



## CITY OF KINGSPORT, TENNESSEE

December 19, 2014

Ms. Sandra Thompson, Director  
Division of State and Local Finance  
James K. Polk Office Building - Suite 1600  
505 Deaderick Street  
Nashville, Tennessee 37243-1402

Re: *City of Kingsport Refunding Plan - 2015*

Dear Ms. Thompson:

For your review, consideration and action, we have prepared this refunding report entitled *City of Kingsport Refunding Plan* (the “Plan”). This *Plan* is being delivered to you to comply with applicable sections of Title 9, Chapter 21, *Tennessee Code Annotated* (the “Code”) pertaining to the proposed sale and issuance of approximately \$20,200,000\* General Obligation Refunding Bonds, Series 2015 (the “Bonds”) of the City of Kingsport, Tennessee (the “Municipality”). The Municipality is seeking a *Report of Review of the Plan* from your office consistent with the provisions of the aforementioned statute.

As our Financial Advisor, Raymond James & Associates has provided us assistance in the development and preparation of the *Plan* including the associated schedules and exhibits. Rick Dulaney is our representative from Raymond James and he is specifically authorized to discuss this transaction with your staff on our behalf. His contact information along with mine and all other initial participants is attached as Exhibit II for your convenience.

### *The Bonds*

Information relating to the Bonds as detailed herein and in the associated schedules is as follows:

#### **General Obligation Refunding Bonds, Series 2015**

|   |   |
|---|---|
| a. Maximum Size Authorized (Resolution Sizing):           | Approximately \$20,200,000*   |
| b. Anticipated Size:                                      | Approximately \$17,450,000* (assuming premium bonds)  |
| c. Anticipated Final Maturity; Weighted Average Maturity: | Final maturity date: March 1, 2028; The weight average maturity (“WAM”) is 9.328 years (page 4 of Exhibit 4). The Refunding Candidates (defined herein and described below) are being refinanced for savings, but their final maturities are not being extended and the structure will remain generally unchanged |
| d. Costs of Issuance:                                     | See Attached Detailed Schedule – Exhibit IV   |
| e. Sources and Uses of Funds:                             | See Attached Detailed Schedule – Exhibit IV   |

*Refunding Candidates*

The Refunding Candidates that are included in the *Plan* carry a blended average rate of approximately 4.35 percent and are as follows:

| <u>Data Required</u>                        | <u>Refunding Candidate Number 1</u>  | <u>Refunding Candidate Number 2</u>  |
|---|--|--|
| a. Type of Debt; Original Terms; Tax Status | \$2,000,000 General Obligation Capital Outlay Notes, Series 2007, dated May 25, 2007 (the "Notes") maturing on May 25, 2016 through May 25, 2019, inclusive, and which are continuously callable at par; Tax-Exempt. The WAM is 2.319 years (page 14 of Exhibit IV).   | \$19,360,000 General Obligation School and Public Improvement Bonds, Series 2007, dated June 8, 2007 (the "Series 2007 Bonds") maturing on February 1, 2020 through February 1, 2027, inclusive which are continuously callable on and after February 1, 2017 at par; Tax-Exempt. The WAM is 8.642 years (page 13 of Exhibit IV).  |
| b. Date of Issue (CT-O253 Attached):        | May 25, 2007   | June 8, 2007   |
| c. Date of Authorization by Governing Body  | April 3, 2007  | May 15, 2007   |
| d. Bank Qualified:                          | Yes  | No   |
| e. Projects Funded; Extension of Debt:      | The Notes were issued to finance the acquisition, development, equipping, renovation, improvement and construction of energy conservation projects for the Municipality's public buildings including City Hall, Justice Center, Civic Auditorium, Engineering Bld. and Renaissance Center and the payment of costs incident to the issuance and sale of the Notes. No extension of debt. | The Series 2007 Bonds were issued to finance public works projects, consisting of schools; fire department equipment and buildings; parks, planetarium and recreational facilities within the Municipality; street, road and bridge construction; preliminary costs of a higher education center; and the payment of costs incident to the sale and issuance of the Series 2007 Bonds; No extension of debt. |
| f. Derivative Products:                     | None   | None   |

| <u>Data Required</u>                        | <u>Refunding Candidate Number 3</u>  | <u>Refunding Candidate Number 4</u>   |
|---|--|---|
| a. Type of Debt; Original Terms; Tax Status | The \$7,480,000 General Obligation Bonds, Series 2008A Bonds, dated June 12, 2008 maturing on March 1, 2023 through March 1, 2028, inclusive (the "Series 2008A Bonds) and which are callable at par on and after March 1, 2018; Tax-Exempt. The WAM is 10.628 years (page 14 of Exhibit IV).  | The \$11,165,000 General Obligation Bonds, Series 2008B Bonds, dated June 12, 2008 maturing on March 1, 2023 through March 1, 2028, inclusive (the "Series 2008B Bonds) and which are callable at par on and after March 1, 2018; Tax-Exempt. The WAM is 10.628 years (page 15 of Exhibit IV).  |
| b. Date of Issue (CT-O253 Attached):        | June 12, 2008  | June 12, 2008   |
| c. Date of Authorization by Governing Body  | April 15, 2008   | April 15, 2008  |
| d. Bank Qualified:                          | No   | No  |
| e. Projects Funded; Extension of Debt:      | The Series 2008A Bonds were issued to fund: the current refunding of those certain \$4,000,000 General Obligation Capital Outlay Notes, Second Series 2007; street, road and bridge construction and improvements; the acquisition of public art; the construction and equipping of a fire station; and to pay costs of sale and issuance of the Series 2008A Bonds. No extension of debt. | The Series 2008B Bonds were issued to fund the acquisition of public art; the construction and equipping of a higher education center; the construction of public parks and recreational facilities; the renovation, construction, improvement and equipping of the V.O. Dobbins Center; and to pay costs of sale and issuance of the Series 2008B Bonds. No extension of debt. |
| f. Derivative Products:                     | None   | None  |

*Interest Rate Swaps; Consistency with Established Municipality Debt Policy and Practices*

There are no interest rate swaps or other hedging instruments in place pertaining to the Refunding Candidates. The Municipality is current on all principal and interest payments relating to the Refunding Candidates as well as all of its other existing debt outstanding.

The Municipality has adopted a formal debt policy (the "Policy") in compliance with State requirements. The goals and objectives of the *Plan* are consistent the Municipality's *Policy*. For example, projected savings resulting from the proposed refunding are consistent with the *Policy*, including, but not limited to, the objective of achieving projected net present value savings greater than 3 percent of refunded principal. Furthermore, the *Plan* calls for no extension of debt beyond the originally scheduled fiscal year resulting in a structure wherein the original projects funded (see the preceding section) do not exceed the original useful life of the projects financed.

*Strategic Propose of the Refunding*

Consistent with the Municipality's *Policy*, the Refunding Candidates will be refinanced to achieve measurable annual debt service savings through a traditional "high to low" interest rate refunding (i.e., an economic refunding for cost savings) by taking advantage of more favorable interest rates in the current market (see projected savings depicted in the schedules incorporated in the *Plan* as Exhibit IV).

### *Market Rates; Competitive Public Sale; Refunding Escrow*

The enclosed *Plan* outlines the projected structure and estimated interest rates based upon current market conditions for similarly structured debt obligations being issued in today's capital markets. Market conditions remain very volatile and hard to predict, but expectations are that the goals can be met. Accordingly, the Municipality may elect to drop certain maturities if rates change appreciably. Actual rates, yields, savings and underwriter's compensation will be determined on the date of the competitive public sale. Consistent with standard terms and conditions relating to bidding in the competitive public sale, if the Municipality's goals and objectives cannot be attained due to unfavorable conditions in the capital markets at the time of the scheduled sale, then the transaction will be deferred, postponed or canceled. Additionally, the Municipality will reserve the right to reject all bids if acceptable objectives are not attainable.

The Bonds will partially "advance" refund Refunding Candidates 2, 3 and 4. Of Refunding Candidates 2, 3 and 4, certain maturities will be left in place since they do not currently add targeted value to the transaction. Accordingly, "balloon indebtedness" may result in the final amortization pattern; therefore, a companion request for approval of "balloon indebtedness" accompanies this *Plan* and is incorporated herein by reference. Any debt service due during Fiscal Year 2015 for each Refunding Candidate (if applicable) will be paid and contributed to the transaction by the Municipality at closing.

In this *Plan*, the Bonds will be sold and issued as traditional fixed rate, tax-exempt obligations and replace the Refunding Candidates that are also fixed rate obligations. A portion of the proceeds derived from the Bonds and issued for the Refunding Candidates will be placed in an irrevocable escrow and the yield will be independently verified by Grant Thornton LLP. Although, the strategy is to use U.S. Treasury - State and Local Government Series ("SLGS") obligations for the escrow related to the Bonds, open market securities may be used in lieu of SLGS to increase escrow earnings and therefore savings. The use of either set of instruments is expected to have minimal effect on the results due to extraordinary low reinvestment yields currently available for such instruments. In each such case, the terms and conditions of the Municipality's *Policy* will be followed when such instruments are acquired. The "current" Refunding Candidate (i.e., the Notes) will be retired at closing or as soon as possible thereafter.

### *Exhibits*

Consistent with applicable sections of the Code and your offices published procedures, please find attached several exhibits to the *Plan* which include:

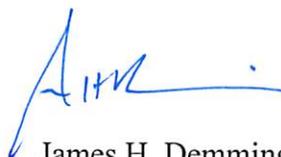
- I. Copies of the CT-0253 Forms for the Refunding Candidates;
- II. A copy of the initial Distribution List for all proposed participants including the signatory of this letter and representatives of Raymond James among others;
- III. A projected timetable and calendar of events; and
- IV. Detailed schedules relating to the transaction including, but not limited to, projected yields and other statistical data.

*Proposed Schedule*

Once the *Report of Review of Plan* has been received from your office and approval of the companion request regarding the issuance of “balloon indebtedness”, the Board of Mayor and Aldermen (the “Governing Body”) will consider a formal, detailed resolution authorizing the sale and issuance of the Bonds at its regular meeting scheduled for Tuesday, January 20, 2015 at 7:00 p.m., local time. In that regard, we would appreciate it if you could deliver your *Report of Review of Plan* to us so that it will be available for the Governing Body’s regular workshop scheduled for January 20, 2015 at 4:00 p.m. and for usual and customary distribution to the Governing Body and others along with the detailed resolution authorizing the sale and issuance of the Bonds.

If you have any questions or need any additional information with respect to the *Plan*, please do not hesitate to contact me or Raymond James representatives at your earliest convenience.

Very truly yours,



James H. Demming  
Chief Financial Officer

Attachments

Copies: Rick Dulaney, Raymond James  
Cindy Barnett, Esq., Adams and Reece LLP

**EXHIBIT I**  
**CITY OF KINGSPORT REFUNDING PLAN**

Issuer's No. \_\_\_\_\_  
(To be completed by State)

**REPORT ON DEBT OBLIGATION**  
(Pursuant to Tennessee Code Annotated 9-21-151)

|            |  |
|------------|--|
| 1. Issuer: |  |
| Name       | <u>City of Kingsport</u>   |
| Address    | <u>225 West Center Street</u>  |
|            | <u>City of Kingsport, Tennessee 37660</u>                              |
|            | <u>\$1,600,000 General Obligation Capital Outlay Note, Series 2007</u> |

|                     |  |
|---------------------|--|
| 2. Debt obligation: | <input type="checkbox"/> a. Bond<br><input checked="" type="checkbox"/> b. CON<br><input type="checkbox"/> c. BAN<br><input type="checkbox"/> d. GAN<br><input type="checkbox"/> e. Lease/Lease Purchase<br><input type="checkbox"/> f. Loan Agreement |
|---------------------|--|

|                                   |                     |
|-----------------------------------|---------------------|
| 5. Face Amount of Debt Obligation | \$ <u>1,600,000</u> |
|-----------------------------------|---------------------|

|                  |   |
|------------------|---|
| 6. Type of sale: | <input type="checkbox"/> a. Competitive Public Sale<br><input checked="" type="checkbox"/> b. Negotiated<br><input type="checkbox"/> c. Loan Program _____<br>(specify) |
|------------------|---|

|                                  |   |
|----------------------------------|---|
| 3. Security for Debt Obligation: | <input checked="" type="checkbox"/> a. General Obligation<br><input type="checkbox"/> b. General Obligation Revenue and Tax<br><input type="checkbox"/> c. Revenue<br><input type="checkbox"/> d. Annual Appropriations |
|----------------------------------|---|

|                |  |
|----------------|--|
| 7. Tax Status: | a. <u>X</u> Tax Exempt    b. _____ Taxable |
|----------------|--|

|                |                      |
|----------------|----------------------|
| 8. Dated Date: | <u>June 12, 2007</u> |
|----------------|----------------------|

|   |                   |
|---|-------------------|
| 4. Purpose of Issue:                                      | Percent of Issue: |
| <input checked="" type="checkbox"/> a. General Government | <u>100%</u>       |
| <input type="checkbox"/> b. Education                     | _____             |
| <input type="checkbox"/> c. Highways and Streets          | _____             |
| <input type="checkbox"/> d. Public Safety                 | _____             |
| <input type="checkbox"/> e. Solid Waste Disposal          | _____             |
| <input type="checkbox"/> f. Industrial Park               | _____             |
| <input type="checkbox"/> g. Manufacturing Facilities      | _____             |
| <input type="checkbox"/> h. Health Facilities             | _____             |
| <input type="checkbox"/> i. Airports                      | _____             |
| <input type="checkbox"/> j. Utilities                     | _____             |
| <input type="checkbox"/> i. Water                         | _____             |
| <input type="checkbox"/> ii. Sewer                        | _____             |
| <input type="checkbox"/> iii. Electric                    | _____             |
| <input type="checkbox"/> iv. Gas                          | _____             |
| <input type="checkbox"/> k. Refunding or Renewal          | _____             |
| <input type="checkbox"/> l. Other _____                   | _____             |
| specify _____   | _____             |

|                               |                      |
|-------------------------------|----------------------|
| 9. Issue Date (Closing Date): | <u>June 12, 2007</u> |
|-------------------------------|----------------------|

|             |   |
|-------------|---|
| 10. Rating: | a. Moody's _____<br>b. Standard & Poor's _____<br>c. Unrated <u>X</u> |
|-------------|---|

|                    |  |
|--------------------|--|
| 11. Interest Cost: | <input checked="" type="checkbox"/> a. TIC (True Interest Cost)<br><u>4.12 %</u> <input type="checkbox"/> b. NIC (Net Interest Cost)<br><input type="checkbox"/> c. Variable Rate<br><input type="checkbox"/> d. Other |
|--------------------|--|

|                      |  |
|----------------------|--|
| 12. Recurring Costs: | a. Remarketing Agent Fees    \$ _____<br>b. Liquidity Fees                \$ _____<br>c. Credit Enhancement Fees    \$ _____ |
|----------------------|--|

**SEE REVERSE SIDE**



**City of Kingsport, Tennessee  
General Obligation Capital Outlay Notes, Series 2007  
Amortization Schedule**

| <b>Debt<br/>Service<br/>Payment<br/>Date</b> | <b>Annual<br/>Principal<br/>Payment</b> | <b>Annual<br/>Interest<br/>Payment</b> | <b>Annual<br/>Debt<br/>Service<br/>(Principal<br/>and<br/>Interest)</b> |
|--|---|--|---|
| 6/12/2008                                    |   | 65,920.00                              | 65,920.00   |
| 6/12/2009                                    | 121,000.00                              | 65,920.00                              | 186,920.00  |
| 6/12/2010                                    | 123,000.00                              | 60,934.80                              | 183,934.80  |
| 6/12/2011                                    | 128,000.00                              | 55,867.20                              | 183,867.20  |
| 6/12/2012                                    | 133,000.00                              | 50,593.60                              | 183,593.60  |
| 6/12/2013                                    | 139,000.00                              | 45,114.00                              | 184,114.00  |
| 6/12/2014                                    | 144,000.00                              | 39,387.20                              | 183,387.20  |
| 6/12/2015                                    | 150,000.00                              | 33,454.40                              | 183,454.40  |
| 6/12/2016                                    | 156,000.00                              | 27,274.40                              | 183,274.40  |
| 6/12/2017                                    | 162,000.00                              | 20,847.20                              | 182,847.20  |
| 6/12/2018                                    | 169,000.00                              | 14,172.80                              | 183,172.80  |
| 6/12/2019                                    | 175,000.00                              | 7,210.00                               | 182,210.00  |
| <b>Total</b>                                 | <b><u>1,600,000.00</u></b>              | <b><u>486,695.60</u></b>               | <b><u>2,086,695.60</u></b>  |

Issuer's No. \_\_\_\_\_  
(To be filled out by State)

**REPORT ON DEBT OBLIGATION  
(Pursuant to Chapter 402, Public Acts of 1989)**

**1. Issuer:**

Name City of Kingsport, Tennessee

Address Attention: Mr. James H. Demming, Chief Financial Officer  
225 West Center Street  
Kingsport, Tennessee 37660

**2. Debt Obligation:**

a. Bond  
 b. CON  
 c. BAN  
 d. GAN  
 e. Lease/Lease Purchase  
 f. Loan Agreement

**5. Face Amount of Debt Obligation:** \$19,360,000

**6. Type of Sale:**

a. Competitive Public Sale  
 b. Negotiated  
 c. Loan Program \_\_\_\_\_  
specify

**3. Security for Debt Obligation:**

a. General Obligation  
 b. General Obligation Revenue and Tax  
 c. Revenue  
 d. Annual Appropriations

**7. Tax Status**

a.  Tax Exempt      b. \_\_\_\_\_ Taxable

**8. Dated Date:** June 8, 2007

**9. Issue Date (Closing Date):** June 8, 2007

**4. Purpose of Issue** **Percent of Issue:**

|  |       |
|--|-------|
| <input type="checkbox"/> a. General Government       | _____ |
| <input type="checkbox"/> b. Education                | 51%   |
| <input type="checkbox"/> c. Highways and Streets     | 34%   |
| <input type="checkbox"/> d. Public Safety            | _____ |
| <input type="checkbox"/> e. Solid Waste Disposal     | _____ |
| <input type="checkbox"/> f. Industrial Park          | _____ |
| <input type="checkbox"/> g. Manufacturing Facilities | _____ |
| <input type="checkbox"/> h. Health Facilities        | _____ |
| <input type="checkbox"/> i. Airports                 | _____ |
| <input type="checkbox"/> j. Utilities                | _____ |
| <input type="checkbox"/> i. Water                    | _____ |
| <input type="checkbox"/> ii. Sewer                   | _____ |
| <input type="checkbox"/> iii. Electric               | _____ |
| <input type="checkbox"/> iv. Gas                     | _____ |
| <input type="checkbox"/> k. Refunding or Renewal     | _____ |
| <input type="checkbox"/> l. Other                    | 15%   |

specify

**10. Rating**

a. Moody's : Aaa (Ambac Assurance) / "A1" Unde  
b. Standard & Poor's \_\_\_\_\_  
c. Unrated

**11. Interest Cost:**

4.2690%

a. TIC  
 b. NIC  
 c. Variable  
 d. Other

**12. Recurring Costs:**

a. Remarketing Agent Fees \$N/A  
b. Liquidity Fees \$ \_\_\_\_\_  
c. Credit Enhancement Fees \$ \_\_\_\_\_

**13. Maturity Dates, Amounts and Interest Rates**

| Year | Amount    | Interest Rate |
|------|-----------|---------------|
| 2010 | 745,000   | 4.500%        |
| 2011 | 775,000   | 4.250%        |
| 2012 | 810,000   | 4.000%        |
| 2013 | 840,000   | 4.000%        |
| 2014 | 875,000   | 4.000%        |
| 2015 | 910,000   | 4.000%        |
| 2016 | 945,000   | 5.000%        |
| 2017 | 1,000,000 | 5.000%        |
| 2018 | 1,040,000 | 4.000%        |
| 2019 | 1,075,000 | 4.000%        |
| 2020 | 1,115,000 | 4.000%        |

| Year | Amount    | Interest Rate |
|------|-----------|---------------|
| 2021 | 1,160,000 | 4.125%        |
| 2022 | 1,210,000 | 4.125%        |
| 2023 | 1,260,000 | 4.125%        |
| 2024 | 1,315,000 | 4.250%        |
| 2025 | 1,370,000 | 4.250%        |
| 2026 | 1,425,000 | 4.250%        |
| 2027 | 1,490,000 | 4.250%        |
|      |           |               |
|      |           |               |
|      |           |               |

If additional space is needed, attach additional sheet.

