	288,893	288,893	288,894	1
Interest	63,965	63,965	41,268	(22,697)
	<u>352,858</u>	<u>352,858</u>	<u>330,162</u>	<u>(22,697)</u>
TOTAL EXPENDITURES	<u>6,441,784</u>	<u>6,360,540</u>	<u>6,191,809</u>	<u>(168,731)</u>
(DEFICIENCY)EXCESS OF REVENUE OVER EXPENDITURES	(482,755)	(392,556)	356,994	749,550
OTHER FINANCING SOURCES				
Note proceeds	<u>482,755</u>	<u>482,755</u>	<u>645,502</u>	<u>162,747</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	0	90,199	1,002,496	912,297
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>1,220,085</u>	<u>1,220,085</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 90,199</u>	<u>\$ 2,222,581</u>	<u>\$ 2,132,382</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
DRUG ENFORCEMENT FUND**

Year Ended June 30, 2016

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Drug related fines	\$ 15,800	\$ 15,800	\$ 17,710	\$ 1,910
Equitable sharing program	0	19,700	19,712	12
Interest	200	200	0	(200)
TOTAL REVENUE	16,000	35,700	37,422	1,722
EXPENDITURES				
Education	1,000	1,000	0	(1,000)
Accounting services	1,000	1,000	0	(1,000)
Contractual services	2,000	2,000	0	(2,000)
Operating supplies	8,000	8,000	24,835	16,835
Uniforms	2,000	2,000	0	(2,000)
Capital outlay	6,500	26,200	6,600	(19,600)
TOTAL EXPENDITURES	20,500	40,200	31,435	(8,765)
(DEFICIENCY)EXCESS OF REVENUE OVER EXPENDITURES	(4,500)	(4,500)	5,986	10,486
FUND BALANCE AT THE BEGINNING OF THE YEAR	4,500	4,500	9,709	5,209
FUND BALANCE AT THE END OF THE YEAR	\$ 0	\$ 0	\$ 15,695	\$ 15,695

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

STATEMENT OF NET POSITION
WATER AND SEWER FUND

June 30, 2016

CURRENT ASSETS

Cash		\$ 1,458,229
Accounts receivable, net of allowance for uncollectible accounts of \$200,000		752,755
Due from other funds		36,675
Grant receivable		14,958
Materials and supplies		<u>130,524</u>
		2,393,142

RESTRICTED ASSETS

Bond sinking and reserve fund	\$ 938,115	
Construction projects	<u>1,291,120</u>	2,229,235

CAPITAL ASSETS

Land	270,618	
Vehicles	508,024	
Machinery and equipment	555,851	
Utility plant	26,421,898	
Construction in process	<u>812,423</u>	
	28,568,814	
Accumulated depreciation	<u>(8,510,714)</u>	20,058,099

OTHER ASSET

Net pension asset		95,322
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension		<u>81,659</u>
--------------------------------------	--	---------------

\$ 24,857,457

See the accompanying notes to the financial statements.

CURRENT LIABILITIES

Accounts payable	\$	124,578	
Accrued employee benefits		<u>44,137</u>	
			168,715

**CURRENT LIABILITIES PAYABLE
FROM RESTRICTED ASSETS**

Current maturities of long-term debt			<u>507,186</u>
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675,901

LONG-TERM DEBT, net of current portion

Bonds payable			9,046,105
---------------	--	--	-----------

LONG-TERM COMPENSATED ABSENCES

59,546

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension	\$	56,767	
Unearned contribution		<u>102,820</u>	159,587

NET POSITION

Net investment in capital assets		10,504,808	
Restricted:			
Construction projects		1,291,120	
Debt retirement		938,115	
Pension		95,322	
Unrestricted		<u>2,086,952</u>	<u>14,916,317</u>

\$ 24,857,457

CITY OF KINGSTON, TENNESSEE

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

Year Ended June 30, 2016

OPERATING REVENUE

Charges for services	\$ 3,353,857
Other operating revenue	<u>8,693</u>

TOTAL OPERATING REVENUE 3,362,551

OPERATING EXPENSES

Water purification:

Salaries	\$ 183,842	
Payroll taxes	13,590	
Hospital and health insurance	51,804	
Retirement	697	
Education	1,691	
Legal ads and notices	24	
Utilities	88,696	
Repairs and maintenance	57,445	
Chemicals	83,810	
Operating supplies	7,673	
Travel	504	
Clothing and uniforms	4,706	
Safety incentive and supplies	<u>1,299</u>	495,781

Water transmission and collection:

Salaries	289,719	
Payroll taxes	22,066	
Hospital and health insurance	95,003	
Retirement	1,198	
Education	2,772	
Repairs and maintenance	309,212	
Utilities	6,408	
Operating supplies	16,986	
Clothing and uniforms	3,290	
Safety incentive and supplies	<u>887</u>	747,541