**14. Itemized Description of the Cost of Issuance**

|  | Amount   | Name of Firm                                  |
|--|----------|---|
| a. Financial Advisor Fees                  | \$26,136 | Morgan Keegan & Company, Inc.                 |
| b. Legal Fees                              |          |   |
| i. Bond Counsel                            | \$21,000 | Adams and Reese LLP                           |
| ii. Issuer's Counsel                       |          |   |
| iii. Trustee's Counsel                     |          |   |
| iv. Verification Fee                       |          |   |
| c. Paying Agent Fees and Registration Fees | \$250    | Regions Bank                                  |
| d. Trustee Fees                            |          |   |
| e. Remarketing Agent Fees                  |          |   |
| f. Liquidity Fees                          |          |   |
| g. Rating Agency Fees                      | \$6,250  | Moody's Investor's Service                    |
| h. Credit Enhancement Fees                 | \$60,000 | Ambac Assurance (Paid by Underwriter)         |
| i. Underwriter's Discount(%)               | \$80,584 | Morgan Keegan & Company, Inc.                 |
| i. Take Down                               |          |   |
| ii. Management Fee                         |          |   |
| iii. Risk Premium                          |          |   |
| iv. Underwriter's Counsel                  |          |   |
| v. Other Expenses                          |          |   |
| j. Printing and Advertising Fees           | \$6,750  | Morgan Keegan/The Tennessean/IDeal Prospectus |
| k. Issuer Fees                             |          |   |
| l. Real Estate Fees                        |          |   |
| m. Other Costs                             | \$1,700  | CUSIPs; Travel; Fed Ex, Etc.                  |

\* If other costs are included, please itemize.

Note: Please enclose a copy of the DISCLOSURE DOCUMENT or OFFICIAL STATEMENT if one was developed.

**15.**

*[Signature]*  
Authorized Representative

\_\_\_\_\_  
Mayor  
Title

8-Jun-07  
Date

*[Signature]*  
Preparer  
Managing Director

\_\_\_\_\_  
Title  
Morgan Keegan & Company, Inc.

\_\_\_\_\_  
Firm  
8-Jun-07  
Date

SEND TO: Director-Division of Local Finance-Suite 1600-James K. Polk State Office Building-Nashville, Tennessee 37219-5051

Issuer's No. \_\_\_\_\_  
 (To be completed by State)

**REPORT ON DEBT OBLIGATION**  
 (Pursuant to Tennessee Code Annotated 9-21-151)

1. Issuer:

Name City of Kingsport

Address 225 West Center Street  
City of Kingsport, Tennessee 37660

\$7,480,000 General Obligation Public Improvement and Refunding Bonds, Series 2008

2. Debt obligation:  a. Bond  
 b. CON  
 c. BAN  
 d. GAN  
 e. Lease/Lease Purchase  
 f. Loan Agreement

5. Face Amount of Debt Obligation \$7,480,000

6. Type of sale:  a. Competitive Public Sale  
 b. Negotiated  
 c. Loan Program \_\_\_\_\_  
 (specify)

3. Security for Debt Obligation:  
 a. General Obligation  
 b. General Obligation Revenue and Tax  
 c. Revenue  
 d. Annual Appropriations

7. Tax Status:  
 a. X Tax Exempt b. \_\_\_\_\_ Taxable

8. Dated Date: June 12, 2008

| 4. Purpose of Issue:  | Percent of Issue: |
|---|-------------------|
| <input checked="" type="checkbox"/> a. General Government   | <u>44.2751%</u>   |
| <input type="checkbox"/> b. Education                       | _____             |
| <input type="checkbox"/> c. Highways and Streets            | _____             |
| <input type="checkbox"/> d. Public Safety                   | _____             |
| <input type="checkbox"/> e. Solid Waste Disposal            | _____             |
| <input type="checkbox"/> f. Industrial Park                 | _____             |
| <input type="checkbox"/> g. Manufacturing Facilities        | _____             |
| <input type="checkbox"/> h. Health Facilities               | _____             |
| <input type="checkbox"/> i. Airports                        | _____             |
| <input type="checkbox"/> j. Utilities                       | _____             |
| <input type="checkbox"/> i. Water                           | _____             |
| <input type="checkbox"/> ii. Sewer                          | _____             |
| <input type="checkbox"/> iii. Electric                      | _____             |
| <input type="checkbox"/> iv. Gas                            | _____             |
| <input checked="" type="checkbox"/> k. Refunding or Renewal | <u>55.7249%</u>   |
| <input type="checkbox"/> l. Other _____                     | _____             |
| specify _____   | _____             |

9. Issue Date (Closing Date): June 12, 2008

10. Rating:  
 a. Moody's Aaa/A1  
 b. Standard & Poor's \_\_\_\_\_  
 c. Unrated \_\_\_\_\_

11. Interest Cost:  a. TIC (True Interest Cost)  
4.217816%  b. NIC (Net Interest Cost)  
 c. Variable Rate  
 d. Other

12. Recurring Costs:  
 a. Remarketing Agent Fees \$ \_\_\_\_\_  
 b. Liquidity Fees \$ \_\_\_\_\_  
 c. Credit Enhancement Fees \$ \_\_\_\_\_

**SEE REVERSE SIDE**

**13. Maturity Dates, Amounts and Interest Rates**

| Year | Amount  | Interest Rate |
|------|---------|---------------|
| 2010 | 275,000 | 3.500%        |
| 2011 | 285,000 | 3.500%        |
| 2012 | 295,000 | 3.500%        |
| 2013 | 305,000 | 4.000%        |
| 2014 | 315,000 | 4.000%        |
| 2015 | 330,000 | 4.000%        |
| 2016 | 340,000 | 4.000%        |
| 2017 | 355,000 | 3.500%        |
| 2018 | 370,000 | 4.000%        |
| 2019 | 380,000 | 4.000%        |

| Year | Amount  | Interest Rate |
|------|---------|---------------|
| 2020 | 400,000 | 4.000%        |
| 2021 | 415,000 | 4.000%        |
| 2022 | 430,000 | 4.000%        |
| 2023 | 450,000 | 4.125%        |
| 2024 | 465,000 | 4.250%        |
| 2025 | 485,000 | 4.250%        |
| 2026 | 505,000 | 4.250%        |
| 2027 | 530,000 | 4.250%        |
| 2028 | 550,000 | 4.375%        |

If additional space is needed, attach additional sheet.

**14. Itemized Description of the Cost of Issuance**

|   | Name of Firm  |
|---|---|
| a. Financial Advisor Fees <u>\$11,308</u>               | <u>Morgan Keegan &amp; Company, Inc.</u>                  |
| b. Legal Fees   |   |
| i. Bond Counsel <u>\$15,076</u>                         | <u>Adams &amp; Reese, LLP</u>                             |
| ii. Issuer's Counsel                                    |   |
| iii. Trustee's Counsel                                  |   |
| iv. Verification Fee                                    |   |
| _____   | _____   |
| c. Paying Agent Fees and Registration Fees <u>\$933</u> | <u>Regions Bank</u>                                       |
| d. Trustee Fees   |   |
| e. Remarketing Agent Fees                               |   |
| f. Liquidity Fees                                       |   |
| g. Rating Agency Fees <u>\$4,712</u>                    | <u>Moody's Investor's Service</u>                         |
| h. Credit Enhancement Fees <u>\$70,211</u>              | <u>Financial Security Assurance (Paid by Underwriter)</u> |
| i. Underwriter's Discount(%) <u>\$49,570</u>            | <u>Citigroup Global Markets, Tampa Florida</u>            |
| i. Take Down  |   |
| ii. Management Fee                                      |   |
| iii. Risk Premium                                       |   |
| iv. Underwriter's Counsel                               |   |
| v. Other Expenses                                       |   |
| j. Printing and Advertising Fees <u>\$2,544</u>         | <u>Morgan Keegan/IDEAL Prospectus</u>                     |
| k. Issuer Fees  |   |
| l. Real Estate Fees                                     |   |
| m. Other Costs <u>\$452</u>                             | <u>CUSIPs; Travel; Fed Ex, Etc.</u>                       |

\* If other costs are included, please itemize.

Note: Please enclose a copy of the DISCLOSURE DOCUMENT or OFFICIAL STATEMENT if one was developed.

15.

James H. Deming  
Authorized Representative

Chief Financial Officer  
Title

Title

12-Jun-08  
Date

Date

[Signature]  
Preparer

Managing Director  
Title

Title

Morgan Keegan & Company, Inc.  
Firm

Firm

12-Jun-08  
Date

Date

SEND TO: Director-Division of Local Finance-Suite 1600-James K. Polk State Office Building-Nashville, Tennessee 37219-5051

Issuer's No. \_\_\_\_\_  
(To be completed by State)

**REPORT ON DEBT OBLIGATION**  
(Pursuant to Tennessee Code Annotated 9-21-151)

1. Issuer:

Name City of Kingsport

Address 225 West Center Street

City of Kingsport, Tennessee 37660

\$11,165,000 General Obligation Bonds, Series 2008

2. Debt obligation:  a. Bond  
 b. GON  
 c. BAN  
 d. GAN  
 e. Lease/Lease Purchase  
 f. Loan Agreement

5. Face Amount of Debt Obligation \$11,165,000

6. Type of sale:  a. Competitive Public Sale  
 b. Negotiated  
 c. Loan Program \_\_\_\_\_  
(specify)

3. Security for Debt Obligation:  
 a. General Obligation  
 b. General Obligation Revenue and Tax  
 c. Revenue  
 d. Annual Appropriations

7. Tax Status:  
a. X Tax Exempt b. \_\_\_\_\_ Taxable

8. Dated Date: June 12, 2008

| 4. Purpose of Issue:                                 | Percent of Issue: |
|--|-------------------|
| <input type="checkbox"/> a. General Government       | _____             |
| <input checked="" type="checkbox"/> b. Education     | <u>100%</u>       |
| <input type="checkbox"/> c. Highways and Streets     | _____             |
| <input type="checkbox"/> d. Public Safety            | _____             |
| <input type="checkbox"/> e. Solid Waste Disposal     | _____             |
| <input type="checkbox"/> f. Industrial Park          | _____             |
| <input type="checkbox"/> g. Manufacturing Facilities | _____             |
| <input type="checkbox"/> h. Health Facilities        | _____             |
| <input type="checkbox"/> i. Airports                 | _____             |
| <input type="checkbox"/> j. Utilities                | _____             |
| <input type="checkbox"/> i. Water                    | _____             |
| <input type="checkbox"/> ii. Sewer                   | _____             |
| <input type="checkbox"/> iii. Electric               | _____             |
| <input type="checkbox"/> iv. Gas                     | _____             |
| <input type="checkbox"/> k. Refunding or Renewal     | _____             |
| <input type="checkbox"/> l. Other _____              | _____             |
| specify  |                   |

9. Issue Date (Closing Date): June 12, 2008

10. Rating:  
a. Moody's Aaa/A1  
b. Standard & Poor's \_\_\_\_\_  
c. Unrated \_\_\_\_\_

11. Interest Cost:  a. TIC (True Interest Cost)  
4.217816%  b. NIC (Net Interest Cost)  
 c. Variable Rate  
 d. Other

12. Recurring Costs:  
a. Remarketing Agent Fees \$ \_\_\_\_\_  
b. Liquidity Fees \$ \_\_\_\_\_  
c. Credit Enhancement Fees \$ \_\_\_\_\_

SEE REVERSE SIDE

13. Maturity Dates, Amounts and Interest Rates

| Year | Principal Amount | Interest Rate |
|------|------------------|---------------|
| 2010 | \$410,000        | 3.500%        |
| 2011 | 425,000          | 3.500         |
| 2012 | 440,000          | 3.500         |
| 2013 | 455,000          | 4.000         |
| 2014 | 470,000          | 4.000         |
| 2015 | 490,000          | 4.000         |
| 2016 | 510,000          | 4.000         |
| 2017 | 530,000          | 3.500         |
| 2018 | 550,000          | 4.000         |
| 2019 | 570,000          | 4.000         |
| 2020 | 595,000          | 4.000         |

| Year | Principal Amount | Interest Rate |
|------|------------------|---------------|
| 2021 | \$620,000        | 4.000%        |
| 2022 | 645,000          | 4.000         |
| 2023 | 670,000          | 4.125         |
| 2024 | 695,000          | 4.250         |
| 2025 | 725,000          | 4.250         |
| 2026 | 755,000          | 4.250         |
| 2027 | 790,000          | 4.250         |
| 2028 | 820,000          | 4.375         |
|      |                  |               |
|      |                  |               |
|      |                  |               |

If additional space is needed, attach additional sheet

No. of Years \_\_\_\_\_  
(To be completed by State)

14: Itemized Description of the Cost of Issuance

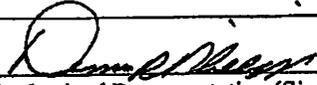
(ROUND TO THE NEAREST DOLLAR) Name of Firm

|  |               |
|--|---------------|
| a. Financial Advisor Fees                  | \$ 16,878.31  |
| b. Legal Fees                              |               |
| i. Bond Counsel                            | \$ 22,504.41  |
| ii. Issuer's Counsel                       | \$ _____      |
| iii. Trustee's Counsel                     | \$ _____      |
| Borrower's Counsel                         | \$ _____      |
|  | \$ _____      |
|  | \$ _____      |
| c. Paying Agent Fees and Registration Fees | \$ 1,392.46   |
| d. Trustee Fees                            | \$ _____      |
| e. Remarketing Agent Fees                  | \$ _____      |
| f. Liquidity Fees                          | \$ _____      |
| g. Rating Agency Fees                      | \$ 7,032.63   |
| h. Credit Enhancement Fees                 | \$ 104,989.46 |
| i. Underwriter's Discount (%)              | \$ 73,704.49  |
| i. Take Down                               | \$ _____      |
| ii. Management Fee                         | \$ _____      |
| iii. Risk Premium                          | \$ _____      |
| iv. Underwriter's Counsel                  | \$ _____      |
| v. Other Expenses                          | \$ _____      |
| j. Printing and Advertising Fees           | \$ 3,797.62   |
| k. Issuer Fees                             | \$ _____      |
| l. Real Estate Fees                        | \$ _____      |
| m. Other Costs                             | \$ 675.13     |
| n. Total Costs                             | \$ 230,974.51 |

|   |
|---|
| Morgan Keegan & Company, Inc.                                   |
| Adams and Reese LLP   |
| _____   |
| _____   |
| _____   |
| Regions Bank  |
| _____   |
| _____   |
| Moody's Investors Service                                       |
| Financial Security Assurance, Inc. <i>(Paid by Underwriter)</i> |
| Citigroup Global Markets, Inc.                                  |
| _____   |
| _____   |
| Morgan Keegan & Company, Inc.                                   |
| _____   |
| _____   |
| Morgan Keegan & Company, Inc.                                   |
| _____   |

Note: Please enclose a copy of the DISCLOSURE STATEMENT or OFFICIAL STATEMENT if one was developed.

15.

  
 Authorized Representative (Signature)  
 Dennis R. Phillips  
 Authorized Representative (Please Type or Print Legibly)  
 Mayor  
 Title  
 June 12, 2008  
 Date

Preparer (Please Type or Print Legibly)  
 Bond Counsel  
 Title  
 Adams and Reese LLP  
 Firm  
 June 12, 2008  
 Date

SEND TO: Comptroller of the Treasury, Division of Local Finance, Suite 1700, 505 Deaderick Street,  
 James K. Polk State Office Building, Nashville, Tennessee 37243-0274

**EXHIBIT II**  
**CITY OF KINGSPORT REFUNDING PLAN**

**CITY OF KINGSPORT, TENNESSEE  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015**

**DISTRIBUTION LIST  
(December 15, 2014)**

|   |   |
|---|---|
| <p><b>Issuer:</b><br/><b>City of Kingsport, Tennessee</b><br/>225 West Center Street<br/>Kingsport, TN 37660-4285</p>   | <p><b>Financial Advisor:</b><br/>Raymond James<br/>One Burton Hills Blvd., Suite 225<br/>Nashville, TN 37215-6299</p>   |
| <p>Jeff Fleming<br/>City Manager<br/>Phone: 423.229.9309<br/>Fax: 423.229.9350<br/>Email: <a href="mailto:jeffleming@kingsporttn.gov">jeffleming@kingsporttn.gov</a></p>                            | <p>Rick Dulaney<br/>Managing Director<br/>Phone: 800.764.0096 or 615.665-6918<br/>Fax: 615.665.6925<br/>Email: <a href="mailto:richard.dulaney@raymondjames.com">richard.dulaney@raymondjames.com</a></p>     |
| <p>James H. Demming, Jr., C.P.A.<br/>City Recorder/CFO<br/>Phone: 423.224-2520<br/>Fax: 423.224.2566<br/>Email: <a href="mailto:jamesdemming@kingsporttn.gov">jamesdemming@kingsporttn.gov</a></p>  | <p>Elizabeth Zuelke<br/>Public Finance Analyst<br/>Phone: 901.579.2739<br/>Email: <a href="mailto:elizabeth.zuelke@raymondjames.com">elizabeth.zuelke@raymondjames.com</a></p>                                |
| <p>Chris McCartt<br/>Assistant City Manager – Administration<br/>Phone: 423.229.9430<br/>Email: <a href="mailto:chrismccartt@kingsporttn.gov">chrismccartt@kingsporttn.gov</a></p>                  | <p>Tracy Johnson<br/>Administrative Assistant<br/>Phone: 800.764.1002 or 615.665.6920<br/>Fax: 615.665.6925<br/>Email: <a href="mailto:tracy.johnson@raymondjames.com">tracy.johnson@raymondjames.com</a></p> |
| <p>Ryan McReynolds<br/>Assistant City Manager – Operations<br/>Phone: 423.229.9470<br/>Email: <a href="mailto:ryanmcreynolds@kingsporttn.gov">ryanmcreynolds@kingsporttn.gov</a></p>                | <p><b>Bond Counsel:</b><br/><b>Adams &amp; Reese LLP</b><br/>424 Church Street, Suite 2700<br/>Nashville, TN 37219</p>  |
| <p>J. Michael Billingsley, Esq.<br/>City Attorney<br/>Phone: 423.229.9464<br/>Fax: 423.224.2417<br/>Email: <a href="mailto:mikebillingsley@kingsporttn.gov">mikebillingsley@kingsporttn.gov</a></p> | <p>Cindy Barnett<br/>Phone: 615.259.1454<br/>Fax: 615.687.1499<br/>Email: <a href="mailto:cindy.barnett@arlaw.com">cindy.barnett@arlaw.com</a></p>  |

**CITY OF KINGSPORT, TENNESSEE  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015**

**DISTRIBUTION LIST  
(December 15, 2014)**

|   |  |
|---|--|
| <p>Judy Smith<br/>Budget Director<br/>Phone: 423.224.2828<br/>Email: <a href="mailto:judy.smith@kingsporttn.gov">judysmith@kingsporttn.gov</a></p>  | <p><b>Registration, Paying &amp; Dissemination Agent:</b><br/><b>Regions Bank</b><br/>Corporate Trust Services<br/>150 4<sup>th</sup> Avenue North – Suite 900<br/>Nashville, TN 37219</p> |
| <p>Lisa E. Winkle, C.P.A.<br/>Comptroller<br/>Phone: 423.229.9335<br/>Email: <a href="mailto:lisa.winkle@kingsporttn.gov">lisawinkle@kingsporttn.gov</a></p>  | <p>Caroline Oakes<br/>Phone: 615.770.4354<br/>Fax: 615.770.4350<br/>Email: <a href="mailto:caroline.oakes@regions.com">caroline.oakes@regions.com</a></p>                                  |
| <p>Tim Whaley<br/>Community and Government Relations Officer<br/>Phone: 423.229.9413<br/>Email: <a href="mailto:tim.whaley@kingsporttn.gov">timwhaley@kingsporttn.gov</a></p>                         | <p>Elizabeth Lance<br/>Phone: 615.770.4362<br/>Fax: 615.770.4350<br/>Email: <a href="mailto:elizabeth.lance@regions.com">elizabeth.lance@regions.com</a></p>                               |
| <p>Kathy Reynolds<br/>Executive Secretary, Finance Department<br/>Phone: 423.224.2520<br/>Email: <a href="mailto:kathy.reynolds@kingsporttn.gov">kathyreynolds@kingsporttn.gov</a></p>                | <p><b>Rating Agency:</b><br/><b>Standard &amp; Poor's Corporation</b><br/>Public Finance Department<br/>500 North Akard<br/>Lincoln Plaza, Suite 3200<br/>Dallas, Texas 75201</p>          |
| <p><b>Rating Agency:</b><br/><b>Moody's Investor's Service, Inc.</b><br/>7 World Trade Center at 250 Greenwich Street<br/>Public Finance Group - 23rd Floor<br/>New York, NY 10007</p>                | <p>Sarah Smaardyk<br/>Phone: 214.871.1428<br/>Fax:<br/>Email: <a href="mailto:sarah.smaardyk@standardandpoors.com">sarah.smaardyk@standardandpoors.com</a></p>                             |
| <p>Jennifer Diercksen, Analyst<br/>Public Finance Group<br/>Phone: 212.553.4346<br/>Fax: 212.298.6341<br/>Email: <a href="mailto:jennifer.diercksen@moodys.com">jennifer.diercksen@moodys.com</a></p> | <p>Lauren Spalten<br/>Associate<br/>Phone: 214.871.1421<br/>Fax: 214.871.1409<br/>Email: <a href="mailto:lauren.spalten@standardandpoors.com">lauren.spalten@standardandpoors.com</a></p>  |
| <p><b>Underwriter:</b></p>  |  |

**EXHIBIT III**  
**CITY OF KINGSPORT REFUNDING PLAN**

CITY OF KINGSPORT, TENNESSEE

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015

TENTATIVE CALENDAR  
12/15/2014 (Revised)

| December |    |    |    |    |    |    | January |    |    |    |    |    |    | February |    |    |    |    |    |    | March |    |    |    |    |    |    |  |  |  |  |   |   |
|----------|----|----|----|----|----|----|---------|----|----|----|----|----|----|----------|----|----|----|----|----|----|-------|----|----|----|----|----|----|--|--|--|--|---|---|
| S        | M  | T  | W  | R  | F  | S  | S       | M  | T  | W  | R  | F  | S  | S        | M  | T  | W  | R  | F  | S  | S     | M  | T  | W  | R  | F  | S  |  |  |  |  |   |   |
| 1        | 2  | 3  | 4  | 5  | 6  |    |         |    |    | 1  | 2  | 3  |    |          |    |    |    |    |    | 1  |       |    |    |    |    |    |    |  |  |  |  | 1 | 2 |
| 7        | 8  | 9  | 10 | 11 | 12 | 13 | 4       | 5  | 6  | 7  | 8  | 9  | 10 | 2        | 3  | 4  | 5  | 6  | 7  | 8  | 3     | 4  | 5  | 6  | 7  | 8  | 9  |  |  |  |  |   |   |
| 14       | 15 | 16 | 17 | 18 | 19 | 20 | 11      | 12 | 13 | 14 | 15 | 16 | 17 | 9        | 10 | 11 | 12 | 13 | 14 | 15 | 10    | 11 | 12 | 13 | 14 | 15 | 16 |  |  |  |  |   |   |
| 21       | 22 | 23 | 24 | 25 | 26 | 27 | 18      | 19 | 20 | 21 | 22 | 23 | 24 | 16       | 17 | 18 | 19 | 20 | 21 | 22 | 17    | 18 | 19 | 20 | 21 | 22 | 23 |  |  |  |  |   |   |
| 28       | 29 | 30 | 31 |    |    |    | 25      | 26 | 27 | 28 | 29 | 30 | 31 | 23       | 24 | 25 | 26 | 27 | 28 | 24 | 25    | 26 | 27 | 28 | 29 | 29 |    |  |  |  |  |   |   |
|          |    |    |    |    |    |    |         |    |    |    |    |    |    |          |    |    |    |    |    |    | 30    |    |    |    |    |    |    |  |  |  |  |   |   |

| Date      |  | PARTIES |
|-----------|--|---------|
| Completed | Begin Collection of Data; Calendar of Events; Distribution List  | All     |
| Completed | Confirm "Sunshine" Notice Regarding Board of Mayor and Aldermen ("BOMA") Meetings                        | All     |
| Completed | Review and Supplement as Needed Continuing Disclosure Filings on EMMA                                    | All     |
| Completed | Draft Refunding Plan for Review  | City    |
| Completed | City Finalizes and Submits Refunding Plan to the Director of State and Local Finance                     | RJ      |
| Completed | Draft Versions of the Initial and Detailed Resolutions   | All     |
| Completed | BOMA Agenda Deadline   | All     |
| Pending   | <b>Christmas Day</b>   | All     |
| Pending   | <b>New Year's Day</b>  | All     |
| 5-Jan-15  | BOMA Workshop  | All     |
| 6-Jan-15  | BOMA Meeting - Perhaps Consider Detailed Authorizing Resolution - First Opportunity                      | All     |
|           | First Draft of the Preliminary Official Statement ("POS"); Send to City for Review, Comments & Revisions | All     |
|           | Mailings to Moody's and Standard & Poor's for Credit Review  | RJ      |
|           | Comments Due on POS From All Parties; If Desired, Conduct a Page by Page Discussion on POS               | All     |
|           | All Comments on POS Due; Final Sign-off; Receive "Deemed Final" POS Certificate from City                | All     |
|           | Rating Agency "Due Diligence" Calls  | City/RJ |
|           | Distribute <i>Preliminary Official Statement</i> ; Legal Advertising (Re-post due to Rescheduling)       | RJ      |
| 19-Jan-15 | <b>Martin Luther King Holiday</b>  | All     |
| 20-Jan-15 | BOMA Meeting - Consider Detailed Authorizing Resolutions - Second Opportunity                            | All     |
|           | Receive Credit Ratings   | All     |
|           | Conduct Competitive Public Sale using Parity; Tweak Structure as Required*                               | RJ/City |
|           | Escrow Verification  | RJ/VA   |
|           | Acquire U.S. Treasury - State and Local Government Series obligations                                    | RJ/EA   |
|           | Distribute Draft Closing Documents   | BC      |
|           | Distribute <i>Official Statement</i> to Underwriters and Investors                                       | RJ      |
|           | Pre-Closing*   | All     |
|           | Closing*   | All     |
|           | Present State Form CT-0253 to BOMA; BC Files with Comptroller's Office                                   | All     |

Participants:

Issuer: City of Kingsport, TN (the "City")  
 Financial Advisor: Raymond James & Associates, Inc., Nashville, TN ("RJ")  
 Bond Counsel: Adams and Reese LLP ("BC")  
 Issuer's Counsel: Mike Billingsley, Esq.  
 R.A.Escrow Agent: Regions Corporate Trust ("EA")  
 Verification Agent: Grant Thornton LLP, Minneapolis, MN. ("VA")  
 Ratings: Moody's Investors Service, Inc. ("Moody's) and Standard & Poor's ("S&P")  
 Tentative, Subject to Change.

**EXHIBIT IV**

**CITY OF KINGSPORT REFUNDING PLAN**

**\$17,450,000**

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2015

(Refunding of Series 2007A Bonds, 2007 Capital Outlay Note, & Series 2008A&B)

## Table of Contents

### Report

#### ISSUE SUMMARY

|  |    |
|--|----|
| Sources & Uses                                     | 1  |
| Detail Costs Of Issuance                           | 2  |
| Savings Report                                     | 3  |
| Debt Service Schedule                              | 4  |
| Pricing Summary                                    | 6  |
| Proof of Premium/5Yr Call Bond Selection of Call D | 7  |
| Proof of D/S for Arbitrage Purposes                | 8  |
| Proof Of Bond Yield @ 2.3326629%                   | 9  |
| Current Refunding Escrow                           | 10 |
| Escrow Summary Cost                                | 11 |
| Debt Service To Maturity And To Call               | 12 |
| Summary Of Bonds Refunded                          | 13 |

Preliminary

**\$17,450,000**

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2015

(Refunding of Series 2007A Bonds, 2007 Capital Outlay Note, & Series 2008A&B)

## Sources & Uses

Dated 02/28/2015 | Delivered 02/28/2015

### Sources Of Funds

|   |                 |
|---|-----------------|
| Par Amount of Bonds                           | \$17,450,000.00 |
| Reoffering Premium                            | 2,708,072.50    |
| Transfers from Prior Issue Debt Service Funds | 341,710.65      |

### Total Sources

**\$20,499,783.15**

### Uses Of Funds

|                                       |               |
|---------------------------------------|---------------|
| Deposit to Current Refunding Fund     | 20,252,245.86 |
| Total Underwriter's Discount (0.800%) | 139,600.00    |
| Costs of Issuance                     | 107,125.00    |
| Rounding Amount                       | 812.29        |

### Total Uses

**\$20,499,783.15**

Preliminary

**\$17,450,000**

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2015

(Refunding of Series 2007A Bonds, 2007 Capital Outlay Note, & Series 2008A&B)

## Detail Costs Of Issuance

Dated 02/28/2015 | Delivered 02/28/2015

### COSTS OF ISSUANCE DETAIL

|                                  |                     |
|----------------------------------|---------------------|
| Financial Advisor                | \$37,500.00         |
| Bond Counsel                     | \$30,000.00         |
| Moody's fee                      | \$16,625.00         |
| S&P fee                          | \$15,750.00         |
| POS/Official Statement           | \$2,000.00          |
| Verification Agent               | \$3,500.00          |
| Registration and Paying Agent    | \$1,250.00          |
| Other - CUSIP, FedEx, Misc., Etc | \$500.00            |
| <b>TOTAL</b>                     | <b>\$107,125.00</b> |

REF 2005 2007 & 2008 bond | Issue Summary | 12/17/2014 | 11:16 AM

**RAYMOND JAMES**

Preliminary

**\$17,450,000**

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2015

(Refunding of Series 2007A Bonds, 2007 Capital Outlay Note, & Series 2008A&B)

## Savings Report

| Date         | Principal              | Coupon   | Interest              | Total P+I              | Refunded D/S           | Savings               |
|--------------|------------------------|----------|-----------------------|------------------------|------------------------|-----------------------|
| 06/30/2015   | -                      | -        | -                     | -                      | -                      | 812.29                |
| 06/30/2016   | 155,000.00             | 2.000%   | 756,048.33            | 911,048.33             | 932,124.40             | 21,076.07             |
| 06/30/2017   | 155,000.00             | 3.000%   | 746,700.00            | 901,700.00             | 931,697.20             | 29,997.20             |
| 06/30/2018   | 160,000.00             | 4.000%   | 742,050.00            | 902,050.00             | 932,022.80             | 29,972.80             |
| 06/30/2019   | 170,000.00             | 2.000%   | 735,650.00            | 905,650.00             | 931,060.00             | 25,410.00             |
| 06/30/2020   | 1,020,000.00           | 5.000%   | 732,250.00            | 1,752,250.00           | 1,863,850.00           | 111,600.00            |
| 06/30/2021   | 1,075,000.00           | 5.000%   | 681,250.00            | 1,756,250.00           | 1,864,250.00           | 108,000.00            |
| 06/30/2022   | 1,130,000.00           | 5.000%   | 627,500.00            | 1,757,500.00           | 1,866,400.00           | 108,900.00            |
| 06/30/2023   | 2,270,000.00           | 2.000%   | 571,000.00            | 2,841,000.00           | 2,986,487.50           | 145,487.50            |
| 06/30/2024   | 2,315,000.00           | 5.000%   | 525,600.00            | 2,840,600.00           | 2,983,312.50           | 142,712.50            |
| 06/30/2025   | 2,435,000.00           | 5.000%   | 409,850.00            | 2,844,850.00           | 2,983,125.00           | 138,275.00            |
| 06/30/2026   | 2,550,000.00           | 5.000%   | 288,100.00            | 2,838,100.00           | 2,978,475.00           | 140,375.00            |
| 06/30/2027   | 2,685,000.00           | 4.000%   | 160,600.00            | 2,845,600.00           | 2,989,362.50           | 143,762.50            |
| 06/30/2028   | 1,330,000.00           | 4.000%   | 53,200.00             | 1,383,200.00           | 1,429,937.50           | 46,737.50             |
| <b>Total</b> | <b>\$17,450,000.00</b> | <b>-</b> | <b>\$7,029,798.33</b> | <b>\$24,479,798.33</b> | <b>\$25,672,104.40</b> | <b>\$1,193,118.36</b> |

### PV Analysis Summary (Net to Net)

|   |                       |
|---|-----------------------|
| Gross PV Debt Service Savings                     | 1,345,031.49          |
| Net PV Cashflow Savings @ 2.333%(Bond Yield)      | 1,345,031.49          |
| Transfers from Prior Issue Debt Service Fund      | (341,710.65)          |
| Contingency or Rounding Amount                    | 812.29                |
| Net Present Value Benefit                         | <b>\$1,004,133.13</b> |
| Net PV Benefit / \$18,597,000 Refunded Principal  | 5.399%                |
| Net PV Benefit / \$17,450,000 Refunding Principal | 5.754%                |
| Bond Year Dollars                                 | \$162,135.42          |
| Average Coupon                                    | 4.3357574%            |
| Average Life                                      | 9.291 Years           |

REF 2005 2007 & 2008 bond | Issue Summary | 12/17/2014 | 11:16 AM

**RAYMOND JAMES**

Preliminary

**\$17,450,000**

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2015

(Refunding of Series 2007A Bonds, 2007 Capital Outlay Note, & Series 2008A&B)

## Debt Service Schedule

| Date         | Principal              | Coupon   | Interest              | Total P+I              |
|--------------|------------------------|----------|-----------------------|------------------------|
| 03/01/2015   | -                      | -        | -                     | -                      |
| 03/01/2016   | 155,000.00             | 2.000%   | 756,048.33            | 911,048.33             |
| 03/01/2017   | 155,000.00             | 3.000%   | 746,700.00            | 901,700.00             |
| 03/01/2018   | 160,000.00             | 4.000%   | 742,050.00            | 902,050.00             |
| 03/01/2019   | 170,000.00             | 2.000%   | 735,650.00            | 905,650.00             |
| 03/01/2020   | 1,020,000.00           | 5.000%   | 732,250.00            | 1,752,250.00           |
| 03/01/2021   | 1,075,000.00           | 5.000%   | 681,250.00            | 1,756,250.00           |
| 03/01/2022   | 1,130,000.00           | 5.000%   | 627,500.00            | 1,757,500.00           |
| 03/01/2023   | 2,270,000.00           | 2.000%   | 571,000.00            | 2,841,000.00           |
| 03/01/2024   | 2,315,000.00           | 5.000%   | 525,600.00            | 2,840,600.00           |
| 03/01/2025   | 2,435,000.00           | 5.000%   | 409,850.00            | 2,844,850.00           |
| 03/01/2026   | 2,550,000.00           | 5.000%   | 288,100.00            | 2,838,100.00           |
| 03/01/2027   | 2,685,000.00           | 4.000%   | 160,600.00            | 2,845,600.00           |
| 03/01/2028   | 1,330,000.00           | 4.000%   | 53,200.00             | 1,383,200.00           |
| <b>Total</b> | <b>\$17,450,000.00</b> | <b>-</b> | <b>\$7,029,798.33</b> | <b>\$24,479,798.33</b> |

### Yield Statistics

|                                   |              |
|-----------------------------------|--------------|
| Bond Year Dollars                 | \$162,135.42 |
| Average Life                      | 9.291 Years  |
| Average Coupon                    | 4.3357574%   |
| Net Interest Cost (NIC)           | 2.7516048%   |
| True Interest Cost (TIC)          | 2.5317950%   |
| Bond Yield for Arbitrage Purposes | 2.3326629%   |
| All Inclusive Cost (AIC)          | 2.6010129%   |

### IRS Form 8038

|                           |             |
|---------------------------|-------------|
| Net Interest Cost         | 2.2982469%  |
| Weighted Average Maturity | 9.328 Years |

Preliminary

**\$17,450,000**

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2015

(Refunding of Series 2007A Bonds, 2007 Capital Outlay Note, & Series 2008A&B)

## Debt Service Schedule

| Date         | Principal              | Coupon   | Interest              | Total P+I              |
|--------------|------------------------|----------|-----------------------|------------------------|
| 06/30/2015   | -                      | -        | -                     | -                      |
| 06/30/2016   | 155,000.00             | 2.000%   | 756,048.33            | 911,048.33             |
| 06/30/2017   | 155,000.00             | 3.000%   | 746,700.00            | 901,700.00             |
| 06/30/2018   | 160,000.00             | 4.000%   | 742,050.00            | 902,050.00             |
| 06/30/2019   | 170,000.00             | 2.000%   | 735,650.00            | 905,650.00             |
| 06/30/2020   | 1,020,000.00           | 5.000%   | 732,250.00            | 1,752,250.00           |
| 06/30/2021   | 1,075,000.00           | 5.000%   | 681,250.00            | 1,756,250.00           |
| 06/30/2022   | 1,130,000.00           | 5.000%   | 627,500.00            | 1,757,500.00           |
| 06/30/2023   | 2,270,000.00           | 2.000%   | 571,000.00            | 2,841,000.00           |
| 06/30/2024   | 2,315,000.00           | 5.000%   | 525,600.00            | 2,840,600.00           |
| 06/30/2025   | 2,435,000.00           | 5.000%   | 409,850.00            | 2,844,850.00           |
| 06/30/2026   | 2,550,000.00           | 5.000%   | 288,100.00            | 2,838,100.00           |
| 06/30/2027   | 2,685,000.00           | 4.000%   | 160,600.00            | 2,845,600.00           |
| 06/30/2028   | 1,330,000.00           | 4.000%   | 53,200.00             | 1,383,200.00           |
| <b>Total</b> | <b>\$17,450,000.00</b> | <b>-</b> | <b>\$7,029,798.33</b> | <b>\$24,479,798.33</b> |

### Yield Statistics

|                   |              |
|-------------------|--------------|
| Bond Year Dollars | \$162,135.42 |
| Average Life      | 9.291 Years  |
| Average Coupon    | 4.3357574%   |

|                                   |            |
|-----------------------------------|------------|
| Net Interest Cost (NIC)           | 2.7516048% |
| True Interest Cost (TIC)          | 2.5317950% |
| Bond Yield for Arbitrage Purposes | 2.3326629% |
| All Inclusive Cost (AIC)          | 2.6010129% |

### IRS Form 8038

|                           |             |
|---------------------------|-------------|
| Net Interest Cost         | 2.2982469%  |
| Weighted Average Maturity | 9.328 Years |

REF 2005 2007 & 2008 bond | Issue Summary | 12/17/2014 | 11:16 AM

**RAYMOND JAMES**

Preliminary

**\$17,450,000**

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2015

(Refunding of Series 2007A Bonds, 2007 Capital Outlay Note, & Series 2008A&B)

## Pricing Summary

| Maturity     | Type of Bond  | Coupon | Yield  | Maturity Value         | Price    | YTM | Call Date | Call Price | Dollar Price           |              |
|--------------|---------------|--------|--------|------------------------|----------|-----|-----------|------------|------------------------|--------------|
| 03/01/2016   | Serial Coupon | 2.000% | 0.600% | 155,000.00             | 101.405% | -   | -         | -          | 157,177.75             |              |
| 03/01/2017   | Serial Coupon | 3.000% | 0.900% | 155,000.00             | 104.170% | -   | -         | -          | 161,463.50             |              |
| 03/01/2018   | Serial Coupon | 4.000% | 1.190% | 160,000.00             | 108.279% | -   | -         | -          | 173,246.40             |              |
| 03/01/2019   | Serial Coupon | 2.000% | 1.450% | 170,000.00             | 102.134% | -   | -         | -          | 173,627.80             |              |
| 03/01/2020   | Serial Coupon | 5.000% | 1.680% | 1,020,000.00           | 115.883% | -   | -         | -          | 1,182,006.60           |              |
| 03/01/2021   | Serial Coupon | 5.000% | 1.890% | 1,075,000.00           | 117.585% | -   | -         | -          | 1,264,038.75           |              |
| 03/01/2022   | Serial Coupon | 5.000% | 2.070% | 1,130,000.00           | 119.022% | -   | -         | -          | 1,344,948.60           |              |
| 03/01/2023   | Serial Coupon | 2.000% | 2.150% | 2,270,000.00           | 98.901%  | -   | -         | -          | 2,245,052.70           |              |
| 03/01/2024   | Serial Coupon | 5.000% | 2.240% | 2,315,000.00           | 122.401% | -   | -         | -          | 2,833,583.15           |              |
| 03/01/2025   | Serial Coupon | 5.000% | 2.350% | 2,435,000.00           | 123.511% | -   | -         | -          | 3,007,492.85           |              |
| 03/01/2026   | Serial Coupon | 5.000% | 2.430% | 2,550,000.00           | 122.710% | c   | 2.613%    | 03/01/2025 | 100.000%               | 3,129,105.00 |
| 03/01/2027   | Serial Coupon | 4.000% | 2.630% | 2,685,000.00           | 111.986% | c   | 2.817%    | 03/01/2025 | 100.000%               | 3,006,824.10 |
| 03/01/2028   | Serial Coupon | 4.000% | 2.710% | 1,330,000.00           | 111.241% | c   | 2.953%    | 03/01/2025 | 100.000%               | 1,479,505.30 |
| <b>Total</b> | -             | -      | -      | <b>\$17,450,000.00</b> | -        | -   | -         | -          | <b>\$20,158,072.50</b> |              |

### Bid Information

|                                       |                 |
|---------------------------------------|-----------------|
| Par Amount of Bonds                   | \$17,450,000.00 |
| Reoffering Premium or (Discount)      | 2,708,072.50    |
| Gross Production                      | \$20,158,072.50 |
| Total Underwriter's Discount (0.800%) | \$(139,600.00)  |
| Bid (114.719%)                        | 20,018,472.50   |
| Total Purchase Price                  | \$20,018,472.50 |
| Bond Year Dollars                     | \$162,135.42    |
| Average Life                          | 9.291 Years     |
| Average Coupon                        | 4.3357574%      |
| Net Interest Cost (NIC)               | 2.7516048%      |
| True Interest Cost (TIC)              | 2.5317950%      |

REF 2005 2007 & 2008 bond | Issue Summary | 12/17/2014 | 11:16 AM

**RAYMOND JAMES**

Preliminary

**\$17,450,000**

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2015

(Refunding of Series 2007A Bonds, 2007 Capital Outlay Note, & Series 2008A&B)