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2016

Sewer treatment and disposal:

Salaries	46,319	
Payroll taxes	3,491	
Hospital and health insurance	7,262	
Retirement	191	
Travel	643	
Operating supplies	<u>1,500</u>	59,406

Sewer rehabilitation:

Salaries	165,073	
Payroll taxes	12,145	
Hospital and health insurance	35,989	
Retirement	681	
Education	2,275	
Utilities	109,599	
Repairs and maintenance	4,026	
Chemicals	54,607	
Operating supplies	13,667	
Garbage disposal	37,739	
Travel	1,912	
Clothing and uniforms	<u>1,212</u>	438,926

General and administration:

Contract operations	439,818	
Salaries	27,174	
Payroll taxes	3,673	
Hospital and health insurance	6,147	
Retirement	131	
Property and liability insurance	71,231	
Workers' compensation	50,095	
Utilities	23,112	

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2016

General and administration (continued):		
Professional services	41,368	
TML dues	<u>12,648</u>	675,398
Depreciation		<u>637,210</u>
	TOTAL OPERATING EXPENSES	<u>3,054,263</u>
	INCOME FROM OPERATIONS	308,288
NONOPERATING REVENUE(EXPENSE)		
Interest income	8,210	
Interest expense	<u>(158,822)</u>	<u>(150,611)</u>
	INCOME BEFORE CAPITAL CONTRIBUTIONS	157,677
Capital contributions		<u>153,065</u>
	CHANGE IN NET POSITION	310,741
NET POSITION AT THE BEGINNING OF THE YEAR		<u>14,605,576</u>
	NET POSITION AT THE END OF THE YEAR	<u><u>\$14,916,317</u></u>

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND

Year Ended June 30, 2016

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

Cash received from customers	\$ 3,353,857
Cash paid to suppliers	(1,776,767)
Cash paid to employees	<u>(700,974)</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

876,116

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

Acquisition of capital assets	\$ (368,335)
Capital contribution	413,869
Principal payments on long-term debt	(484,336)
Interest paid on debt	<u>(158,822)</u>

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

(597,624)

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

Interest received	<u>8,210</u>
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NET INCREASE IN CASH

286,703

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

3,400,761

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

\$ 3,687,464

CITY OF KINGSTON, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND

(continued)

Year Ended June 30, 2016

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

Income from operations		\$	308,288
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation	\$	637,210	
Deferred retirement contributions		(45,370)	
Pension expense		2,898	
(Increase) in:			
Accounts receivable		(84,022)	
Due from other funds		(36,675)	
Materials and supplies		(30,017)	
Increase in:			
Accounts payable		112,651	
Accrued salaries		3,654	
Long-term compensated absences		7,499	
			<u>567,828</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES			<u>\$ 876,116</u>

See the accompanying notes to the financial statements.

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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, 2016 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, 2016

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, 2016

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, 2016.

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, 2016

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, 2016 has been calculated as follows:

Governmental activities:	
Capital assets	\$ 15,861,295
Accumulated depreciation	(5,872,595)
Principal balance on long-term debt	<u>(3,761,831)</u>
	<u>\$ 6,226,869</u>
Business-Type activities:	
Capital assets	\$ 28,568,813
Accumulated depreciation	(8,510,714)
Principal balance on long-term debt	<u>(9,553,291)</u>
	<u>\$ 10,504,808</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

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, 2016

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, 2016

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, 2016 were as follows:

Governmental funds	\$ 20,000
Proprietary fund	<u>200,000</u>
	<u>\$ 220,000</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

Pensions

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 plans.

NOTE C - CASH AND INVESTMENTS

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2016 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>1,848,183</u>	<u>3,686,976</u>	<u>5,535,159</u>
Totals	<u>\$ 1,848,693</u>	<u>\$ 3,687,464</u>	<u>\$ 5,536,157</u>
Unrestricted assets	\$ 1,848,693	\$ 1,458,229	\$ 3,306,923
Restricted assets	<u>0</u>	<u>2,229,235</u>	<u>2,229,235</u>
Totals	<u>\$ 1,848,693</u>	<u>\$ 3,687,464</u>	<u>\$ 5,536,157</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

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, 2016 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, 2016