### Proof of Premium/5Yr Call Bond Selection of Call Dates/Prices

| <b>Maturity</b> | <b>Call Date</b> | <b>Call Price</b> | <b>PV at Bond Yield</b> | <b>Lowest?</b> |
|-----------------|------------------|-------------------|-------------------------|----------------|
| 03/01/2026      | -                | -                 | 3,206,985.76            | No             |
| 03/01/2026      | 03/01/2025       | 100.000%          | 3,153,986.79            | Yes            |
| 03/01/2027      | -                | -                 | 3,151,502.23            | No             |
| 03/01/2027      | 03/01/2025       | 100.000%          | 3,082,535.41            | Yes            |
| 03/01/2028      | -                | -                 | 1,577,575.38            | No             |
| 03/01/2028      | 03/01/2025       | 100.000%          | 1,526,916.98            | Yes            |

Preliminary

**\$17,450,000**

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2015

(Refunding of Series 2007A Bonds, 2007 Capital Outlay Note, & Series 2008A&B)

**Proof of D/S for Arbitrage Purposes**

| Date         | Principal              | Interest              | Total                  |
|--------------|------------------------|-----------------------|------------------------|
| 02/28/2015   | -                      | -                     | -                      |
| 09/01/2015   | -                      | 381,148.33            | 381,148.33             |
| 03/01/2016   | 155,000.00             | 374,900.00            | 529,900.00             |
| 09/01/2016   | -                      | 373,350.00            | 373,350.00             |
| 03/01/2017   | 155,000.00             | 373,350.00            | 528,350.00             |
| 09/01/2017   | -                      | 371,025.00            | 371,025.00             |
| 03/01/2018   | 160,000.00             | 371,025.00            | 531,025.00             |
| 09/01/2018   | -                      | 367,825.00            | 367,825.00             |
| 03/01/2019   | 170,000.00             | 367,825.00            | 537,825.00             |
| 09/01/2019   | -                      | 366,125.00            | 366,125.00             |
| 03/01/2020   | 1,020,000.00           | 366,125.00            | 1,386,125.00           |
| 09/01/2020   | -                      | 340,625.00            | 340,625.00             |
| 03/01/2021   | 1,075,000.00           | 340,625.00            | 1,415,625.00           |
| 09/01/2021   | -                      | 313,750.00            | 313,750.00             |
| 03/01/2022   | 1,130,000.00           | 313,750.00            | 1,443,750.00           |
| 09/01/2022   | -                      | 285,500.00            | 285,500.00             |
| 03/01/2023   | 2,270,000.00           | 285,500.00            | 2,555,500.00           |
| 09/01/2023   | -                      | 262,800.00            | 262,800.00             |
| 03/01/2024   | 2,315,000.00           | 262,800.00            | 2,577,800.00           |
| 09/01/2024   | -                      | 204,925.00            | 204,925.00             |
| 03/01/2025   | 9,000,000.00           | 204,925.00            | 9,204,925.00           |
| <b>Total</b> | <b>\$17,450,000.00</b> | <b>\$6,527,898.33</b> | <b>\$23,977,898.33</b> |

Preliminary

**\$17,450,000**

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2015

(Refunding of Series 2007A Bonds, 2007 Capital Outlay Note, & Series 2008A&B)

**Proof Of Bond Yield @ 2.3326629%**

| Date         | Cashflow               | PV Factor  | Present Value          | Cumulative PV |
|--------------|------------------------|------------|------------------------|---------------|
| 02/28/2015   | -                      | 1.000000x  | -                      | -             |
| 09/01/2015   | 381,148.33             | 0.9882801x | 376,681.32             | 376,681.32    |
| 03/01/2016   | 529,900.00             | 0.9768864x | 517,652.10             | 894,333.43    |
| 09/01/2016   | 373,350.00             | 0.9656240x | 360,515.73             | 1,254,849.15  |
| 03/01/2017   | 528,350.00             | 0.9544915x | 504,305.58             | 1,759,154.73  |
| 09/01/2017   | 371,025.00             | 0.9434873x | 350,057.38             | 2,109,212.11  |
| 03/01/2018   | 531,025.00             | 0.9326100x | 495,239.21             | 2,604,451.32  |
| 09/01/2018   | 367,825.00             | 0.9218581x | 339,082.44             | 2,943,533.76  |
| 03/01/2019   | 537,825.00             | 0.9112301x | 490,082.33             | 3,433,616.09  |
| 09/01/2019   | 366,125.00             | 0.9007247x | 329,777.82             | 3,763,393.90  |
| 03/01/2020   | 1,386,125.00           | 0.8903403x | 1,234,123.00           | 4,997,516.91  |
| 09/01/2020   | 340,625.00             | 0.8800757x | 299,775.80             | 5,297,292.71  |
| 03/01/2021   | 1,415,625.00           | 0.8699295x | 1,231,493.92           | 6,528,786.63  |
| 09/01/2021   | 313,750.00             | 0.8599002x | 269,793.69             | 6,798,580.31  |
| 03/01/2022   | 1,443,750.00           | 0.8499865x | 1,227,168.06           | 8,025,748.37  |
| 09/01/2022   | 285,500.00             | 0.8401872x | 239,873.44             | 8,265,621.80  |
| 03/01/2023   | 2,555,500.00           | 0.8305008x | 2,122,344.73           | 10,387,966.53 |
| 09/01/2023   | 262,800.00             | 0.8209261x | 215,739.37             | 10,603,705.90 |
| 03/01/2024   | 2,577,800.00           | 0.8114617x | 2,091,786.03           | 12,695,491.93 |
| 09/01/2024   | 204,925.00             | 0.8021065x | 164,371.68             | 12,859,863.61 |
| 03/01/2025   | 9,204,925.00           | 0.7928591x | 7,298,208.89           | 20,158,072.50 |
| <b>Total</b> | <b>\$23,977,898.33</b> | <b>-</b>   | <b>\$20,158,072.50</b> | <b>-</b>      |

**Derivation Of Target Amount**

|                                  |                 |
|----------------------------------|-----------------|
| Par Amount of Bonds              | \$17,450,000.00 |
| Reoffering Premium or (Discount) | 2,708,072.50    |
| Original Issue Proceeds          | \$20,158,072.50 |

Preliminary

**\$17,450,000**

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2015

(Refunding of Series 2007A Bonds, 2007 Capital Outlay Note, & Series 2008A&B)

### Current Refunding Escrow

| Date         | Principal              | Rate     | Interest            | Receipts               | Disbursements          | Cash Balance |
|--------------|------------------------|----------|---------------------|------------------------|------------------------|--------------|
| 02/28/2015   | -                      | -        | -                   | 995,626.86             | 837,369.59             | 158,257.27   |
| 03/01/2015   | -                      | -        | -                   | -                      | 158,256.25             | 1.02         |
| 08/01/2015   | 191,630.00             | 0.080%   | 24,539.71           | 216,169.71             | 216,168.75             | 1.98         |
| 09/01/2015   | 119,011.00             | 0.100%   | 39,244.68           | 158,255.68             | 158,256.25             | 1.41         |
| 02/01/2016   | 187,074.00             | 0.190%   | 29,094.56           | 216,168.56             | 216,168.75             | 1.22         |
| 03/01/2016   | 119,288.00             | 0.210%   | 38,969.26           | 158,257.26             | 158,256.25             | 2.23         |
| 08/01/2016   | 187,402.00             | 0.350%   | 28,766.32           | 216,168.32             | 216,168.75             | 1.80         |
| 09/01/2016   | 119,412.00             | 0.380%   | 38,844.01           | 158,256.01             | 158,256.25             | 1.56         |
| 02/01/2017   | 10,532,730.00          | 0.540%   | 28,438.37           | 10,561,168.37          | 10,561,168.75          | 1.18         |
| 03/01/2017   | 119,639.00             | 0.570%   | 38,617.14           | 158,256.14             | 158,256.25             | 1.07         |
| 09/01/2017   | 119,980.00             | 0.790%   | 38,276.17           | 158,256.17             | 158,256.25             | 0.99         |
| 03/01/2018   | 7,560,453.00           | 1.000%   | 37,802.26           | 7,598,255.26           | 7,598,256.25           | -            |
| <b>Total</b> | <b>\$19,256,619.00</b> | <b>-</b> | <b>\$342,592.48</b> | <b>\$20,594,838.34</b> | <b>\$20,594,838.34</b> | <b>-</b>     |

#### Investment Parameters

|  |                 |
|--|-----------------|
| Investment Model [PV, GIC, or Securities]          | Securities      |
| Default investment yield target                    | Bond Yield      |
| Cash Deposit                                       | 995,626.86      |
| Cost of Investments Purchased with Bond Proceeds   | 19,256,619.00   |
| Total Cost of Investments                          | \$20,252,245.86 |
| Target Cost of Investments at bond yield           | \$19,580,805.27 |
| Actual positive or (negative) arbitrage            | (671,440.59)    |
| Yield to Receipt                                   | 0.7703355%      |
| Yield for Arbitrage Purposes                       | 2.3326629%      |
| State and Local Government Series (SLGS) rates for | 12/17/2014      |

REF 2005 2007 & 2008 bond | Issue Summary | 12/17/2014 | 11:16 AM

**RAYMOND JAMES**

Preliminary

**\$17,450,000**

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2015

(Refunding of Series 2007A Bonds, 2007 Capital Outlay Note, & Series 2008A&B)

### Escrow Summary Cost

| Maturity        | Type    | Coupon | Yield  | \$ Price     | Par Amount          | Principal Cost         | +Accrued Interest | = Total Cost           |
|-----------------|---------|--------|--------|--------------|---------------------|------------------------|-------------------|------------------------|
| <b>Escrow</b>   |         |        |        |              |                     |                        |                   |                        |
| 08/01/2015      | SLGS-CI | 0.080% | 0.080% | 100.0000000% | 191,630             | 191,630.00             | -                 | 191,630.00             |
| 09/01/2015      | SLGS-CI | 0.100% | 0.100% | 100.0000000% | 119,011             | 119,011.00             | -                 | 119,011.00             |
| 02/01/2016      | SLGS-CI | 0.190% | 0.190% | 100.0000000% | 187,074             | 187,074.00             | -                 | 187,074.00             |
| 03/01/2016      | SLGS-NT | 0.210% | 0.210% | 100.0000000% | 119,288             | 119,288.00             | -                 | 119,288.00             |
| 08/01/2016      | SLGS-NT | 0.350% | 0.350% | 100.0000000% | 187,402             | 187,402.00             | -                 | 187,402.00             |
| 09/01/2016      | SLGS-NT | 0.380% | 0.380% | 100.0000000% | 119,412             | 119,412.00             | -                 | 119,412.00             |
| 02/01/2017      | SLGS-NT | 0.540% | 0.540% | 100.0000000% | 10,532,730          | 10,532,730.00          | -                 | 10,532,730.00          |
| 03/01/2017      | SLGS-NT | 0.570% | 0.570% | 100.0000000% | 119,639             | 119,639.00             | -                 | 119,639.00             |
| 09/01/2017      | SLGS-NT | 0.790% | 0.790% | 100.0000000% | 119,980             | 119,980.00             | -                 | 119,980.00             |
| 03/01/2018      | SLGS-NT | 1.000% | 1.000% | 100.0000000% | 7,560,453           | 7,560,453.00           | -                 | 7,560,453.00           |
| <b>Subtotal</b> | -       | -      | -      | -            | <b>\$19,256,619</b> | <b>\$19,256,619.00</b> | -                 | <b>\$19,256,619.00</b> |
| <b>Total</b>    | -       | -      | -      | -            | <b>\$19,256,619</b> | <b>\$19,256,619.00</b> | -                 | <b>\$19,256,619.00</b> |

#### Escrow

|  |                        |
|--|------------------------|
| Cash Deposit                                     | 995,626.86             |
| Cost of Investments Purchased with Bond Proceeds | 19,256,619.00          |
| <b>Total Cost of Investments</b>                 | <b>\$20,252,245.86</b> |

Delivery Date

2/28/2015

Preliminary

**\$17,450,000**

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2015

(Refunding of Series 2007A Bonds, 2007 Capital Outlay Note, & Series 2008A&B)

## Debt Service To Maturity And To Call

| Date         | Refunded Bonds         | Interest to Call      | D/S To Call            | Principal              | Interest              | Refunded D/S           |
|--------------|------------------------|-----------------------|------------------------|------------------------|-----------------------|------------------------|
| 03/01/2015   | 812,000.00             | 183,625.84            | 995,625.84             | -                      | 158,256.25            | 158,256.25             |
| 03/01/2016   | -                      | 748,850.00            | 748,850.00             | 150,000.00             | 782,304.40            | 932,304.40             |
| 03/01/2017   | 10,345,000.00          | 748,850.00            | 11,093,850.00          | 156,000.00             | 776,124.40            | 932,124.40             |
| 03/01/2018   | 7,440,000.00           | 316,512.50            | 7,756,512.50           | 162,000.00             | 769,697.20            | 931,697.20             |
| 03/01/2019   | -                      | -                     | -                      | 169,000.00             | 763,022.80            | 932,022.80             |
| 03/01/2020   | -                      | -                     | -                      | 1,290,000.00           | 756,060.00            | 2,046,060.00           |
| 03/01/2021   | -                      | -                     | -                      | 1,160,000.00           | 704,250.00            | 1,864,250.00           |
| 03/01/2022   | -                      | -                     | -                      | 1,210,000.00           | 656,400.00            | 1,866,400.00           |
| 03/01/2023   | -                      | -                     | -                      | 2,380,000.00           | 606,487.50            | 2,986,487.50           |
| 03/01/2024   | -                      | -                     | -                      | 2,475,000.00           | 508,312.50            | 2,983,312.50           |
| 03/01/2025   | -                      | -                     | -                      | 2,580,000.00           | 403,125.00            | 2,983,125.00           |
| 03/01/2026   | -                      | -                     | -                      | 2,685,000.00           | 293,475.00            | 2,978,475.00           |
| 03/01/2027   | -                      | -                     | -                      | 2,810,000.00           | 179,362.50            | 2,989,362.50           |
| 03/01/2028   | -                      | -                     | -                      | 1,370,000.00           | 59,937.50             | 1,429,937.50           |
| <b>Total</b> | <b>\$18,597,000.00</b> | <b>\$1,997,838.34</b> | <b>\$20,594,838.34</b> | <b>\$18,597,000.00</b> | <b>\$7,416,815.05</b> | <b>\$26,013,815.05</b> |

### Yield Statistics

|   |             |
|---|-------------|
| Base date for Avg. Life & Avg. Coupon Calculation | 2/28/2015   |
| Average Life                                      | 9.160 Years |
| Average Coupon                                    | 4.2284809%  |
| Weighted Average Maturity (Par Basis)             | 9.160 Years |

### Refunding Bond Information

|                         |           |
|-------------------------|-----------|
| Refunding Dated Date    | 2/28/2015 |
| Refunding Delivery Date | 2/28/2015 |

Preliminary

**\$17,450,000**

City of Kingsport, Tennessee

General Obligation Refunding Bonds, Series 2015

(Refunding of Series 2007A Bonds, 2007 Capital Outlay Note, & Series 2008A&B)

## Summary Of Bonds Refunded

| Issue  | Maturity   | Type   | of Bond | Coupon | Maturity Value      | Call Date  | Call Price |
|--|------------|--------|---------|--------|---------------------|------------|------------|
| <b>Dated 5/25/2007   Delivered 5/25/2007</b> |            |        |         |        |                     |            |            |
| 2007 CON                                     | 05/25/2015 | Serial | Coupon  | 4.120% | 150,000             | 02/28/2015 | 100.000%   |
| 2007 CON                                     | 05/25/2016 | Serial | Coupon  | 4.120% | 156,000             | 02/28/2015 | 100.000%   |
| 2007 CON                                     | 05/25/2017 | Serial | Coupon  | 4.120% | 162,000             | 02/28/2015 | 100.000%   |
| 2007 CON                                     | 05/25/2018 | Serial | Coupon  | 4.120% | 169,000             | 02/28/2015 | 100.000%   |
| 2007 CON                                     | 05/25/2019 | Serial | Coupon  | 4.120% | 175,000             | 02/28/2015 | 100.000%   |
| <b>Subtotal</b>                              | -          | -      | -       | -      | <b>\$812,000</b>    | -          | -          |
| <b>Dated 6/08/2007   Delivered 6/08/2007</b> |            |        |         |        |                     |            |            |
| 2007 GO ADV                                  | 02/01/2020 | Serial | Coupon  | 4.000% | 1,115,000           | 02/01/2017 | 100.000%   |
| 2007 GO ADV                                  | 02/01/2021 | Serial | Coupon  | 4.125% | 1,160,000           | 02/01/2017 | 100.000%   |
| 2007 GO ADV                                  | 02/01/2022 | Serial | Coupon  | 4.125% | 1,210,000           | 02/01/2017 | 100.000%   |
| 2007 GO ADV                                  | 02/01/2023 | Serial | Coupon  | 4.125% | 1,260,000           | 02/01/2017 | 100.000%   |
| 2007 GO ADV                                  | 02/01/2024 | Serial | Coupon  | 4.250% | 1,315,000           | 02/01/2017 | 100.000%   |
| 2007 GO ADV                                  | 02/01/2025 | Serial | Coupon  | 4.250% | 1,370,000           | 02/01/2017 | 100.000%   |
| 2007 GO ADV                                  | 02/01/2026 | Serial | Coupon  | 4.250% | 1,425,000           | 02/01/2017 | 100.000%   |
| 2007 GO ADV                                  | 02/01/2027 | Serial | Coupon  | 4.250% | 1,490,000           | 02/01/2017 | 100.000%   |
| <b>Subtotal</b>                              | -          | -      | -       | -      | <b>\$10,345,000</b> | -          | -          |
| <b>Dated 6/12/2008   Delivered 6/12/2008</b> |            |        |         |        |                     |            |            |
| 2008A GO ADV                                 | 03/01/2023 | Serial | Coupon  | 4.125% | 450,000             | 03/01/2018 | 100.000%   |
| 2008A GO ADV                                 | 03/01/2024 | Serial | Coupon  | 4.250% | 465,000             | 03/01/2018 | 100.000%   |
| 2008A GO ADV                                 | 03/01/2025 | Serial | Coupon  | 4.250% | 485,000             | 03/01/2018 | 100.000%   |
| 2008A GO ADV                                 | 03/01/2026 | Serial | Coupon  | 4.250% | 505,000             | 03/01/2018 | 100.000%   |
| 2008A GO ADV                                 | 03/01/2027 | Serial | Coupon  | 4.250% | 530,000             | 03/01/2018 | 100.000%   |
| 2008A GO ADV                                 | 03/01/2028 | Serial | Coupon  | 4.375% | 550,000             | 03/01/2018 | 100.000%   |
| <b>Subtotal</b>                              | -          | -      | -       | -      | <b>\$2,985,000</b>  | -          | -          |
| <b>Dated 6/12/2008   Delivered 6/12/2008</b> |            |        |         |        |                     |            |            |
| 2008 B GO ADV                                | 03/01/2023 | Serial | Coupon  | 4.125% | 670,000             | 03/01/2018 | 100.000%   |
| 2008 B GO ADV                                | 03/01/2024 | Serial | Coupon  | 4.250% | 695,000             | 03/01/2018 | 100.000%   |
| 2008 B GO ADV                                | 03/01/2025 | Serial | Coupon  | 4.250% | 725,000             | 03/01/2018 | 100.000%   |
| 2008 B GO ADV                                | 03/01/2026 | Serial | Coupon  | 4.250% | 755,000             | 03/01/2018 | 100.000%   |
| 2008 B GO ADV                                | 03/01/2027 | Serial | Coupon  | 4.250% | 790,000             | 03/01/2018 | 100.000%   |
| 2008 B GO ADV                                | 03/01/2028 | Serial | Coupon  | 4.375% | 820,000             | 03/01/2018 | 100.000%   |
| <b>Subtotal</b>                              | -          | -      | -       | -      | <b>\$4,455,000</b>  | -          | -          |
| <b>Total</b>                                 | -          | -      | -       | -      | <b>\$18,597,000</b> | -          | -          |

REF 2005 2007 & 2008 bond | Issue Summary | 12/17/2014 | 11:16 AM

**RAYMOND JAMES**

Preliminary

**City of Kingsport, Tennessee**

General Obligation Capital Outlay Note, Series 2007

5/25/07 - Maturity 5/25/19

**Debt Service To Maturity And To Call**

| Date         | Refunded Bonds      | Refunded Interest  | D/S To Call         | Principal           | Coupon   | Interest            | Refunded D/S        |
|--------------|---------------------|--------------------|---------------------|---------------------|----------|---------------------|---------------------|
| 02/28/2015   | 812,000.00          | 25,369.59          | 837,369.59          | -                   | -        | -                   | -                   |
| 05/25/2015   | -                   | -                  | -                   | 150,000.00          | 4.120%   | 33,454.40           | 183,454.40          |
| 05/25/2016   | -                   | -                  | -                   | 156,000.00          | 4.120%   | 27,274.40           | 183,274.40          |
| 05/25/2017   | -                   | -                  | -                   | 162,000.00          | 4.120%   | 20,847.20           | 182,847.20          |
| 05/25/2018   | -                   | -                  | -                   | 169,000.00          | 4.120%   | 14,172.80           | 183,172.80          |
| 05/25/2019   | -                   | -                  | -                   | 175,000.00          | 4.120%   | 7,210.00            | 182,210.00          |
| <b>Total</b> | <b>\$812,000.00</b> | <b>\$25,369.59</b> | <b>\$837,369.59</b> | <b>\$812,000.00</b> | <b>-</b> | <b>\$102,958.80</b> | <b>\$914,958.80</b> |

**Yield Statistics**

|   |             |
|---|-------------|
| Base date for Avg. Life & Avg. Coupon Calculation | 2/28/2015   |
| Average Life                                      | 2.319 Years |
| Average Coupon                                    | 4.1199998%  |
| Weighted Average Maturity (Par Basis)             | 2.319 Years |

**Refunding Bond Information**

|                         |           |
|-------------------------|-----------|
| Refunding Dated Date    | 2/28/2015 |
| Refunding Delivery Date | 2/28/2015 |

Preliminary

**City of Kingsport, Tennessee**

**\$19,360,000 General Obligation School and Public Improvement Bonds, Series 2007**

**6/8/07 - New Money - 2/1/17 at 100**

**Debt Service To Maturity And To Call**

| Date         | Refunded Bonds         | Refunded Interest   | D/S To Call            | Principal              | Coupon   | Interest              | Refunded D/S           |
|--------------|------------------------|---------------------|------------------------|------------------------|----------|-----------------------|------------------------|
| 02/28/2015   | -                      | -                   | -                      | -                      | -        | -                     | -                      |
| 08/01/2015   | -                      | 216,168.75          | 216,168.75             | -                      | -        | 216,168.75            | 216,168.75             |
| 02/01/2016   | -                      | 216,168.75          | 216,168.75             | -                      | 5.000%   | 216,168.75            | 216,168.75             |
| 08/01/2016   | -                      | 216,168.75          | 216,168.75             | -                      | -        | 216,168.75            | 216,168.75             |
| 02/01/2017   | 10,345,000.00          | 216,168.75          | 10,561,168.75          | -                      | 5.000%   | 216,168.75            | 216,168.75             |
| 08/01/2017   | -                      | -                   | -                      | -                      | -        | 216,168.75            | 216,168.75             |
| 02/01/2018   | -                      | -                   | -                      | -                      | 4.000%   | 216,168.75            | 216,168.75             |
| 08/01/2018   | -                      | -                   | -                      | -                      | -        | 216,168.75            | 216,168.75             |
| 02/01/2019   | -                      | -                   | -                      | -                      | 4.000%   | 216,168.75            | 216,168.75             |
| 08/01/2019   | -                      | -                   | -                      | -                      | -        | 216,168.75            | 216,168.75             |
| 02/01/2020   | -                      | -                   | -                      | 1,115,000.00           | 4.000%   | 216,168.75            | 1,331,168.75           |
| 08/01/2020   | -                      | -                   | -                      | -                      | -        | 193,868.75            | 193,868.75             |
| 02/01/2021   | -                      | -                   | -                      | 1,160,000.00           | 4.125%   | 193,868.75            | 1,353,868.75           |
| 08/01/2021   | -                      | -                   | -                      | -                      | -        | 169,943.75            | 169,943.75             |
| 02/01/2022   | -                      | -                   | -                      | 1,210,000.00           | 4.125%   | 169,943.75            | 1,379,943.75           |
| 08/01/2022   | -                      | -                   | -                      | -                      | -        | 144,987.50            | 144,987.50             |
| 02/01/2023   | -                      | -                   | -                      | 1,260,000.00           | 4.125%   | 144,987.50            | 1,404,987.50           |
| 08/01/2023   | -                      | -                   | -                      | -                      | -        | 119,000.00            | 119,000.00             |
| 02/01/2024   | -                      | -                   | -                      | 1,315,000.00           | 4.250%   | 119,000.00            | 1,434,000.00           |
| 08/01/2024   | -                      | -                   | -                      | -                      | -        | 91,056.25             | 91,056.25              |
| 02/01/2025   | -                      | -                   | -                      | 1,370,000.00           | 4.250%   | 91,056.25             | 1,461,056.25           |
| 08/01/2025   | -                      | -                   | -                      | -                      | -        | 61,943.75             | 61,943.75              |
| 02/01/2026   | -                      | -                   | -                      | 1,425,000.00           | 4.250%   | 61,943.75             | 1,486,943.75           |
| 08/01/2026   | -                      | -                   | -                      | -                      | -        | 31,662.50             | 31,662.50              |
| 02/01/2027   | -                      | -                   | -                      | 1,490,000.00           | 4.250%   | 31,662.50             | 1,521,662.50           |
| <b>Total</b> | <b>\$10,345,000.00</b> | <b>\$864,675.00</b> | <b>\$11,209,675.00</b> | <b>\$10,345,000.00</b> | <b>-</b> | <b>\$3,786,612.50</b> | <b>\$14,131,612.50</b> |

**Yield Statistics**

|   |             |
|---|-------------|
| Base date for Avg. Life & Avg. Coupon Calculation | 2/28/2015   |
| Average Life                                      | 8.642 Years |
| Average Coupon                                    | 4.1993556%  |
| Weighted Average Maturity (Par Basis)             | 8.642 Years |

**Refunding Bond Information**

|                         |           |
|-------------------------|-----------|
| Refunding Dated Date    | 2/28/2015 |
| Refunding Delivery Date | 2/28/2015 |

2007 GO ADV | SINGLE PURPOSE | 12/17/2014 | 11:16 AM

**RAYMOND JAMES**

Preliminary

**City of Kingsport, Tennessee**

**\$7,530,000 General Obligation Bonds, Series 2008A**

**Debt Service To Maturity And To Call**

| Date         | Refunded Bonds        | Refunded Interest   | D/S To Call           | Principal             | Coupon   | Interest              | Refunded D/S          |
|--------------|-----------------------|---------------------|-----------------------|-----------------------|----------|-----------------------|-----------------------|
| 02/28/2015   | -                     | -                   | -                     | -                     | -        | -                     | -                     |
| 03/01/2015   | -                     | 63,493.75           | 63,493.75             | -                     | 4.000%   | 63,493.75             | 63,493.75             |
| 09/01/2015   | -                     | 63,493.75           | 63,493.75             | -                     | -        | 63,493.75             | 63,493.75             |
| 03/01/2016   | -                     | 63,493.75           | 63,493.75             | -                     | 4.000%   | 63,493.75             | 63,493.75             |
| 09/01/2016   | -                     | 63,493.75           | 63,493.75             | -                     | -        | 63,493.75             | 63,493.75             |
| 03/01/2017   | -                     | 63,493.75           | 63,493.75             | -                     | 3.500%   | 63,493.75             | 63,493.75             |
| 09/01/2017   | -                     | 63,493.75           | 63,493.75             | -                     | -        | 63,493.75             | 63,493.75             |
| 03/01/2018   | 2,985,000.00          | 63,493.75           | 3,048,493.75          | -                     | 4.000%   | 63,493.75             | 63,493.75             |
| 09/01/2018   | -                     | -                   | -                     | -                     | -        | 63,493.75             | 63,493.75             |
| 03/01/2019   | -                     | -                   | -                     | -                     | 4.000%   | 63,493.75             | 63,493.75             |
| 09/01/2019   | -                     | -                   | -                     | -                     | -        | 63,493.75             | 63,493.75             |
| 03/01/2020   | -                     | -                   | -                     | -                     | 4.000%   | 63,493.75             | 63,493.75             |
| 09/01/2020   | -                     | -                   | -                     | -                     | -        | 63,493.75             | 63,493.75             |
| 03/01/2021   | -                     | -                   | -                     | -                     | 4.000%   | 63,493.75             | 63,493.75             |
| 09/01/2021   | -                     | -                   | -                     | -                     | -        | 63,493.75             | 63,493.75             |
| 03/01/2022   | -                     | -                   | -                     | -                     | 4.000%   | 63,493.75             | 63,493.75             |
| 09/01/2022   | -                     | -                   | -                     | -                     | -        | 63,493.75             | 63,493.75             |
| 03/01/2023   | -                     | -                   | -                     | 450,000.00            | 4.125%   | 63,493.75             | 513,493.75            |
| 09/01/2023   | -                     | -                   | -                     | -                     | -        | 54,212.50             | 54,212.50             |
| 03/01/2024   | -                     | -                   | -                     | 465,000.00            | 4.250%   | 54,212.50             | 519,212.50            |
| 09/01/2024   | -                     | -                   | -                     | -                     | -        | 44,331.25             | 44,331.25             |
| 03/01/2025   | -                     | -                   | -                     | 485,000.00            | 4.250%   | 44,331.25             | 529,331.25            |
| 09/01/2025   | -                     | -                   | -                     | -                     | -        | 34,025.00             | 34,025.00             |
| 03/01/2026   | -                     | -                   | -                     | 505,000.00            | 4.250%   | 34,025.00             | 539,025.00            |
| 09/01/2026   | -                     | -                   | -                     | -                     | -        | 23,293.75             | 23,293.75             |
| 03/01/2027   | -                     | -                   | -                     | 530,000.00            | 4.250%   | 23,293.75             | 553,293.75            |
| 09/01/2027   | -                     | -                   | -                     | -                     | -        | 12,031.25             | 12,031.25             |
| 03/01/2028   | -                     | -                   | -                     | 550,000.00            | 4.375%   | 12,031.25             | 562,031.25            |
| <b>Total</b> | <b>\$2,985,000.00</b> | <b>\$444,456.25</b> | <b>\$3,429,456.25</b> | <b>\$2,985,000.00</b> | <b>-</b> | <b>\$1,415,181.25</b> | <b>\$4,400,181.25</b> |

**Yield Statistics**

|   |              |
|---|--------------|
| Base date for Avg. Life & Avg. Coupon Calculation | 2/28/2015    |
| Average Life                                      | 10.628 Years |
| Average Coupon                                    | 4.2639907%   |
| Weighted Average Maturity (Par Basis)             | 10.628 Years |

**Refunding Bond Information**

|                         |           |
|-------------------------|-----------|
| Refunding Dated Date    | 2/28/2015 |
| Refunding Delivery Date | 2/28/2015 |

2008A GO ADV | SINGLE PURPOSE | 12/17/2014 | 11:16 AM

**RAYMOND JAMES**

Preliminary

**City of Kingsport, Tennessee**

**\$11,265,000 General Obligation Bonds, Series 2008B**

**Debt Service To Maturity And To Call**

| Date         | Refunded Bonds        | Refunded Interest   | D/S To Call           | Principal             | Coupon   | Interest              | Refunded D/S          |
|--------------|-----------------------|---------------------|-----------------------|-----------------------|----------|-----------------------|-----------------------|
| 02/28/2015   | -                     | -                   | -                     | -                     | -        | -                     | -                     |
| 03/01/2015   | -                     | 94,762.50           | 94,762.50             | -                     | 4.000%   | 94,762.50             | 94,762.50             |
| 09/01/2015   | -                     | 94,762.50           | 94,762.50             | -                     | -        | 94,762.50             | 94,762.50             |
| 03/01/2016   | -                     | 94,762.50           | 94,762.50             | -                     | 4.000%   | 94,762.50             | 94,762.50             |
| 09/01/2016   | -                     | 94,762.50           | 94,762.50             | -                     | -        | 94,762.50             | 94,762.50             |
| 03/01/2017   | -                     | 94,762.50           | 94,762.50             | -                     | 3.500%   | 94,762.50             | 94,762.50             |
| 09/01/2017   | -                     | 94,762.50           | 94,762.50             | -                     | -        | 94,762.50             | 94,762.50             |
| 03/01/2018   | 4,455,000.00          | 94,762.50           | 4,549,762.50          | -                     | 4.000%   | 94,762.50             | 94,762.50             |
| 09/01/2018   | -                     | -                   | -                     | -                     | -        | 94,762.50             | 94,762.50             |
| 03/01/2019   | -                     | -                   | -                     | -                     | 4.000%   | 94,762.50             | 94,762.50             |
| 09/01/2019   | -                     | -                   | -                     | -                     | -        | 94,762.50             | 94,762.50             |
| 03/01/2020   | -                     | -                   | -                     | -                     | 4.000%   | 94,762.50             | 94,762.50             |
| 09/01/2020   | -                     | -                   | -                     | -                     | -        | 94,762.50             | 94,762.50             |
| 03/01/2021   | -                     | -                   | -                     | -                     | 4.000%   | 94,762.50             | 94,762.50             |
| 09/01/2021   | -                     | -                   | -                     | -                     | -        | 94,762.50             | 94,762.50             |
| 03/01/2022   | -                     | -                   | -                     | -                     | 4.000%   | 94,762.50             | 94,762.50             |
| 09/01/2022   | -                     | -                   | -                     | -                     | -        | 94,762.50             | 94,762.50             |
| 03/01/2023   | -                     | -                   | -                     | 670,000.00            | 4.125%   | 94,762.50             | 764,762.50            |
| 09/01/2023   | -                     | -                   | -                     | -                     | -        | 80,943.75             | 80,943.75             |
| 03/01/2024   | -                     | -                   | -                     | 695,000.00            | 4.250%   | 80,943.75             | 775,943.75            |
| 09/01/2024   | -                     | -                   | -                     | -                     | -        | 66,175.00             | 66,175.00             |
| 03/01/2025   | -                     | -                   | -                     | 725,000.00            | 4.250%   | 66,175.00             | 791,175.00            |
| 09/01/2025   | -                     | -                   | -                     | -                     | -        | 50,768.75             | 50,768.75             |
| 03/01/2026   | -                     | -                   | -                     | 755,000.00            | 4.250%   | 50,768.75             | 805,768.75            |
| 09/01/2026   | -                     | -                   | -                     | -                     | -        | 34,725.00             | 34,725.00             |
| 03/01/2027   | -                     | -                   | -                     | 790,000.00            | 4.250%   | 34,725.00             | 824,725.00            |
| 09/01/2027   | -                     | -                   | -                     | -                     | -        | 17,937.50             | 17,937.50             |
| 03/01/2028   | -                     | -                   | -                     | 820,000.00            | 4.375%   | 17,937.50             | 837,937.50            |
| <b>Total</b> | <b>\$4,455,000.00</b> | <b>\$663,337.50</b> | <b>\$5,118,337.50</b> | <b>\$4,455,000.00</b> | <b>-</b> | <b>\$2,112,062.50</b> | <b>\$6,567,062.50</b> |

**Yield Statistics**

|   |              |
|---|--------------|
| Base date for Avg. Life & Avg. Coupon Calculation | 2/28/2015    |
| Average Life                                      | 10.628 Years |
| Average Coupon                                    | 4.2639957%   |
| Weighted Average Maturity (Par Basis)             | 10.628 Years |

**Refunding Bond Information**

|                         |           |
|-------------------------|-----------|
| Refunding Dated Date    | 2/28/2015 |
| Refunding Delivery Date | 2/28/2015 |

2008 B GO ADV | SINGLE PURPOSE | 12/17/2014 | 11:16 AM

**RAYMOND JAMES**

*In the opinion of Adams and Reese LLP, Bond Counsel, under existing law and assuming compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion, under existing law, that the Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation in the State of Tennessee, except for inheritance, transfer, and estate taxes and except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law. See "LEGAL MATTERS—Tax Matters" herein.*

**\$17,695,000**

**CITY OF KINGSPORT, TENNESSEE**  
**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015**

Dated: Delivery Date

Due: March 1<sup>st</sup> (as shown blow)

The \$17,695,000 General Obligation Refunding Bonds, Series 2015 (the "Bonds") of the City of Kingsport, Tennessee (the "Municipality") shall be issued as fully registered in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semiannually from the date thereof commencing on September 1, 2015 and thereafter on each March 1<sup>st</sup> and September 1<sup>st</sup> to the owners thereof as shown on the books and records at the principal corporate trust office of Regions Bank, Nashville, Tennessee, the registration, paying and escrow agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable by check or draft at the principal corporate office of the Registration Agent.

The Bonds are payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the prompt payment of the Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality is irrevocably pledged.

The Bonds are subject to redemption as described herein.

| <u>Due</u> | <u>Bonds</u> | <u>Rate</u> | <u>Yield</u> | <u>Due</u> | <u>Bonds</u> | <u>Rate</u> | <u>Yield</u> |    |
|------------|--------------|-------------|--------------|------------|--------------|-------------|--------------|----|
| 2016       | \$145,000    | 2.000%      | 0.350%       | 2023       | \$2,300,000  | 4.000%      | 1.750%       |    |
| 2017       | 150,000      | 3.000%      | 0.600%       | 2024       | 2,390,000    | 4.000%      | 1.900%       |    |
|            |              |             |              | 2025       | 2,485,000    | 4.000%      | 2.000%       |    |
| 2019       | 160,000      | 3.000%      | 1.000%       | 2026       | 2,580,000    | 4.000%      | 2.150%       | C1 |
| 2020       | 1,220,000    | 4.000%      | 1.150%       | 2027       | 2,695,000    | 3.000%      | 2.300%       | C2 |
| 2021       | 1,100,000    | 4.000%      | 1.350%       | 2028       | 1,325,000    | 3.000%      | 2.400%       | C2 |
| 2022       | 1,145,000    | 4.000%      | 1.550%       |            |              |             |              |    |

C1 = Priced to the optional redemption date of March 1, 2025 at a price of 101%  
 C2 = Priced to the optional redemption date of March 1, 2026 at a price of 100%

This cover page and the inside cover page contain certain information for quick reference only. They are not a summary of this issue. Investors must read the entire *Official Statement* to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Adams and Reese LLP, Nashville, Tennessee, Bond Counsel. Certain matters will be passed upon for the Municipality by J. Michael Billingsley, Esq., City Attorney. The Bonds are expected to be available for delivery through the facilities of The Depository Trust Company, New York, New York on or about February 6, 2015.

This *Official Statement* speaks only as of its date, and the information contained herein is subject to change.

This *Official Statement* may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this *Official Statement*, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this *Official Statement*. The Municipality disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Municipality's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This *Official Statement* and the Appendices hereto contain brief descriptions of, among other matters, the Municipality, the Bonds, the Resolution (as defined herein), the Disclosure Certificate, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolutions, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Bonds have not been registered under the Securities Act of 1933 and the Resolution have not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This *Official Statement* does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Municipality or the Financial Advisor to give any information or to make any representations other than those contained in this *Official Statement*, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Municipality or Financial Advisor. Except where otherwise indicated, all information contained in this *Official Statement* has been provided by the Municipality. The information set forth herein has been obtained by the Municipality from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor. The information contained herein is subject to change without notice, and neither the delivery of this *Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Municipality, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

| <b><u>Due</u></b> | <b><u>Bonds</u></b> | <b><u>Rate</u></b> | <b><u>CUSIP</u></b> <sup>1</sup> | <b><u>Due</u></b> | <b><u>Bonds</u></b> | <b><u>Rate</u></b> | <b><u>CUSIP</u></b> <sup>1</sup> |
|-------------------|---------------------|--------------------|----------------------------------|-------------------|---------------------|--------------------|----------------------------------|
| 2016              | \$ 145,000          | 2.000%             | 496443 NZ1                       | 2023              | \$2,300,000         | 4.000%             | 496443 PF3                       |
| 2017              | 150,000             | 3.000%             | 496443 PA4                       | 2024              | 2,390,000           | 4.000%             | 496443 PG1                       |
|                   |                     |                    |                                  | 2025              | 2,485,000           | 4.000%             | 496443 PH9                       |
| 2019              | 160,000             | 3.000%             | 496443 PB2                       | 2026              | 2,580,000           | 4.000%             | 496443 PJ5                       |
| 2020              | 1,220,000           | 4.000%             | 496443 PC0                       | 2027              | 2,695,000           | 3.000%             | 496443 PK2                       |
| 2021              | 1,100,000           | 4.000%             | 496443 PD8                       | 2028              | 1,325,000           | 3.000%             | 496443 PL0                       |
| 2022              | 1,145,000           | 4.000%             | 496443 PE6                       |                   |                     |                    |                                  |

<sup>(1)</sup> CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc., and are included solely for convenience of the Bondholders. The Municipality is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

**CITY OF KINGSPORT, TENNESSEE**

**BOARD OF MAYOR AND ALDERMEN**

|                    |                                |
|--------------------|--------------------------------|
| Dennis R. Phillips | <i>Mayor</i>                   |
| Mike McIntire      | <i>Vice Mayor and Alderman</i> |
| John Clark         | <i>Alderman</i>                |
| Colette George     | <i>Alderman</i>                |
| Andy Hall          | <i>Alderman</i>                |
| Tom C. Parham      | <i>Alderman</i>                |
| Tom Segelhorst     | <i>Alderman</i>                |

**OFFICIALS**

|                              |   |
|------------------------------|---|
| T. Jeffrey Fleming           | <i>City Manager</i>                           |
| Christopher W. McCartt       | <i>Assistant City Manager- Administration</i> |
| Ryan O. McReynolds           | <i>Assistant City Manager- Operations</i>     |
| James H. Demming, CPA        | <i>City Recorder/CFO</i>                      |
| J. Michael Billingsley, Esq. | <i>City Attorney</i>                          |
| Dr. Lyle C. Ailshie          | <i>Superintendent of Schools</i>              |

**REGISTRATION, PAYING, ESCROW AND DISSEMINATION AGENT**

Regions Bank  
Nashville, Tennessee

**BOND COUNSEL**

Adams and Reese LLP  
Nashville, Tennessee

**UNDERWRITER**

UBS Financial Services  
Weehawken, New Jersey

**FINANCIAL ADVISOR**

Raymond James & Associates, Inc.  
Nashville, Tennessee



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**APPENDIX D: COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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## SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement*.