NOTE E - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>7/1/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/16</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 802,084	\$ 0	\$ 0	\$ 802,084
Construction in process	<u>46,140</u>	<u>527,022</u>	<u>0</u>	<u>573,162</u>
	848,224	527,022	0	1,375,246
<u>Capital assets being depreciated</u>				
Land improvements	2,734,743	0	0	2,734,743
Buildings and improvements	6,507,885	0	0	6,507,885
Other improvements	2,059,955	0	0	2,059,955
Vehicles	2,324,017	129,554	0	2,453,570
Machinery and equipment	<u>584,610</u>	<u>145,285</u>	<u>0</u>	<u>729,896</u>
	14,211,208	274,839	0	14,486,048
<u>Accumulated depreciation</u>				
Land improvements	(124,852)	(72,477)	0	(197,328)
Buildings and improvements	(2,702,037)	(194,067)	0	(2,896,105)
Other improvements	(368,881)	(51,774)	0	(420,656)
Vehicles	(1,721,246)	(144,540)	0	(1,865,786)
Machinery and equipment	<u>(465,143)</u>	<u>(27,577)</u>	<u>0</u>	<u>(492,720)</u>
	<u>(5,382,159)</u>	<u>(490,436)</u>	<u>0</u>	<u>(5,872,595)</u>
	<u>\$ 9,677,275</u>	<u>\$ 311,425</u>	<u>\$ 0</u>	<u>\$ 9,988,700</u>

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

General government	\$ 337,909
Public safety	38,012
Public welfare	77,239
Public works	<u>37,276</u>
	<u>\$ 490,436</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

	<u>Balance</u> <u>7/1/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/16</u>
Business-Type Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 270,618	\$ 0	\$ 0	\$ 270,618
Construction in process	<u>688,489</u>	<u>123,934</u>	<u>0</u>	<u>812,423</u>
	959,108	123,934	0	1,083,041
<u>Capital assets being depreciated</u>				
Buildings and improvements	37,650	5,202	0	42,852
Vehicles	469,346	38,678	0	508,024
Machinery and equipment	431,506	124,345	0	555,851
Utility plant	<u>26,323,795</u>	<u>55,251</u>	<u>0</u>	<u>26,379,046</u>
	27,262,297	223,476	0	27,485,772
<u>Accumulated depreciation</u>				
Buildings and improvements	(21,893)	(1,132)	0	(23,025)
Vehicles	(409,948)	(32,401)	0	(442,350)
Machinery and equipment	(289,539)	(31,985)	0	(321,524)
Utility plant	<u>(7,152,124)</u>	<u>(571,691)</u>	<u>0</u>	<u>(7,723,815)</u>
	<u>(7,873,504)</u>	<u>(637,210)</u>	<u>0</u>	<u>(8,510,714)</u>
	<u>\$ 20,347,899</u>	<u>\$ (289,800)</u>	<u>\$ 0</u>	<u>\$ 20,058,099</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

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, 2016

Employees Covered by Benefit Terms

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	43
Active employees	<u>58</u>
	<u>110</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, 2016, employer contributions for the City were \$185,231 based on a rate of 6.56% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability(Asset)

The City's net pension liability(asset) was measured as of June 30, 2015, 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, 2015 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, 2016

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%	1%
		<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, 2016

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)
	<u> </u>	<u> </u>	<u> </u>
Changes for the year ended June 30, 2015:			
Increase(decrease):			
Service cost	\$ 206,306		\$ 206,306
Interest	283,226		283,226
Differences between expected and actual experience	116		116
Contributions - employer		\$ 178,814	(178,814)
Contributions - employees		136,274	(136,274)
Net investment income		128,289	(128,289)
Benefit payments, including refunds of employee contributions	(79,589)	(79,589)	0
Administrative expense	<u>0</u>	<u>(3,238)</u>	<u>3,238</u>
Net changes for the year ended June 30, 2015	410,059	360,550	49,509
Balance at June 30, 2014	<u>3,609,840</u>	<u>4,062,030</u>	<u>(452,190)</u>
Balance at June 30, 2015	<u>\$ 4,019,899</u>	<u>\$ 4,422,580</u>	<u>\$ (402,681)</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

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)	\$ 203,127	\$ (402,681)	\$ (899,206)

Pension Expense

For the year ended June 30, 2016, the City recognized pension expense of \$11,834.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 103	\$ 49,042
Net difference between projected and actual earnings on pension plan investments	148,058	186,592
Contributions subsequent to the measurement date of June 30, 2015	<u>185,231</u>	<u>not applicable</u>
Totals	<u>\$ 333,392</u>	<u>\$ 235,634</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2015,” 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, 2016

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>	
2017	\$ (31,300)
2018	(31,300)
2019	(31,300)
2020	30,898
2021	(6,117)
Thereafter	(18,351)

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, 2016

NOTE G - LONG-TERM DEBT

Long-term debt at June 30, 2016 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 \$55,000 in 2017 to \$71,000 in 2024, interest rate is 1.07% at 6/30/15	\$ 488,000
\$1,000,000 loan from Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, Series 2008, payable in annual installments ranging from \$62,000 in 2017 to \$92,000 in 2025, interest rate is 1.07% at 6/30/15	685,000
\$2,000,000 loan from Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, Series 2012, payable in annual installments ranging from \$56,000 in 2017 to \$63,444 in 2037, interest rate is 1.07% at 6/30/15	1,736,445
Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2013, payable in annual installments ranging from \$53,000 in 2017 to \$56,000 in 2019, interest rate is 2.29% at 6/30/16	164,000
Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2016, payable in annual installments ranging from \$20,175 in 2017 to \$22,900 in 2021, interest rate is 2.15% at 6/30/16	108,775
Line of credit with a bank, interest at 2.90% due monthly, principal due August 2016, total borrowing limit \$300,000	205,612
Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2015, payable in annual installments ranging from \$29,800 in 2017 to \$32,200 in 2020, interest rate is 2.45% at 6/30/16	124,000

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

Governmental Activities (continued):

Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2016, payable in annual installments ranging from \$22,000 in 2017 to \$28,000 in 2026, interest rate is 2.87% at 6/30/16	<u>250,000</u>
	3,761,831
Less current maturities	<u>(503,587)</u>
	<u>\$ 3,258,244</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 6/30/16	\$ 3,349,000
Tennessee Municipal Bond Fund, Series 2004, Waterworks Revenue Bond, payments due monthly and in varying amounts until May 2023, interest at 1.07% at 6/30/16	1,447,000
Tennessee Municipal Bond Fund, Series 2008, Waterworks Revenue Bond, payments due monthly and in varying amounts until May 2029, interest at 1.07% at 6/30/16	1,432,000
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	1,223,148
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	771,154
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	870,913

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

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	460,076
	<u>9,553,291</u>
Less current maturities	<u>(507,186)</u>
	<u>\$ 9,046,105</u>

Maturities of long-term debt as of June 30, 2016 are as follows:

Governmental Activities:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 503,587	\$ 32,586	\$ 536,173
2018	310,000	23,822	333,822
2019	320,300	20,021	340,321
2020	273,600	16,137	289,737
2021	250,900	13,450	264,350
2022	235,000	11,483	246,483
2023	244,000	9,983	253,983
2024	259,000	8,423	267,423
2025	196,000	6,783	202,783
2026	108,000	5,369	113,369
2027	83,000	4,246	87,246
2028	87,000	3,914	90,914
2029	90,000	3,566	93,566
2030	94,000	3,206	97,206
2031	97,000	2,830	99,830
2032	101,000	2,442	103,442
2033	105,000	2,038	107,038
2034	109,000	1,618	110,618
2035	114,000	1,182	115,182

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

Governmental Activities (continued):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2036	118,000	726	118,726
2037	<u>63,444</u>	<u>254</u>	<u>63,698</u>
	<u>\$ 3,761,831</u>	<u>\$ 174,077</u>	<u>\$ 3,935,908</u>

Business-Type Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 507,186	\$ 117,159	\$ 624,345
2018	529,784	113,698	643,482
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, 2016

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	122,064
2051	87,783	2,785	90,568
2052	34,745	1,367	36,112
2053	35,625	485	36,110
	<u>\$ 9,553,291</u>	<u>\$ 2,053,468</u>	<u>\$ 11,606,759</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

Changes in long-term debt for the year ended June 30, 2016 were as follows:

	<u>Balance</u> <u>7/1/15</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/16</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Tennessee Municipal Bond Fund, Series 2003	\$ 542,000	\$ 0	\$ 54,000	\$ 488,000	\$ 55,000
Tennessee Municipal Bond Fund, Series 2008	744,000	0	59,000	685,000	62,000
Tennessee Municipal Bond Fund, Series 2012	1,790,445	0	54,000	1,736,445	56,000
Tennessee Municipal Bond Fund, Series 2013	216,000	0	52,000	164,000	53,000
Municipal Asset Management	52,526	0	52,526	0	0
Ford Motor Credit	17,369	0	17,369	0	0
Citizens Bank - line of credit	42,885	162,727	0	205,612	205,612
Tennessee Municipal Bond Fund, Series 2016	0	250,000	0	250,000	22,000
Tennessee Municipal Bond Fund, Series 2016	0	108,775	0	108,775	20,175
Tennessee Municipal Bond Fund, Series 2015	<u>0</u>	<u>124,000</u>	<u>0</u>	<u>124,000</u>	<u>29,800</u>
	<u>\$ 3,405,225</u>	<u>\$ 645,502</u>	<u>\$ 288,894</u>	<u>\$ 3,761,831</u>	<u>\$ 503,587</u>

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

	<u>Balance</u> <u>7/1/15</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/16</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Business-Type Activities:</u>					
Tennessee Municipal Bond Fund, Series 1999	\$ 3,638,000	\$ 0	\$ 289,000	\$ 3,349,000	\$ 304,000
Tennessee Municipal Bond Fund, Series 2004	1,510,000	0	63,000	1,447,000	65,000
Tennessee Municipal Bond Fund, Series 2008	1,509,000	0	77,000	1,432,000	81,000
Rural Development Series 2010	1,244,864	0	21,716	1,223,148	22,397
Rural Development Series 2010A	782,501	0	11,347	771,154	11,860
Rural Development Series 2010B	885,000	0	14,087	870,913	14,504
Rural Development Series 2010C	<u>468,262</u>	<u>0</u>	<u>8,186</u>	<u>460,076</u>	<u>8,425</u>
	<u>\$ 10,037,627</u>	<u>\$ 0</u>	<u>\$ 484,336</u>	<u>\$ 9,553,291</u>	<u>\$ 507,186</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, 2016 were \$41,268 for governmental activities and \$158,822 for business-type activities, all of which was expensed.