The Issuer..... City of Kingsport, Tennessee (the "Municipality" or the "Issuer").

See the section entitled "Supplemental Information Statement" (APPENDIX B) for more information.

Securities Offered \$17,695,000 General Obligation Refunding Bonds, Series 2015 (the "Bonds") of the City of Kingsport, Tennessee (the "Municipality"). The Bonds are dated the date of issuance (February 6, 2015). The Bonds will mature each March 1<sup>st</sup> beginning March 1, 2016 through March 1, 2017 and on March 1, 2019 through March 1, 2028, inclusive.

See the section entitled "SECURITIES OFFERED – Authority and Purpose".

Purpose ..... The Bonds, which are issued for the purposes of (1) providing funds to refund the outstanding maturities of (a) those certain General Obligation Capital Outlay Notes, Series 2007, dated May 25, 2007, issued in the original principal amount of \$1,600,000 (the "Notes"), (b) those certain General Obligation School and Public Improvement Bonds, Series 2007, dated June 8, 2007, issued in the original principal amount of \$19,360,000 (the "Series 2007 Bonds"), (c) those certain General Obligation Public Improvement and Refunding Bonds, Series 2008, dated June 12, 2008, issued in the original principal amount of \$7,480,000 (the "Series 2008A Bonds"), and (d) those certain General Obligation Bonds, Series 2008, dated June 12, 2008, issued in the original principal amount of \$11,165,000 (the "Series 2008B Bonds") (the Notes, the Series 2007 Bonds, the Series 2008A Bonds, and the Series 2008B Bonds herein collectively referred to as the "Refunded Bonds"); and (2) paying costs incident to the issuance and sale of the Bonds.

See the section entitled "SECURITIES OFFERED – Authority and Purpose and Refunding Plan" for additional information.

Security ..... The Bonds are payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the prompt payment of the Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality is irrevocably pledged.

See the section entitled "SECURITIES OFFERED – Security" for additional information.

Optional Redemption..... Bonds maturing on or before March 1, 2025, are not subject to redemption prior to maturity. Bonds maturing on and after March 1, 2026, are subject to redemption prior to maturity on March 1, 2025, and at any time thereafter, at the option of the Municipality, as a whole or in part, in integral multiples of \$5,000 (less than Bonds of a single maturity to be selected by lot by the Registration Agent), at the price of 101 percent of par through February 28, 2026, and thereafter at the price of 100 percent of par, plus accrued interest to the date fixed for redemption.

See the section entitled “SECURITIES OFFERED – Redemption – *Optional*” for additional information.

Ratings..... Moody’s – “Aa2” (Negative Outlook) and Standard & Poor’s – “AA” (Stable).

See the section entitled “MISCELLANEOUS – Ratings” for more information.

Book-Entry Only ..... The Bonds will be issued under the Book-Entry-Only System.

For additional information, see the section entitled “BASIC DOCUMENTATION – Book-Entry-Only System.”

Underwriter..... UBS Financial Services, Weehawken, New Jersey (the “Underwriter”).

See the section entitled “MISCELLANEOUS – Competitive Public Sale” for additional information.

Financial Advisor ..... Raymond James & Associates, Inc., Nashville, Tennessee (“Raymond James” or the “Financial Advisor”).

See the section entitled “MISCELLANEOUS - Financial Professionals”.

Registration, Paying and Escrow

Agent..... Regions Bank, Nashville, Tennessee (the “Registration Agent”).

Dissemination Agent ..... Regions Bank, Nashville, Tennessee.

General ..... The Bonds are being issued in full compliance with Title 9, Chapter 21, Parts 1, 2 and 9 *Tennessee Code Annotated*, as supplemented and revised and a resolution approved by the Board of Mayor and Aldermen of the Municipality. The Bonds will be issued with CUSIP numbers through the facilities of The Depository Trust Company, New York, New York.

See the section entitled “SECURITIES OFFERED – Authority and Purpose” for more information.

Tax Matters..... In the opinion of Bond Counsel, under existing law and assuming compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion, under existing law, that the Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation in the State of Tennessee, except for inheritance, transfer, and estate taxes and except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law. See “LEGAL MATTERS—Tax Matters” herein. See also “APPENDIX A: Form of Legal Opinion” included herein.

Disclosure ..... In accordance with Rule 15c2-12 of the Securities and Exchange Commission as amended, the Municipality will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State information depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports.

See the section entitled “MISCELLANEOUS - Continuing Disclosure” and “APPENDIX C: Form of the Continuing Disclosure Certificate”.

Other Information ..... The information in the Official Statement is deemed "final" within the meaning of Rule 15c2-12(b)(5) of the SEC (the “Rule”). For more information concerning the Municipality or the Official Statement, contact Mr. James H. Demming, CPA, City Recorder and Chief Financial Officer, City of Kingsport, City Hall, 225 West Center Street, Kingsport, Tennessee 37660. Telephone: 423.229.9400 or the Financial Advisor, Raymond James & Associates, Inc., One Burton Hills Blvd. - Suite 225, Nashville, Tennessee 37215-6299, Telephone: 615.665.6920 or 800.764.1002.

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**\$17,695,000**  
**CITY OF KINGSPORT, TENNESSEE**

**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015**

**SECURITIES OFFERED**

**AUTHORITY AND PURPOSE**

This *Official Statement* (including the Summary Statement and appendices) is furnished in connection with the offering by the City of Kingsport, Tennessee (the "Municipality" or the "Issuer") of \$17,695,000 General Obligation Refunding Bonds, Series 2015 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, Parts 1, 2 and 9, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to a resolution (the "Resolution") duly adopted by the Board of Mayor and Aldermen of the Municipality (the "Governing Body") on January 20, 2015.

The Bonds, which are issued for the purposes of (1) providing funds to refund the outstanding maturities of (a) those certain General Obligation Capital Outlay Notes, Series 2007, dated May 27, 2007, issued in the original principal amount of \$1,600,000 (the "Notes"), (b) those certain General Obligation School and Public Improvement Bonds, Series 2007, dated June 8, 2007, issued in the original principal amount of \$19,360,000 (the "Series 2007 Bonds"), (c) those certain General Obligation Public Improvement and Refunding Bonds, Series 2008, dated June 12, 2008, issued in the original principal amount of \$7,480,000 (the "Series 2008A Bonds"), and (d) those certain General Obligation Bonds, Series 2008, dated June 12, 2008, issued in the original principal amount of \$11,165,000 (the "Series 2008B Bonds") (the Notes, the Series 2007 Bonds, the Series 2008A Bonds, and the Series 2008B Bonds herein collectively referred to as the "Refunded Bonds"); and (2) paying costs incident to the issuance and sale of the Bonds.

See the subsection entitled "Refunding Plan" in this section for additional information.

**DESCRIPTION OF THE BONDS**

The Bonds initially will be dated the date of their issuance estimated to be February 6, 2015. Interest on the Bonds will be payable semiannually on March 1<sup>st</sup> and September 1<sup>st</sup>, commencing September 1, 2015. The Bonds will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds.

In the event that any amount payable on any Bond as interest shall at any time exceed the rate of interest lawfully chargeable thereon under applicable law, then any such excess shall, to the extent of such excess, be applied against the principal of such Bonds as a prepayment thereof without penalty, and such excess shall not be considered to be interest. All rates of interest

specified herein shall be computed on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each.

The principal of and all installments of interest on any Bond shall bear interest from and after their respective due dates at a rate of interest equal to the rate of interest payable on the principal of such Bond.

Interest on the Bonds shall be payable by check or other form of draft of the Registration Agent deposited by the Registration Agent in the United States mail, first class postage prepaid, in sealed envelopes, addressed to the Owners of the Bonds, as of the applicable Interest Payment Date, at their respective addresses as shown on the registration books of the Municipality maintained by the Registration Agent as of the close of business on the fifteenth (15th) calendar day of the month next preceding the applicable Interest Payment Date (the “Regular Record Date”). The principal or redemption price, if any, of all Bonds shall be payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Registration Agent. All payments of the principal of and interest on the Bonds shall be made in any coin or currency of the United States of America which, on the date of payment thereof, shall be legal tender for the payment of public and private debts.

See the section entitled “BASIC DOCUMENTATION - Book-Entry-Only System”, “Special Record Date” and the “Registration Agent” for additional information.

**REFUNDING PLAN**

As required by prevailing State statutes, the Municipality submitted a Refunding Plan (the “Plan”) and a request for approval of “balloon indebtedness” (the “Request”) pertaining to the transaction to the Director of State and Local Finance in the Tennessee Comptroller of the Treasury’s office (the “Director”) who reported directly to the Municipality on the Plan and approved the Request prior to formal action by the Governing Body authorizing the sale and issuance of the Bonds.

*Refunded Bonds.* Previously, the Municipality authorized, issued and delivered the following:

| <u>Issue</u>  | <u>Dated Date</u> | <u>Maturities Refunded</u> | <u>Redemption Date</u> | <u>Type</u> |
|---|-------------------|----------------------------|------------------------|-------------|
| General Obligation Capital Outlay Notes, Series 2007      | 06/12/2007        | 06/12/2015 – 06/12/2019    | Anytime                | Current     |
| G. O. School and Public Improvement Bonds, Series 2007    | 06/08/2007        | 02/01/2020 – 02/01/2027    | 02/01/2017             | Advance     |
| G. O. Public Improvement and Refunding Bonds, Series 2008 | 06/12/2008        | 03/01/2023 – 03/01/2028    | 03/01/2018             | Advance     |
| General Obligation Bonds, Series 2008                     | 06/12/2008        | 03/01/2023 – 03/01/2028    | 03/01/2018             | Advance     |

Consistent with the Municipality’s formal Debt Management Plan, the strategy developed under the “Refunding Plan” was to refund the Refunded Bonds as soon as permissible in order to achieve measurable annual net aggregate and net present value savings by taking advantage of more favorable interest rates in the current market.

Pursuant to the terms and conditions of the resolutions authorizing the Refunded Bonds, those obligations will be called for redemption on their first optional redemption date or as soon as practical thereafter. A portion of the proceeds from the Bonds will be deposited into an irrevocable escrow fund held by Registration Agent acting in its role of escrow agent (the “Escrow Agent”) to advance refund the Municipality’s General Obligation School and Public Improvement Bonds, Series 2007; its General Obligation Public Improvement and Refunding Bonds, Series 2008; and its General Obligation Bonds, Series 2008 (collectively, the “Advance Refunded Bonds”). Consistent with the resolutions authorizing the sale and issuance of the Advance Refunded Bonds, such proceeds will be invested in eligible U.S. Treasury obligations selected pursuant to the aforementioned resolutions, prevailing State law and other regulations. Proceeds from these investments along with proceeds of the Bonds will be structured and sized sufficiently to retire and extinguish all debt associated with the Advance Refunded Bonds on the date of closing. An independent verification of such sufficiency will be conducted and an opinion provided at closing by the Municipality’s Verification Agent as described in the following section.

In addition to providing for costs associated with the sale and issuance of the Bonds, the remaining proceeds of the Bonds will be used by the Municipality to redeem and retire on or about the issuance date of the Bonds on a current basis the Municipality’s outstanding General Obligation Capital Outlay Notes, Series 2007 described above.

See the sections entitled “BASIC DOCUMENTATION – Disposition of Proceeds” and “MISCELLANEOUS – Financial Professionals” for additional information.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Grant Thornton LLP (the “Verification Agent”), a firm of independent public accountants, will deliver to the Municipality, on or before the date of issuance of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrow Investments, to pay, when due, the maturing principal of and interest on the Advance Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by the Municipality and its representatives. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the Municipality and its representatives and has not evaluated or examined the assumptions or information used in the computations.

## **SECURITY AND SOURCES OF PAYMENT**

The Bonds are payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the

prompt payment of the Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality is irrevocably pledged.

For the purpose of providing for the payment of the principal of and interest on, the Bonds, to the extent necessary, there shall be levied in each year in which such Bonds shall be outstanding a direct tax on all taxable property in the Municipality, fully sufficient, to pay all such principal and interest falling due prior to the time of collection of the next succeeding tax levy. Said tax shall be assessed, collected, and paid at the time, and in the same manner, as the other taxes of said Municipality, shall be in addition to all other taxes, and shall be without limitation as to time, rate, or amount. The Governing Body of the Municipality is required by law and shall and does pledge to levy such tax. Principal and interest, or any of the foregoing, falling due at any time when there shall be insufficient funds on hand from such tax levy for the payment thereof shall be paid from the General Fund or other available funds of the Municipality, but reimbursement therefor may be made from the taxes herein provided when the same shall have been collected. Such taxes levied and collected therefor shall be deposited in the General Fund of the Municipality, and used solely for the payment of principal and interest on the Bonds as the same shall become due.

**REDEMPTION**

*Optional Redemption.* The Bonds maturing on or before March 1, 2025 are not subject to redemption prior to maturity. The Bonds maturing on or after March 1, 2026, are subject to redemption prior to maturity on March 1, 2025, and at any time thereafter, at the option of the Municipality, as a whole or in part, in integral multiples of Five Thousand Dollars (\$5,000) (less than all Bonds of a single maturity to be selected by lot by the Registration Agent), at the respective redemption prices, expressed as a percentage of principal amount, set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Dates (Inclusive)</u>     | <u>Redemption Price</u> |
|---|-------------------------|
| March 1, 2025 through February 28, 2026 | 101%                    |
| March 1, 2026 and thereafter            | 100%                    |

If notice of redemption shall have been given in the manner and under the conditions provided herein and if on the date so designated for redemption the Registration Agent shall hold sufficient monies to pay the redemption price of, and interest to the redemption date on, the Bonds to be redeemed as provided in the Resolution, then: (1) the Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds on such date; (2) interest on the Bonds so called for redemption shall cease to accrue; and, (3) such Bonds shall no longer be outstanding or secured by, or be entitled to, the benefits of the Resolution, except to receive payment of the redemption price thereof and interest thereon from monies then held by the Registration Agent.

Prior to any redemption date, the Municipality shall deposit with the Registration Agent an amount of money sufficient to pay the redemption price of all of the Bonds which are to be redeemed on that date.

If on the redemption date, monies for the redemption of all the Bonds or portions thereof to be redeemed, together with interest thereon to the redemption date, shall not be held by the

Registration Agent so as to be available therefor on such date, the Bonds or portions thereof so called for redemption shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and shall continue to be secured by and be entitled to the benefits of the Resolution.

In case any Bond is of a denomination larger than \$5,000, a portion of such Bond - \$5,000 or any integral multiple thereof - may be redeemed, but the Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. In selecting Bonds for redemption, the Municipality shall treat the Bonds as representing that number of Bonds which is obtained by dividing the principal amount of the Bond by \$5,000. If part but not all of a Bond shall be selected for redemption, the Owner thereof or his, her, or its legal representative shall present and surrender such Bond to the Registration Agent for payment of the principal amount thereof so called for redemption and the premium, if any, on such principal amount thereof so called for redemption, and the Municipality shall execute and the Registration Agent shall authenticate and deliver to such Owner or legal representative, without charge therefor, for the unredeemed portion of the Bond surrendered, a Bond of the same maturity, bearing the same interest rate, and of authorized denomination or denominations.

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## **BASIC DOCUMENTATION**

### **REGISTRATION AGENT**

Regions Bank (the “Registration Agent”) or the Municipality will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Municipality in respect of such Bonds to the extent of the payments so made. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

### **BOOK-ENTRY-ONLY SYSTEM**

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the “Book-Entry-Only System”). One or more fully-registered bond certificates will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

*DTC and its Participants.* DTC is a limited-purpose trust company organized under the New York Bank Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for securities that its participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry-only changes in DTC Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of its Direct Participants and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (the “NSCC”, “GSCC”, “MBSCC”, and “EMCC”, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc. (the “NYSE”), the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship

with a Direct DTC Participant, either directly or indirectly (the “Indirect Participants” and, together with the Direct Participants, the “Participants”). DTC has S&P’s highest Ratings: “AAA.” The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

*Purchase of Ownership Interests.* Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (a “beneficial owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through whom such beneficial owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the Bonds, except as specifically provided in the Bonds in the event that use of the book-entry-only system is discontinued.

*Payments of Principal and Interest.* Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC’s records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the Municipality or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

*Notices.* Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. Beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to beneficial owners, or in the alternative, beneficial owners may wish to provide their names and addresses to the Registration Agent and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each

Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Municipality as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE MUNICIPALITY, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

*Transfers of Bonds.* To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the beneficial owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

*Discontinuance of Book-Entry-Only System.* In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the Municipality determines to discontinue the Book-Entry System, the Book-Entry System shall be discontinued. Upon the occurrence of the event described above, the Municipality will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

*No Assurance Regarding DTC Practices.* The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Municipality believes to be reliable, but the Municipality, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds. None of the Municipality, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, payments or the providing of notice to Direct Participants, the Indirect Participants or the beneficial owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolutions. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

### **SPECIAL RECORD DATE**

Any interest on any of the Bonds which is payable but is not punctually paid or duly provided for on any Interest Payment Date on which interest is due (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the Owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by check or other form of draft of the Registration Agent to the persons in whose names the Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Municipality shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Municipality shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangement satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten (10) calendar days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall be not more than fifteen (15) nor less than ten (10) calendar days prior to the date of the proposed payment to the Owners. The Registration Agent shall promptly notify the Municipality of such Special Record Date and, in the name and at the expense of the Municipality, not less than ten (10) calendar days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Owner at the address thereof as it appears in the registration books of the Municipality maintained by the Registration Agent as of the date of such notice. Nothing contained in the Resolutions or in the Bonds shall impair any statutory or other rights in law or in equity of any Owner arising as a result of the failure of the Municipality to punctually pay or duly provide for the payment of principal of and interest on, the Bonds when due.

### **TRANSFER AND EXCHANGE**

The Bonds are transferable only by presentation at the office of the Registration Agent, by the registered owner or their legal representative duly authorized in writing, of the registered Bond(s) to be transferred with the form of assignment completed in full and signed with the name of the registered owner as it appears upon the face of the Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Bond(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Bonds to the assignee(s) in \$5,000 denominations, or integral multiples thereof, as requested by the registered owner requesting transfer. No charge shall be made to any registered owner for the privilege of transferring any Bond, provided that any transfer tax relating to such transaction shall be paid by the owner requesting transfer. The Registration Agent

shall not be required to transfer or exchange any Bond during the fifteen calendar days next preceding an Interest Payment Date or the first mailing of any notice of redemption or with respect to any Bond, after such Bond has been called for redemption. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bonds shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of Bonds of the same maturity in any authorized denomination or denominations.

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## SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds relating to the proceeds from the Bonds:

|   | <u>Bonds</u>           |
|---|------------------------|
| <b><u>Sources of Funds:</u></b>               |                        |
| Par Amount                                    | \$17,695,000.00        |
| Plus: Net Premium                             | 2,516,265.50           |
| Plus: Transfers from Refunded Bonds D/S Funds | <u>341,710.65</u>      |
| TOTAL SOURCES:                                | <u>\$20,552,975.85</u> |
| <b><u>Uses of Funds:</u></b>                  |                        |
| Deposit – 2015 Escrow Fund                    | \$19,409,014.08        |
| Retire Notes                                  | 833,745.36             |
| Underwriter’s Discount                        | 194,645.00             |
| Costs of Issuance                             | <u>115,571.41</u>      |
| TOTAL USES:                                   | <u>\$20,552,975.85</u> |

## DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds and certain other funds shall be used and applied as follows:

(a) Such amount as is necessary from the principal proceeds, and premium received, if any, from the sale of the Bonds shall be deposited (i) with the Escrow Agent under the Escrow Agreement to be invested as set forth therein to provide for the payment of the principal of, interest on, and redemption premium, if any, in connection with the Advance Refunded Bonds and (ii) with the Municipality to be used to immediately pay and retire the current Refunded Bonds.

(b) Any amounts remaining from the principal proceeds of the sale of the Bonds shall be used for the purpose of paying the costs incurred in connection with the issuance of the Bonds.