NOTE H - COMMITMENTS AND CONTINGENCIES

During the year ended June 30, 2016, the City entered into contracts totaling \$388,135 for water and sewer construction projects. Total expenditures as of June 30, 2016 were \$370,717.

CITY OF KINGSTON, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

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, 2016 the City held the following funds restricted for this purpose:

Beginning restricted balance	\$ 32,531
Solid waste collection fees	324,979
Solid waste expenditures	<u>(287,276)</u>
	<u>\$ 70,234</u>

NOTE J - 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, 2016 the City held the following funds restricted for this purpose:

Gasoline tax proceeds	\$ 162,630
Street repairs and maintenance expenditures	<u>(157,681)</u>
	<u>\$ 4,949</u>

NOTE K - INTERFUND BALANCES

Amounts due from and due to other funds at June 30, 2016, resulting from short-term advances for shared costs, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
General fund	Water and sewer fund	\$ 36,675

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KINGSTON, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

June 30, 2016

	Measurement Date at <u>June 30, 2015</u>	Measurement Date at <u>June 30, 2014</u>
<u>Total pension liability</u>		
Service cost	\$ 206,306	\$ 194,838
Interest	283,226	260,177
Changes in benefit terms	-	-
Differences between actual and expected experience	116	(61,302)
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(79,589)	(116,127)
Net change in total pension liability	<u>410,059</u>	<u>277,586</u>
Total pension liability - beginning	<u>3,609,840</u>	<u>3,332,254</u>
Total pension liability - ending (a)	4,019,899	3,609,840
 <u>Plan fiduciary net position</u>		
Contributions - employer	178,814	174,516
Contributions - employee	136,274	128,510
Net investment income	128,289	566,249
Benefit payments, including refunds of employee contributions	(79,589)	(116,127)
Administrative expense	(3,238)	(2,302)
Net change in plan fiduciary net position	<u>360,550</u>	<u>750,846</u>
Plan fiduciary net position - beginning	<u>4,062,030</u>	<u>3,311,184</u>
Plan fiduciary net position - ending (b)	<u>4,422,580</u>	<u>4,062,030</u>
 Net pension liability(asset) - ending (a) - (b)	 <u>\$ (402,681)</u>	 <u>\$ (452,190)</u>
 Plan fiduciary net position as a percentage of total net pension liability	 110.02%	 112.53%
 Covered employee payroll	 \$ 2,725,468	 \$ 2,570,198
 Net pension liability(asset) as a percentage of covered employee payroll	 14.77%	 17.59%

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

See the accompanying independent accountants' audit report.

CITY OF KINGSTON, TENNESSEE

PENSION CONTRIBUTIONS

June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 185,231	\$ 178,814	\$ 174,516
Contributions in relation to the actuarially determined contribution	<u>(185,231)</u>	<u>(178,814)</u>	<u>(174,516)</u>
Contribution deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 2,823,641	\$ 2,725,468	\$ 2,570,198
Contributions as a percentage of covered employee payroll	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, 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	3 years
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	3.00%
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, 2016

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2015</u>
2016	\$1.4500	\$ 146,545,253	\$ 2,117,244	\$ 0
2015	1.4500	146,959,367	2,123,227	2,123,227
2014	1.1734	151,044,293	1,772,332	104,698
2013	1.1734	149,685,658	1,756,395	53,684
2012	1.1734	147,885,063	1,529,178	26,313
2011	1.0340	148,659,217	1,610,641	27,042
2010	1.0834	118,403,591	1,598,448	10,669
2009	1.3500	116,989,857	1,579,363	5,700
2008	1.3500	112,829,652	1,523,200	6,991
2007	1.3000	110,880,276	1,441,443	7,168
2006	1.3000	106,242,267	1,381,149	3,625
2005	1.2700	84,138,163	1,068,554	<u>3,085</u>
				<u>\$ 2,372,202</u>

Property taxes unpaid for 2005 through 2014 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, 2016</u>
\$ 2,117,244	\$ 0	\$ 0	\$ 2,117,244
0	(38,370)	2,004,679	80,178
0	(15,205)	28,522	60,971
0	(2,997)	2,409	48,278
0	(2,665)	3,261	20,387
0	0	2,561	24,481
0	0	775	9,894
0	0	611	5,089
0	0	573	6,418
0	0	788	6,380
0	0	252	3,373
<u>0</u>	<u>(3,085)</u>	<u>0</u>	<u>0</u>
<u>\$ 2,117,244</u>	<u>\$ (62,322)</u>	<u>\$ 2,044,431</u>	<u>\$ 2,382,693</u>

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2016

	<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,			
2017	\$ 55,000	\$ 1,757	\$ 56,757
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>\$ 488,000</u>	<u>\$ 8,209</u>	<u>\$ 496,208</u>
Tennessee Municipal Bond Fund			
Variable Rate Pooled Loan Program,			
Series 2008			
Year ending June 30,			
2017	\$ 62,000	\$ 2,466	\$ 64,466
2018	65,000	2,243	67,243
2019	69,000	2,009	71,009
2020	72,000	1,760	73,760
2021	76,000	1,501	77,501
2022	79,000	1,228	80,228

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond Fund			
Variable Rate Pooled Loan Program,			
Series 2008 (continued)			
Year ending June 30,			
2023	83,000	943	83,943
2024	87,000	644	87,644
2025	92,000	331	92,331
	<u>\$ 685,000</u>	<u>\$ 13,125</u>	<u>\$ 698,125</u>
Tennessee Municipal Bond Fund			
Variable Rate Pooled Loan Program,			
Series 2012			
Year ending June 30,			
2017	\$ 56,000	\$ 6,946	\$ 62,946
2018	59,000	6,722	65,722
2019	61,000	6,486	67,486
2020	63,000	6,242	69,242
2021	66,000	5,990	71,990
2022	68,000	5,726	73,726
2023	71,000	5,454	76,454
2024	74,000	5,170	79,170
2025	77,000	4,874	81,874
2026	80,000	4,566	84,566
2027	83,000	4,246	87,246
2028	87,000	3,914	90,914
2029	90,000	3,566	93,566
2030	94,000	3,206	97,206

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond Fund			
Variable Rate Pooled Loan Program,			
Series 2012 (continued)			
Year ending June 30,			
2031	97,000	2,830	99,830
2032	101,000	2,442	103,442
2033	105,000	2,038	107,038
2034	109,000	1,618	110,618
2035	114,000	1,182	115,182
2036	118,000	726	118,726
2037	63,444	254	63,698
	<u>\$ 1,736,445</u>	<u>\$ 84,194</u>	<u>\$ 1,820,638</u>
Tennessee Municipal Bond Fund			
General Obligation Capital Outlay			
Note, Series 2013			
Year ending June 30,			
2017	\$ 53,000	\$ 3,756	\$ 56,756
2018	55,000	2,542	57,542
2019	56,000	1,282	57,282
	<u>\$ 164,000</u>	<u>\$ 7,580</u>	<u>\$ 171,580</u>
Line of Credit - Citizens National Bank			
Year ending June 30,			
2017	<u>\$ 205,612</u>	<u>\$ 5,963</u>	<u>\$ 211,575</u>

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond Fund			
General Obligation Capital Outlay			
Note, Series 2016			
Year ending June 30,			
2017	\$ 22,000	\$ 6,856	\$ 28,856
2018	23,000	6,544	29,544
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	1,579	28,579
2026	<u>28,000</u>	<u>804</u>	<u>28,804</u>
	<u>\$ 250,000</u>	<u>\$ 40,695</u>	<u>\$ 290,695</u>
Tennessee Municipal Bond Fund			
General Obligation Capital Outlay			
Note, Series 2016			
Year ending June 30,			
2017	\$ 20,175	\$ 2,170	\$ 22,345
2018	21,400	1,905	23,305
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>\$ 108,775</u>	<u>\$ 6,986</u>	<u>\$ 115,761</u>

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond Fund General Obligation Capital Outlay Note, Series 2015			
Year ending June 30,			
2017	\$ 29,800	\$ 2,673	\$ 32,473
2018	30,600	2,308	32,908
2019	31,400	1,558	32,958
2020	<u>32,200</u>	<u>789</u>	<u>32,989</u>
	<u>\$ 124,000</u>	<u>\$ 7,328</u>	<u>\$ 131,328</u>

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Business-Type Activities:</u>			
Tennessee Municipal Bond Fund			
Series 1999			
Year ending June 30,			
2017	\$ 304,000	\$ 14,736	\$ 318,736
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	<u>449,000</u>	<u>1,976</u>	<u>450,976</u>
	<u>\$ 3,349,000</u>	<u>\$ 78,451</u>	<u>\$ 3,427,451</u>
Tennessee Municipal Bond Fund			
Series 2004			
Year ending June 30,			
2017	\$ 65,000	\$ 5,209	\$ 70,209
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