## DISCHARGE AND SATISFACTION OF BONDS

If the Municipality shall pay and discharge the entire indebtedness evidenced by any of the Bonds in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of, premium, if any, and interest on, the Bonds, as and when the same become due and payable;

(b) By depositing or causing to be deposited with any trust company or bank whose deposits are insured by the Federal Deposit Insurance Corporation and which has trust powers (“a Trustee”; which Trustee may be the Registration Agent), in trust, at or before the date of maturity or redemption, sufficient monies or Government Obligations, the principal of and

interest on which, when due and payable, will provide sufficient monies to pay or redeem the Bonds Outstanding hereunder and to pay premium, if any, and interest thereon when due until the maturity or redemption date; provided, if such Bonds are to be redeemed prior to the maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice; or,

(c) By delivering such Bonds to the Registration Agent, for cancellation by such Registration Agent.

If the Municipality shall also pay or cause to be paid all other sums payable hereunder by the Municipality with respect to such Bonds, or make adequate provision therefor, and by resolution of the Board instruct any such Trustee to pay amounts when and as required to the Registration Agent for the payment of principal of, premium, if any, and interest on, such Bonds when due, then and in that case indebtedness evidenced by such Bonds shall be discharged and satisfied, and all covenants, agreements, and obligations of the Municipality to the owners of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate, and become void.

If the Municipality shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the Owners thereof shall thereafter be entitled only to payment out of the monies or Government Obligations deposited as aforesaid.

Except as otherwise provided herein neither Government Obligations nor monies deposited with the Registration Agent nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on, said Bonds; provided that any cash received from such principal or interest payments on such Government Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Municipality as received by the Registration Agent, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal of, premium, if any, and interest, to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Municipality, as received by the Registration Agent.

Nothing contained herein shall be construed to alter or change the redemption provisions set forth herein. No redemption privilege shall be exercised with respect to the Bonds except at the option and election of the Municipality. The optional right of redemption shall not be exercised by the Registration Agent unless expressly so directed by an Authorized Representative of the Municipality.

## LEGAL MATTERS

### LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the Municipality to sell or issue the Bonds or levy and collect ad valorem taxes. See the subsection in this section entitled Closing Certificates for additional information.

The Municipality, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. After reviewing the current status of all pending and threatened litigation except as specifically described below, the Municipality believes that, while the outcome of any litigation cannot be predicted, the final settlement of all lawsuits that have been filed and of any actions or claims presently pending or threatened against the Municipality or its officials in such capacity are adequately covered by insurance or by sovereign immunity or will not have an adverse effect upon the Municipality's financial condition.

Sullivan County, Tennessee and The Sullivan County Board of Education as Plaintiffs ("Plaintiffs") filed Civil Action No. K0039409(c) on May 5, 2014 against the Municipality as Defendant in the Chancery Court for Sullivan County, Tennessee. The lawsuit concerns the interpretation and application of Tennessee Code Annotated Section 57-4-306, which requires that a portion of the proceeds from the liquor by the drink tax paid to the Municipality by the State "be expended and distributed in the same manner as the county property tax for schools is expended and distributed." Plaintiffs allege they are due unpaid liquor by the drink taxes due from the Municipality to the Plaintiffs for the period from 1980 to 2014 and have demanded \$1,340,037 or the full amount of the unremitted tax revenues plus pre-judgment interest. The Municipality denies any liability. The Tennessee Attorney General opined in 1980 that the statute in question does not apply to counties that have not authorized liquor by the drink, followed by an opinion in 1981 indicating the statute does not apply to municipalities that operate their own school system. Sullivan County has not authorized liquor by the drink and the Municipality operates its own school system. Similar lawsuits have been filed against several municipalities in Tennessee. In 2014 the Tennessee legislature enacted legislation permitting the settlement of such lawsuits by counties and municipalities on mutual agreeable terms. It is impossible to predict the outcome of this litigation at this time.

### REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the Municipality, including, but not limited to, the right to require the Municipality to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the Municipality to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

## **TAX MATTERS**

In the opinion of Adams and Reese LLP, as Bond Counsel, under existing law, interest on the Bonds is excluded from gross income for federal income purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporation. However, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of facts and statements of reasonable expectations made by the Municipality in connection with the Bonds, and Bond Counsel has assumed compliance by the Municipality with certain ongoing covenants to comply with applicable requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. The Municipality has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of execution and delivery of the Bonds may affect the federal tax status of the interest on the Bonds.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Prospective purchasers of the Bonds should consult their tax advisers as to collateral federal income tax consequences.

From time to time, there are legislative proposals in the Congress or in the various states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the market value of the Bonds. Prospective purchasers of the Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation.

It cannot be predicted with certainty whether or in what form any proposed legislation might be enacted or whether if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof, would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

Original issue discount (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons acting in the capacity as underwriters, placement agents or wholesalers). In general, the issue price of each maturity of the Bonds is expected to be the initial public offering price set forth on the cover page of this Official Statement.

In general, under Section 1288 of the Code, OID on any of the Bonds having OID accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compound rate determined by reference to the yield on such Bonds. The OID that has accrued and is properly allocable to the owners of Bonds having OID will be excluded from gross income for federal income tax purposes, and will increase the owner’s tax basis in such Bond. Purchasers of any Bond having OID should consult their tax advisors regarding the determination and treatment of OID for federal income tax purposes, and with respect to state and local tax consequences of owning such Bonds.

In general, if an owner of a Bond acquires such Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium must be amortized over the remaining term of the Bond, based on the owner’s yield over the remaining term of the Bond, determined based on constant yield principles (in certain cases involving a premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond). An owner of a premium Bond must amortize the premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the premium allocable to that period. In the case of a tax-exempt premium bond, if the premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a premium Bond may realize a taxable gain upon disposition of the premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any premium Bond should consult their own tax advisors regarding the treatment of premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of premium on, sale, exchange or other disposition of premium Bonds.

In the opinion of Bond Counsel, under existing law, the Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation in the State of Tennessee, except for inheritance, transfer, and estate taxes, and except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law.

Bond Counsel expresses no opinion regarding taxation of the Bonds or interest on the Bonds in any state other than Tennessee. Prospective purchasers of the Bonds should consult their tax advisers as to whether the Bonds or interest on the Bonds is or is not exempt from taxation in any other state.

The form of the opinion of Bond Counsel is attached as “APPENDIX A - Form of the Legal Opinion”. Copies of the legal opinion will be available at the time of the initial delivery of the Bonds.

## **CLOSING CERTIFICATES**

Upon delivery of the Bonds, the Municipality will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) A certificate as to the *Official Statement*, in final form (as defined herein), signed by the Mayor and other officials acting in their official capacities to the effect that to the best of their knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, and (c) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) a non-arbitrage certificate which supports the conclusions that based upon facts, estimates and circumstances in effect, upon delivery of the Bonds, the proceeds of the Bonds will not be used in a manner which would cause the Bonds to be arbitrage bonds; certificates as to the delivery and payment, signed by the officials acting in their official capacities evidencing delivery of and payment for the Bonds; (iv) a signature identification and incumbency certificate, signed by the Mayor, City Recorder and/or other officials of the Municipality acting in their official capacities certifying as to the due execution of the Bonds; and (v) a Continuing Disclosure Certificate regarding certain covenants of the Municipality concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

For additional information, see the section entitled “MISCELLANEOUS – Competitive Public Sale”, “MISCELLANEOUS - Additional Information”, “MISCELLANEOUS - Continuing Disclosure” and “APPENDIX A: Form of Legal Opinion”.

## **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Adams and Reese LLP, Nashville, Tennessee, Bond Counsel. Bond Counsel did not prepare the *Preliminary Official Statement* or the *Official Statement*, in final form, or verify their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information under the section entitled “LEGAL MATTERS – Tax Matters”. The opinion of Bond Counsel will be limited to matters relating to authorization and

validity of the Bonds. Reference is hereby made to the *Official Statement* and the form of the opinion contained in APPENDIX A.

Certain other matters will be passed upon for the Municipality by J. Michael Billingsley, Esq., City Attorney.

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## MISCELLANEOUS

### RATINGS

Moody's Investors Service, Inc., a division of Moody's Corporation ("Moody's") and Standard & Poor's Ratings Services – Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial ("S&P") have assigned the Bonds the ratings of "Aa2" (Negative Outlook) and "AA" (Stable), respectively.

The Municipality furnished Moody's and S&P certain information and materials concerning the Bonds and the Municipality. Generally, Moody's and S&P base their ratings on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that any rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's or S&P, if, in their judgment, circumstances so warrant. The Municipality undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of a rating or ratings or other actions by a rating agency may have an adverse effect on the market price of the Bonds. Any explanation of the significance of the ratings may be obtained only from Moody's or S&P.

### COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on January 26, 2015. Details concerning the public sale were provided to potential bidders and others through the *Preliminary Official Statement* that was dated January 16, 2015.

Through IPREO's BiDCOMP®/Parity® system, ten of the original thirteen firms which indicated an interest in bidding for the Bonds submitted proposals ranging from a high bid of 2.121765 percent on a true interest cost basis ("TIC") to 2.301356 percent prior to permitted adjustments.

The successful bidder for the Bonds was an account led by UBS Financial Services, Weehawken, New Jersey (the "Underwriter") who contracted with the Municipality, subject to the conditions set forth in the Detailed Notice of Sale to purchase the Bonds at an adjusted purchase price of \$20,016,620.20 (consisting of the par amount of the Bonds of \$17,695,000, plus a premium of \$2,516,265.20, less an underwriter's discount of \$194,645.00) or a bid price of 113.120% percent of par.

### FINANCIAL PROFESSIONALS

*Financial Advisor.* Raymond James & Associates, Inc. ("Raymond James") Nashville, Tennessee has served as Financial Advisor to the Municipality in connection with the Bonds and will receive compensation for duties performed in that role conditioned upon the sale and issuance of the Bonds.

*Bond Counsel.* From time to time, Adams and Reese LLP has represented Raymond James and Regions Bank on legal matters unrelated to the Municipality and may do so again.

*Regions Bank.* From time to time, Regions has worked with Raymond James on other non-related transactions and may do so again. Additionally, Adams and Reese LLP has represented Regions on other unrelated transactions.

*Bidding Agent.* For this transaction, Raymond James served as the bidding agent (the “Bidding Agent”) and conducted a competitive bid procurement process for investment of some of the proceeds associated with the escrow fund for the Refunded Bonds exclusive of the General Obligation Capital Outlay Notes, Series 2007, dated June 13, 2007. In that role, Raymond James was compensated directly by the Municipality.

For additional information, see the section entitled “SECURITIES OFFERED – Refunding Plan – *Refunding Bonds*”.

## **DEBT LIMITATIONS**

There is no limit on the amount of debt obligations that may be issued by the Municipality under State law. (See “DEBT STRUCTURE - Indebtedness and Debt Ratios” for more information.)

## **ADDITIONAL DEBT OBLIGATIONS**

On October 9, 2014, the Municipality was notified that it was awarded a \$15,000,000 Drinking Water State Revolving Fund Loan from the Tennessee Department of Environment and Conservation for improvements related to raw water intake and transmission improvements. The Loan is a drawn-down loan amortized over 20 years at a fixed rate of 1.78 percent.

## **OFFICIAL STATEMENT**

Certain information relative to the location, economy and finances of the Municipality is found in the *Preliminary Official Statement and the Official Statement*. While not guaranteed as to completeness or accuracy, the *Preliminary Official Statement and the Official Statement* are believed to be correct as of their respective dates based on information supplied by the Municipality and other reliable sources and by the certification by the Municipality as to the *Official Statement*.

Raymond James has not been engaged by Municipality to provide or validate any information in this *Official Statement* relating to Municipality, including (without limitation) any of Municipality’s financial and operating data, whether historical or projected. Raymond James is not a public accounting or auditing firm and has not been engaged by Municipality to review or audit any information in this *Official Statement* in accordance with accounting standards.

## **CONTINUING DISCLOSURE**

At the time the Bonds are delivered, the Municipality will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the Municipality by not later than twelve months after each of the Municipality's fiscal year, (the “Annual Report”), commencing with the fiscal year ending June 30, 2015 and to provide notice of the occurrence of certain enumerated events, if determined by the Municipality to be material under applicable

federal securities laws. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and any State Information Depository established in the State of Tennessee (the “SID”). If the Municipality is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by the Municipality with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of material events will be summarized in the Municipality's *Official Statement* to be prepared and distributed in connection with the sale of the Bonds. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12 (b) (the "Rule"). The Municipality has not failed to comply, in any material respect, in the last five years with any previous undertakings with regard to said Rule to provide Annual Reports or notices of events. Regions Bank is the initial Dissemination Agent. See “APPENDIX C: Form of Continuing Disclosure Certificate” for additional information.

## **ADDITIONAL INFORMATION**

References, excerpts and summaries contained herein of certain provisions of the laws of the State and any documents referred to herein do not purport to be complete statements of the provisions for such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights of the holders thereof. The *Preliminary Official Statement* and the *Official Statement* in final forms, and any advertisement of the Bonds are not to be construed as a contract or agreement between the Municipality and the purchasers of any of the Bonds. Any statements or information printed in the *Preliminary Official Statement* and the *Official Statement*, in final forms, involving matters of opinion or of estimates, whether or not expressly so identified, is intended merely as such and not representations of fact.

The Municipality has deemed this *Official Statement* as "final" as of its date within the meaning of Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "SEC") (the “Rule”).

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## CERTIFICATION OF THE MUNICIPALITY

At the time of payment for and delivery of the Bonds, the Municipality will furnish the purchaser a certificate, signed by the Mayor and City Recorder/CFO, to the effect that (a) the descriptions and statements of or pertaining to the Municipality contained in its Official Statement and any addendum thereto, for its Bonds, on the date of such Official Statement, on the date of sale of the Bonds and on the date of the delivery, were and are true and correct in all material respects; insofar as the Municipality and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data of or pertaining to entities other than the Municipality, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Municipality believes to be reliable and that the Municipality has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Municipality since June 30, 2014, the date of the last audited financial statements of the Municipality, the electronic link to which appears in “APPENDIX D: Comprehensive Annual Financial Report”.

/s/ Dennis R. Phillips  
Mayor

ATTEST:

/s/ James H. Demming  
City Recorder

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**APPENDIX A**

**FORM OF LEGAL OPINION**



February 6, 2015

Board of Mayor and Aldermen  
City of Kingsport, Tennessee

Re: \$17,695,000 General Obligation Refunding Bonds, Series 2015

Ladies and Gentlemen:

We have acted as bond counsel in connection with, and have examined a certified copy of the record of the proceedings of the Board of Mayor and Aldermen (the "Board") of the City of Kingsport, Tennessee (the "Municipality"), and other proofs submitted to us relating to the authorization, issuance and sale by the Municipality of its \$17,695,000 General Obligation Refunding Bonds, Series 2015, dated the date of original issuance and delivery (the "Bonds"). The Bonds are issued under and pursuant to that certain "Resolution Authorizing the Execution, Terms, Issuance, Sale, and Payment of Not to Exceed \$20,200,000 General Obligation Refunding Bonds, Series 2015, of the City of Kingsport, Tennessee, and Providing the Details Thereof" (the "Resolution"), adopted by the Board on January 20, 2015.

The Bonds are issuable in definitive form as fully registered Bonds, without coupons, are numbered from one upwards, and mature serially on March 1 of the years 2016, 2017, and 2019 through 2028, inclusive. The Bonds will bear interest payable semiannually on March 1 and September 1 of each year, commencing September 1, 2015.

The Bonds are subject to redemption prior to maturity upon the terms and conditions set forth therein and in the Resolution.

Based upon such examination and such other documents, showings, and related matters of law as we deem necessary to render this opinion, we are of the opinion that, under existing law:

(1) Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Constitution and laws of the State of Tennessee as now in force, including particularly Title 9, Chapter 21, Tennessee Code Annotated, as amended, and the Resolution

according to its terms, and that the Resolution is valid and binding on the Municipality, enforceable in accordance with its terms.

(2) The Bonds are valid and legally binding obligations of the Municipality payable from revenues to be derived from the operation of the Municipality's water and sewer system, and in the event of a deficiency in such revenues, the Bonds are payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality, without limitation as to time, rate, or amount, and for which the punctual payment of the principal of and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged.

(3) Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Municipality comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Municipality has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein. We have not undertaken to advise in the future whether any events after the date of execution and delivery of the Bonds may affect the tax status of the interest on the Bonds.

(4) The Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation within the State of Tennessee, except for inheritance, transfer, and estate taxes and except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law. We express no opinion regarding taxation of the Bonds or interest on the Bonds in any state other than Tennessee.

The rights of owners of the Bonds and the enforceability of the Bonds may be limited by future proceedings under bankruptcy, reorganization, debt arrangements, insolvency, or other laws of general application or principles of equity relating to or affecting the enforcement of creditors' rights.

In rendering the above opinion, we have relied upon the opinion of even date herewith of the Attorney of the Municipality with respect to: (1) the due organization and existence of the Municipality as a valid political subdivision of the State of Tennessee; (2) the right, title, and interest of the present officials of the Municipality to their respective positions; and (3) matters that might be disclosed by an examination of agreements or instruments to which the Municipality is a party or by which it or any of its assets are bound.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion as to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

ADAMS AND REESE LLP

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**SUPPLEMENTAL INFORMATION STATEMENT**



## GENERAL INFORMATION

### LOCATION

Kingsport occupies an area of approximately 53 square miles in the northeastern portion of Tennessee. The Municipality is 25 miles northwest of Johnson City and about 23 miles from



Bristol, Tennessee/Virginia. Kingsport is the largest City in the Kingsport – Bristol, TN – Bristol, VA Metropolitan Statistical Area, with a population of 309,544 according to the 2010 U.S. Census. Approximately 173,700 people reside within a five-mile radius of the city limits.

Kingsport is located in both Hawkins County (Tennessee) and Sullivan County (Tennessee) with approximately four percent located in Hawkins County and the remainder in Sullivan County. According to the 2010 U.S. Census, the populations of Sullivan County and Hawkins County were 156,823 and 56,833, respectively. Traditionally, the Municipality has been a regional medical center for the area including southwest Virginia and southeast Kentucky. It is a modern industrial community and one of the State’s leading manufacturing centers.

| <u>Census Population</u> | <u>Kingsport<sup>(1)</sup></u> | <u>% Increase</u> | <u>Sullivan County</u> | <u>% Increase</u> | <u>Hawkins County</u> | <u>% Increase</u> | <u>Tennessee</u> | <u>% Increase</u> |
|--------------------------|--------------------------------|-------------------|------------------------|-------------------|-----------------------|-------------------|------------------|-------------------|
| 2010                     | 48,205                         | 7.35%             | 156,855                | 2.57%             | 56,671                | 5.55%             | 6,346,105        | 11.5%             |
| 2000                     | 44,905                         | 6.02%             | 152,921                | 6.49%             | 53,689                | 20.47%            | 5,689,283        | 16.7%             |
| 1990                     | 42,357                         | 32.25%            | 143,596                | (0.26%)           | 44,565                | 1.86%             | 4,877,185        | 6.2%              |
| 1980                     | 32,027                         | 2.79%             | 143,968                | 12.83%            | 43,751                | 29.72%            | 4,591,120        | 16.9%             |
| 1970                     | 31,938                         | 21.37%            | 127,602                | 11.56%            | 33,726                | 10.69%            | 3,926,018        | 10.1%             |

<sup>(1)</sup> For 2013, the State Economic and Community Development Department certified Kingsport’s population at 51,264

### GENERAL

The Municipality was incorporated in 1917 and has been operated under the Council-Manager form of government since that time. The Board of Mayor and Aldermen (the “Board” or the “Governing Body”) was expanded from five to seven members through a charter amendment effective May 15, 1973. In odd numbered years, three members of the Board are elected by the qualified voters of the Municipality for four-year terms beginning at the first regular meeting of the Board in July following the May election. Coincident with the Board elections, a Mayor is elected by the qualified voters of the Municipality to a two-year term beginning at the first regular meeting of the Board in July following the election. The Board appoints a City Manager who is responsible for the administration of the Municipality according to the Charter and Ordinances in effect. The City Manager appoints various department heads, officials and employees except those who operate and administer the Municipality’s School System. The Municipality’s School System is governed

by a five member Board of Education. In each odd numbered year, two or three members are elected by the qualified voters of the Municipality. The Board of Education is responsible for the hiring of a Director of Schools and other personnel, formulating policies and operating the school system within the framework of state statutes, the City Charter and City Code.

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

For Additional information on the Municipality, see the website: <http://www.kingsporttn.gov/>

## **EDUCATIONAL OPPORTUNITIES**

Kingsport and the upper East Tennessee area offer a wealth of educational opportunities for City residents and their families. The Kingsport City School system and the Sullivan County School system are pre-K through twelve systems that serve residents of the Municipality.

*Kingsport City Schools.* The Kingsport City School system is governed by a five member board elected-at-large on a non-partisan basis. The Board operates eight elementary schools, two middle schools and a high school. Additionally, there are several specialized education programs including the Cora Cox Academy which is an alternative learning facility for students in grades 6 through 12 and the Palmer Early Learning Center provides early educational opportunities for children from birth through the age of 5. Source: Kingsport City School website: <http://www.k12k.com/>

### **School Enrollment:**

|          |       |
|----------|-------|
| FYE 2014 | 7,010 |
| FYE 2013 | 6,798 |
| FYE 2012 | 6,698 |
| FYE 2011 | 6,556 |
| FYE 2010 | 6,439 |
| FYE 2009 | 6,392 |
| FYE 2008 | 6,396 |
| FYE 2007 | 6,455 |
| FYE 2006 | 6,451 |
| FYE 2005 | 6,377 |

Source: City of Kingsport; Kingsport City Schools Annual Report

*Sullivan County Schools.* The Sullivan County School system includes twenty-four schools composed of twelve elementary schools; eight middle schools and four high schools.