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond Fund Series 2004 (continued)			
2025	84,000	3,100	87,100
2026	87,000	2,797	89,797
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	767	105,767
2033	108,000	389	108,389
	<u>\$ 1,447,000</u>	<u>\$ 50,800</u>	<u>\$ 1,497,800</u>

Tennessee Municipal Bond Fund
Series 2008

Year ending June 30,

2017	\$ 81,000	\$ 5,155	\$ 86,155
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

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond Fund Series 2008 (continued)			
2028	138,000	1,019	139,019
2029	<u>145,000</u>	<u>522</u>	<u>145,522</u>
	<u>\$ 1,432,000</u>	<u>\$ 39,575</u>	<u>\$ 1,471,575</u>
Rural Development Bond Series 2010			
Year ending June 30,			
2017	\$ 22,397	\$ 30,323	\$ 52,720
2018	22,963	29,757	52,720
2019	23,544	29,176	52,720
2020	24,061	28,659	52,720
2021	24,747	27,973	52,720
2022	25,373	27,347	52,720
2023	26,015	26,705	52,720
2024	26,601	26,119	52,720
2025	27,345	25,375	52,720
2026	28,037	24,683	52,720
2027	28,746	23,974	52,720
2028	29,409	23,311	52,720
2029	30,217	22,503	52,720
2030	30,981	21,739	52,720
2031	31,764	20,956	52,720
2032	32,512	20,208	52,720
2033	33,390	19,330	52,720
2034	34,234	18,486	52,720

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Bond Series 2010 (continued)			
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
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>\$ 1,223,148</u>	<u>\$ 608,913</u>	<u>\$ 1,832,061</u>

Rural Development Bond
Series 2010A

Year ending June 30,

2017	\$ 11,860	\$ 28,722	\$ 40,582
2018	12,313	28,269	40,582
2019	12,783	27,799	40,582

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Bond Series 2010A (continued)			
Year ending June 30,			
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
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

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Bond Series 2010A (continued)			
Year ending June 30,			
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>\$ 771,154</u>	<u>\$ 581,463</u>	<u>\$ 1,352,617</u>
Rural Development Bond Series 2010C			
Year ending June 30,			
2017	\$ 8,425	\$ 11,406	\$ 19,831
2018	8,638	11,193	19,831
2019	8,856	10,975	19,831
2020	9,051	10,780	19,831
2021	9,309	10,522	19,831
2022	9,544	10,287	19,831
2023	9,786	10,045	19,831
2024	10,006	9,825	19,831
2025	10,286	9,545	19,831
2026	10,546	9,285	19,831
2027	10,813	9,018	19,831
2028	11,063	8,768	19,831
2029	11,366	8,465	19,831

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Bond Series 2010C (continued)			
Year ending June 30,			
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
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>\$ 460,076</u>	<u>\$ 229,047</u>	<u>\$ 689,123</u>

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Bond Series 2010B			
Year ending June 30,			
2017	\$ 14,504	\$ 21,608	\$ 36,112
2018	14,870	21,241	36,111
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	17,498	36,112
2028	19,039	17,073	36,112
2029	19,567	16,545	36,112
2030	20,062	16,050	36,112
2031	20,570	15,542	36,112
2032	21,049	15,063	36,112
2033	21,622	14,490	36,112
2034	22,169	13,943	36,112
2035	22,729	13,383	36,112
2036	23,269	12,843	36,112
2037	23,893	12,219	36,112
2038	24,497	11,615	36,112
2039	25,116	10,996	36,112
2040	25,723	10,389	36,112
2041	26,402	9,710	36,112
2042	27,070	9,042	36,112

CITY OF KINGSTON, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Rural Development Bond Series 2010B (continued)			
Year ending June 30,			
2043	27,754	8,358	36,112
2044	28,435	7,677	36,112
2045	29,175	6,937	36,112
2046	29,913	6,199	36,112
2047	30,669	5,443	36,112
2048	31,433	4,679	36,112
2049	32,240	3,872	36,112
2050	33,055	3,057	36,112
2051	33,891	2,221	36,112
2052	34,745	1,367	36,112
2053	<u>35,627</u>	<u>475</u>	<u>36,102</u>
	<u>\$ 870,913</u>	<u>\$ 465,219</u>	<u>\$ 1,336,132</u>

See the accompanying independent accountants' audit report.

CITY OF KINGSTON, TENNESSEE

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

Year Ended June 30, 2016

<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	Grant 48-073-2119	\$ 90,171
U.S. Department of Transportation/ Tennessee Department of Transportation	20.205	STP-EN/HPP - 7300(17)	367,084
U.S. Department of Housing and Urban Development/Tennessee Department of Economic and Community Development	14.228	45442	51,633
U.S. Department of Housing and Urban Development/Tennessee Housing Development Agency	14.239	N/A	5,000
U.S. Department of Homeland Security - Federal Emergency Management Agency/ Tennessee Emergency Management Agency	97.036	FEMA-4211-DR- TN-145-U4N71-00	11,261
U.S. Department of Homeland Security - Federal Emergency Management Agency/ Tennessee Emergency Management Agency	97.036	FEMA-4189-DR- TN-145-39620-00	<u>11,455</u>
Total Federal Awards			536,604

CITY OF KINGSTON, TENNESSEE

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

(continued)

Year Ended June 30, 2016

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>State Financial Assistance</u>			
TN Housing Development Agency	N/A	RR-13-006	50,426
U.S. Department of Homeland Security - Federal Emergency Management Agency/ Tennessee Emergency Management Agency	N/A	FEMA-4189-DR- TN-145-39620-00	1,416
TN Department of Environment and Conservation	N/A	N/A	<u>49,750</u>
Total State Financial Assistance			<u>101,592</u>
Total Federal Awards and State Financial Assistance			<u>\$ 638,196</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, 2016. The schedule is presented using the modified accrual basis of accounting.

See the accompanying independent accountants' audit report.

CITY OF KINGSTON, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2016

WATER

Inside City limits:

First 1,000 gallons (minimum billing)	\$ 19.44
Over 1,000 gallons (per thousand)	6.54

Outside City limits:

First 1,000 gallons (minimum billing)	14.81
Over 1,000 gallons (per thousand)	13.07

East Roane

First 1,000 gallons (minimum billing)	1.88
Over 1,000 gallons	N/A

SEWER

Inside City limits:

First 1,000 gallons (minimum billing)	\$ 9.44
Over 1,000 gallons (per thousand)	8.87

Outside City limits:

First 1,000 gallons (minimum billing)	17.65
Over 1,000 gallons (per thousand)	14.12

Number of Metered Customers:

Water	3,745
Sewer	2,467

See the accompanying independent accountants' audit report.

AWWA Free Water Audit Software: Reporting Worksheet

W AS v6.0
American Water Works Association
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Click to add a comment

Water Audit Report for: City of Kingston Water Dept. (TN0000360)

Reporting Year: 2016 7/2015 - 6/2016

Master Meter and Supply Error Adjustments

Pcnt: Value:

MG/Yr

MG/Yr

MG/Yr

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

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 themouse 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 meters or exceeds all criteria for that grade and all grades below it.

<----- Enter grading in column 'E' and 'J' ----->

WATER SUPPLIED

Volume from own sources:	+	?	10	383.971	MG/Yr
Water imported:	+	?	n/a	0.000	MG/Yr
Water exported:	+	?	n/a	0.000	MG/Yr

WATER SUPPLIED: 380.169 MG/Yr

Pcnt: Value:

MG/Yr

MG/Yr

MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered:	+	?	10	265.462	MG/Yr
Billed unmetered:	+	?	n/a	0.000	MG/Yr
Unbilled metered:	+	?	10	0.286	MG/Yr
Unbilled unmetered:	+	?	?	4.752	MG/Yr

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

AUTHORIZED CONSUMPTION: 270.500 MG/Yr

Click here:

Pcnt: Value:

MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: Value:

MG/Yr

MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

109.669 MG/Yr

Apparent Losses

Unauthorized consumption:	+	?	?	0.950	MG/Yr
Customer metering inaccuracies:	+	?	10	0.000	MG/Yr
Systematic data handling errors:	+	?	?	0.664	MG/Yr

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

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

Apparent Losses: 1.614 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 108.055 MG/Yr

WATER LOSSES: 109.669 MG/Yr

Pcnt: Value:

MG/Yr

MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 114.707 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+	?	5	150.0	miles
Number of active AND inactive service connections:	+	?	8	4,094	
Service connection density:	?	?	?	27	conn./mile main

Are customer meters typically located at the curbstops or property line? (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line: ft

Average operating pressure: 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 <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

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

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

PRIORITY AREAS FOR ATTENTION:

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

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

See the accompanying independent accountants' audit report.



Water Audit Report for:
Reporting Year:

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

System Attributes:

Apparent Losses:	<input type="text" value="1.614"/>	MG/Yr
+ Real Losses:	<input type="text" value="108.055"/>	MG/Yr
= Water Losses:	<input type="text" value="109.669"/>	MG/Yr

Unavoidable Annual Real Losses (UARL): MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses:

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

Operational Efficiency: { Apparent Losses per service connection per day: gallons/connection/day
 Real Losses per service connection per day: gallons/connection/day
 Real Losses per length of main per day*: gallons/mile/day
 Real Losses per service connection per day per psi pressure: gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): million gallons/year

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

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

See the accompanying independent accountants' audit report.

CITY OF KINGSTON, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2016

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

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

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, 2016, 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 December 19, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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*.

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 signature is written in a cursive, flowing style.

December 19, 2016

CITY OF KINGSTON, TENNESSEE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

No findings were reported in the prior year.