Source: Sullivan County Department of Education website: <http://www.sullivank12.net/schools/>

In 2000, Kingsport became the first jurisdiction in the State to institute a K-14 educational system. This program known as “Educate and Grow” provides two years of free tuition to Northeast State Technical Community College (“Northeast State”). Since 2002, graduating high school seniors whose parents have been residents of the Sullivan County portion of the City for one year are eligible for free tuition paid for by Sullivan County. Kingsport offers and pays for the same program benefits for graduating high school seniors whose parents have been residents of the Hawkins County portion of the City for one year. During its first year of implementation, almost one-quarter of graduating high school seniors took advantage of this free tuition program to

Northeast State. The “Educate and Grow” initiative was a pre-cursor to the State’s new “Drive to 55” program. Drive to 55 is Tennessee’s new Promise scholarship program that has set a goal of equipping at least 55 percent of Tennesseans with a college degree or certificate by 2025. Drive to 55 provides tuition-free community or technical college for two years to Tennessee high school graduates beginning with the Class of 2015.

Source: City of Kingsport and the State Drive to 55 website <http://driveto55.org/>

*Downtown Kingsport Academic Village and Higher Education Center.* The Academic Village is located in downtown Kingsport and is composed of the Kingsport Center for Higher Education, the Regional Center for Advanced Manufacturing and the Regional Center for Automotive Programs. The Academic Village boasts nearly 150,000 square feet of classrooms and labs and serves approximately 2,400 students. Since 2012, oversight of the Academic Village has been provided by a 12 member Kingsport Higher Education Commission created by the City to coordinate overall development of future programs.

The *Kingsport Center for Higher Education* offers programs ranging from associate to doctoral degrees. Programs are currently conducted at the Center by East Tennessee State University, King University, Lincoln Memorial University, Milligan College, Northeast State Community College, Tusculum College and the University of Tennessee.

The *Advanced Manufacturing Center (“RCAM”)*. RCAM is Northeast State Community College’s advanced technology center. RCAM is housed in a 26,000 square foot training facility located in downtown Kingsport. The focus for RCAM is on teaching traditional and non-traditional students and current employees advanced manufacturing skills using the latest manufacturing simulators and techniques.

The *Regional Center for Automotive Programs* is Northeast State’s training program focusing on automotive body/collision repair.

Source: Kingsport Academic Village website: <http://www.kingsporthishered.org/>

*East Tennessee State University (“ETSU”)*. ETSU was founded in 1911 in the northeast corner of Tennessee. ETSU’s main campus is situated on a more than 350-acre campus located in nearby Johnson City. The main campus is adjacent to the 31 acre Veterans Administration facility that is home to the James H. Quillen College of Medicine. The Johnson City Medical Center Hospital (Mountain States Health Alliance) is located nearby. ETSU offers approximately 74 majors of study in its undergraduate program, 30 degree fields in its master’s programs and doctorates in education, education administration, and biomedical sciences. In addition, the Quillen College of Medicine offers eight Doctor of Medicine degrees. There are over 15,000 undergraduate, graduate and professional students that attend ETSU. Extended regional campuses are located in Kingsport, Elizabethton and Greeneville.

Instead of utilizing only one teaching hospital, the ETSU Quillen College of Medicine has a broad patient base in the Tri-Cities region with training in every area of primary and tertiary care medicine. Students are provided access to more than 3,000 patient beds in the ten affiliated hospitals in the Tri-Cities area. For several consecutive years, ETSU has been ranked among the top 10 schools in the country for rural medicine. U.S. News also ranked ETSU in the top 25% of medical schools for primary care education. The ETSU College of Medicine has also

brought specialties to Johnson City that normally could not be expected in a community of this size. The first in-vitro fertilization in Tennessee was done in Johnson City. One of five prenatal intensive care facilities in the state is manned by pediatric specialists of the ETSU College of Medical faculty. Kidney transplants and open heart surgery also are available in upper East Tennessee primarily as result of the presence of ETSU's College of Medicine.

ETSU's Bill Gatton College of Pharmacy is Tennessee's second state supported pharmacy school. First opened in early 2007, the College graduated its first class in May 2010 and received full accreditation status from the Accreditation Council for Pharmacy Education in July 2010. The Bill Gatton College of Pharmacy offers only the PharmD degree but is in current conversation with other colleges within the division of health sciences and the university at large investigating the development of joint degree programs (PharmD/MPH, PharmD/MBA, and PharmD/PhD). College enrollment is more than 300 in the four classes. Projected enrollment in the future is currently limited to 80 students per class (320 students).

*Source:* East Tennessee State University and TN Higher Education Commission

*Milligan College.* Milligan is a private, four-year Christian liberal arts college founded in 1866. Milligan's main 181-acre campus is located between Johnson City and Elizabethton just minutes from the Tri-Cities (Johnson City, Kingsport and Bristol) region and an hour's drive to historic Asheville, North Carolina. Milligan offers 30 academic majors and four master's degree programs and several adult degree completion programs. Milligan College has consistently been named one of the top 10 Best Regional Colleges in the South by U.S. News & World Report.

*Source:* Milligan College

*Northeast State Technical Community College.* Northeast State was founded in 1966 as the Tri-Cities State Area Vocational-Technical. Northeast State is located at Blountville in Sullivan County, Tennessee. The College is a comprehensive two-year community college under the governance of the Tennessee Board of Regents of the State University and Community College System of Tennessee. As a comprehensive community college, Northeast State provides university parallel programs designed for students desiring to transfer to another college or university. It also has career programs for students planning to enter the workforce immediately upon graduation and continuing education and community service programs for professional growth and personal enrichment. The Northeast State serves the citizens of Carter, Johnson, Sullivan, Unicoi, and Washington Counties and has educational sites located at Elizabethton, Mountain City, Gray and Kingsport.

*Source:* Northeast State Technical Community College and TN Higher Education Commission

## **HEALTH CARE**

*Wellmont Health System ("Wellmont").* Wellmont is headquartered in Kingsport and is a leading healthcare provider in the Tri-Cities region of Northeast Tennessee and Southwest Virginia. Formed in 1996 with the merger of Holston Valley Medical Center in Kingsport and Bristol Regional Medical Center in Bristol, Tennessee, Wellmont is a not-for-profit, integrated health system. Wellmont is composed of one critical and five acute care wholly owned hospitals totaling more than 750 available beds, an integrated physician network and several ambulatory sites. Wellmont hospitals offer a variety of services ranging from acute care to specialized tertiary services including two trauma centers, comprehensive heart and cancer care. Acute care

hospitals include Holston Valley Medical Center in Kingsport, Bristol Regional Medical Center (Bristol, TN), Mountain View Regional Medical Center (Norton, VA), Lonesome Pine Hospital (Big Stone Gap, VA) and Hawkins County Memorial Hospital (Rogersville, TN). For additional information regarding the Wellmont System, see the section entitled “Recent Developments”.

*Holston Valley Medical Center.* Partnering with and serving the Kingsport community for more than 75 years, Holston Valley Medical Center is wholly owned by Wellmont and houses one of Tennessee's six Level I trauma centers. It also includes a Level III neonatal intensive care unit. Holston Valley has more than 300 available beds also houses operating suites and a new intensive care unit, as well as expanded emergency and radiology departments, all of which were part of a recent \$114 million facility renovation.

With the Wellmont Cancer Institute, Holston Valley's Christine LaGuardia Phillips Cancer Center provides a full range of diagnostic and treatment options. Holston Valley's breast center is Tennessee's first hospital-based breast program to be accredited by the American College of Surgeons' National Accrediting Program for Breast Centers. And CareChex selected Holston Valley as the No. 1 hospital in the nation for carotid artery stenting in 2012 and ranked Holston Valley among the top 100 hospitals in the nation for cardiac care, cardiac surgery and coronary bypass surgery.

Source: Wellmont Health website <http://www.wellmont.org/> and the Wellmont System's Official Statement, dated May 2, 2011

*Indian Path Medical Center.* This 261 bed facility is a not-for-profit facility located in Kingsport. Since 1998, Indian Path has been part of the Johnson City based Mountain States Health Alliance after its founding as an HCA facility in 1971. Indian Path sits on an 80 acre campus and includes not only the main hospital, but also eight medical office buildings.

Source: Mountain States Health Alliance website: <http://ipmc.msha.com/>

*Holston Medical Group (“HMG”).* Since Holston Medical Group's founding in 1977, the HMG "Family of Care" has grown from a handful of family practitioners to a comprehensive, diversified group of nearly 150 primary care physicians, specialists and mid-level providers, with 24-hour medical /surgical coverage. Located in Kingsport, HMG is one of the largest, most-respected, physician-led, multi-specialty groups in the southeastern United States.

Source: Holston Medical Group website: <http://www.holstonmedicalgroup.com/>

*Mountain States Health Alliance.* Mountain States Health Alliance (the “Alliance”) is a locally owned not-for-profit managed healthcare system based in Johnson City. Formed after Johnson City Medical Center Hospital, Inc. acquired six Columbia/HCA hospitals in Northeast Tennessee on September 1, 1998, it received its official name in January 1999. Today, the Alliance provides an integrated, comprehensive continuum of care through to people in 28 counties in Tennessee, Virginia, Kentucky, and North Carolina. In addition to the six open hospitals, Alliance's integrated health care delivery system includes 21 primary/preventive care centers and 13 outpatient care sites, including First Assist Urgent Care, Medical Center North, Med-One of Tennessee, MedWorks, Same Day Surgery, Rehab Plus and Gray Physician Group.

Source: Mountain States Health Alliance and Johnson City Press

*James H. Quillen VA Medical Center at Mountain Home (the “VAMC”).* Since 1903, James H. Quillen VAMC serves more than 170,000 veterans from a 41-county area of Northeast

Tennessee, Southwest Virginia, Western North Carolina, and southeastern Kentucky. The VAMC is located just outside of Johnson City in Mountain Home on 207 beautifully landscaped acres and shares the West End of the campus with the East Tennessee State University College of Medicine. The VAMC is a teaching hospital and has affiliations with the James H. Quillen College of Medicine as well as numerous other institutions of higher learning for various post-graduate medical training programs.

VAMC Mountain Home has 468 general and 646 domiciliary beds. In addition to the main facility in Mountain Home, services are offered in several community-based outpatient clinics. There are seven clinics in Tennessee and thirteen in Virginia. In recent years, the VAMC completed many renovations including a \$70,000,000 modernization project in conjunction with the facility's role with the East Tennessee State University James H. Quillen College of Medicine. A U.S. National Cemetery is also located on the grounds of the VAMC.

*Source:* United States Department of Veterans Affairs

## **MANUFACTURING, COMMERCE AND THE LOCAL ECONOMY**

*General.* According to recent report by Middle Tennessee State University, the strongest job growth in the Kingsport-Bristol region since the recession has come in the professional/business services sector. In July 2014, the MSA's top job growth areas were mining, logging and construction, followed by the information sector and professional/business services.

In the first quarter of 2014, Kingsport led the Tri-Cities in sales growth, according to an East Tennessee States University economist with year-over-year dollar sales up 3 percent to \$363 million.

Kingsport continues to maintain a strong focus on economic diversification, with a particular emphasis on sports tourism. More than 20,000 people visited Kingsport for more than 20 sports tournaments and other events recruited and hosted by the Kingsport Convention & Visitors Bureau. Visitors injected more than \$9.75 million into the local economy from these events resulting in record setting lodging tax collections in 2013. Other major tourism dollars were contributed from attendance at major events including NASCAR races at Bristol Motor Speedway and various conferences and events held at the Meadowview Conference, Convention and Resort Center.

The success of past diversification efforts is evident. Two decades ago, Eastman Chemical once accounted for approximately 40 percent of all property tax valuation in the City. Today, that ratio is in the range of 24 percent, largely due to the growth of commercial, medical, retail and residential sectors.

According to Kingsport Development Service's Building Division, Kingsport issued 438 residential permits and 162 commercial building permits for a combined value of \$128.26 million in fiscal year 2014. This growth in activity during the year was approximately \$66.35 million more than in fiscal year 2013.

Residential development grew by about 10 percent in fiscal year 2014. According to local officials, there were 87 new single family housing starts valued at \$17.54 million. Total new construction residential value for 2014 was up by about 39 percent or approximately \$4.93 million. Average construction cost was also up to around \$201,595 per unit.

The latest Kingsport Building Report for August 2014 included 10 new single family homes and three multi-family homes were added. Including commercial construction activity, the report documents \$13.16 million in building activity for the month of August.

In other developments, a bank and its developer have received rezoning approval for approximately 14 acres of property off of Fort Henry Drive near the Wal-Mart. The proposed housing development is located on the site of a prior housing development that failed to materialize as a result of the Great Recession. The new development plan calls for an integrated mix of housing choices and retail establishments.

Lastly, the Northeast Tennessee Association of Realtors reported in July 2014 that Kingsport home sales were up by 18.4 percent over the preceding month, representing the fifth double-digit sales increase this year. The average selling price for an existing single family home was up 2.2 percent to \$162,181 in the most recent month.

Source: City of Kingsport and various news accounts

## **RECENT DEVELOPMENTS**

*Eastman Chemical Company, Inc.* In early September 2014, Eastman announced that it had entered into a definitive agreement with Taminco Corporation (NYSE: TAM) under which Eastman will acquire Taminco, a global specialty chemical company. The total value of the transaction is about \$2.8 billion. The acquisition of Taminco strengthens Eastman's presence in attractive niche markets such as food, feed and agriculture. In addition, it provides opportunities to accelerate growth in the personal care, coatings, and oil and gas markets. These markets also benefit from global megatrends such as a growing population, demand for high-performance products and energy efficiency.

Source: Eastman website: [http://www.eastman.com/Company/News\\_Center/2014/Pages/Eastman-to-Acquire-Taminco-in-\\$2.8-Billion-Transaction.aspx](http://www.eastman.com/Company/News_Center/2014/Pages/Eastman-to-Acquire-Taminco-in-$2.8-Billion-Transaction.aspx)

In May 2013, the economic picture in Kingsport brightened significantly with the announcement by Eastman Chemical Company that it would be adding 300 direct new employees as well as about 1,000 contractors and several hundred temporary construction jobs under the \$1.6 billion expansion effort set to run through 2020. Dubbed "Project Inspire", this major program will modernize and expand the Eastman's largest manufacturing site and corporate campus that is located in Kingsport. It also marked an announced long-term commitment by Eastman to maintain its corporate headquarters in Kingsport. Project Inspire followed Eastman's previous investment of \$1.3 billion in recent years known as "Project Reinvest".

In addition to these significant long-term investments by Eastman in its Kingsport facilities, other notable benefits are expected for the community and region as a result of this long-term commitment including a significant increase in the property tax base over the next decade.

In recent years, the Company has expanded into other emerging markets, particularly with the \$4.8 billion acquisition of performance and specialty chemicals producer Solutia, which added more than \$2 billion in annual sales.

Eastman is a global specialty chemical company that produces a broad range of products found in items people use every day. With a portfolio of specialty businesses, Eastman works with customers to deliver innovative products and solutions while maintaining a commitment to safety and sustainability. Its market-driven approaches take advantage of world-class technology platforms and leading positions in attractive end-markets such as transportation, building and construction and consumables. Eastman focuses on creating consistent, superior value for all stakeholders. As a globally diverse company, Eastman serves customers in approximately 100 countries and had 2013 revenues of approximately \$9.4 billion. The company is headquartered in Kingsport and employs approximately 14,000 people around the world. Eastman stock is publically traded (NYSE: EMN).

Source: City of Kingsport. Also see the Eastman website: <http://www.eastman.com/Pages/Home.aspx>

*Wellmont Health System.* Wellmont is headquartered in Kingsport and is a leading healthcare provider in the Tri-Cities region of Northeast Tennessee and Southwest Virginia. Formed in 1996 with the merger of Holston Valley Medical Center in Kingsport and Bristol Regional Medical Center in Bristol, Tennessee, Wellmont is a not-for-profit, integrated health system.

According to news accounts and a web posting by the Wellmont Board, officials have undertaken a long process to evaluate strategic options including the possibility of aligning with another health system. In late July 2014, the Wellmont Board announced it had narrowed potential partners to three health care systems. Currently, all remaining options are not-for-profit systems. A decision on whether realignment might occur could come in early 2015.

Source: Wellmont Health website and various news accounts

*Heritage Glass.* Led by a local investment team, newly formed Heritage Glass recently acquired the existing facilities of AGC Glass North America's Blue Ridge manufacturing plant that closed in 2012. As production resumes, Heritage Glass is expected to create 120 jobs by the end of 2014 and up to 250 jobs within five years. AGC Glass continues to operate its manufacturing facilities in nearby Hawkins County. AGC's Corporate Services Office remains in Kingsport and employs 125 to 150 people, according to the company.

Source: City of Kingsport. Also see Heritage Glass's website: [http://www.hglass.com/main/page\\_home.html](http://www.hglass.com/main/page_home.html)

*Border Region Retail Tourism District (the "Border Region District").* The Border Region District is a 950 acre undeveloped site inside the City limits of Kingsport. The District is located at the intersection of Interstate 81 and Interstate 26 which is one of the last major undeveloped intersections fronting those Interstate corridors. The District was created under a State law which authorized eligible communities including Kingsport to capture up to 59 percent of all State sales taxes generated by new retail development in properly constituted areas. Specifically, the law allows such funds to be captured by participating jurisdictions and used for direct capital expenditures or to leverage funding for such projects as needed. The local sales tax increment would remain for the community's exclusive use. Currently, a local developer is nearing completion of grading on roughly 150 acre site located within the District. This site is

being readied for future retail and big box building development. A second developer also is considering action in two other quadrants within the District. Currently, no major development has been proposed that will require immediate City support, however, the City continues to work with developers and other interest parties on their initiatives.

Source: City of Kingsport

*Pipeline Development.* During 2014, construction was underway on a major gas pipeline project in the area employing more than 200 workers. According to the contractor, the monthly payroll is around \$1.3 million. Work is expected to last 12 months.

*Retail and Entertainment Venues.* In the last several years, Kingsport has seen several new establishments open including Barberitos Southwest Grill, Sicily's Pizzeria, Chava's Mexican Grill and Cantina, Dollar General Market, Crazy 8 (a Gymboree Company), Lamplight (Christian), Popeye's Louisiana Chicken and a new Wendy's. Several new restaurants are under construction or recently opened, representing both national chains and local concepts, including Cook Out and Krispy Kreme. Also, German grocery store company Aldi's is under construction and its new facilities in Kingsport are projected to open in early 2015.

Downtown also continues to thrive with openings including Hibbert Davis Coffee Company, Two Dads Café & Catering, Southern Smoke BBQ, Vito's Italian Restaurant, Hokey Smokey BBQ, and Macado's. Downtown has also welcomed its first locally developed craft brewery - Sleepy Owl Brewery.

*Kingsport Aquatic Center.* Kingsport successfully opened its new \$16 million regional Aquatic Center on May 17, 2013. Through June 30, 2014, the Aquatic Center had hosted approximately 215,000 visits and averaged around 600 visitors a day. More than 2,000 members have joined the Aquatic Center which features three indoor pools and an outdoor water park. The region's largest YMCA fitness center also is co-located with the Aquatic Center.

*TNT Sportsplex.* TNT Sportsplex is a privately owned, multi-purpose sports facility that is slated to open in downtown Kingsport in early 2015. The 30,000 square-foot facility will house four high school regulation-size wood basketball courts with seating for 140 spectators per court.

Source: City of Kingsport

*IntelliHARTx.* Recently, IntelliHARTx announced that it would open a new facility in January 2015. The new Patient Contact Center will be housed in several existing downtown properties. According to news accounts, the Findlay, Ohio based medical collections company expects ... "to employ around 100 people within the year and forecasts between 250 and 500 new jobs within four years ...". IntelliHartx focuses on "intelligent Treatment for Healthcare Account Resolution of Patient Balances" after insurance is paid to hospitals and physician group practices. Pay for most employees is expected to be considerably more than traditional call center positions.

Source: [Kingsport Times-News](#) – December 2, 2014.

According to the International Trade Administration of the U.S. Department of Commerce, the Kingsport Bristol MSA is now the 50th largest exporting area in the country, with more than 218 companies exporting from the MSA in 2013.

This is up \$1.5 billion (37.4 percent) from the \$4.1 billion in merchandise exported in 2012. At least 72 percent of those exporting companies were small to mid-size employers with less than 500 employees.

Residential development grew by 10 percent in FY 2014, with 87 new single family housing starts, at a total construction value of \$17.54 million, up 39 percent from FY 2013. Average residential construction cost jumped to \$201,595 per unit.

Construction, transportation and utilities continued to be strong employment sectors, with double digit increases in construction employment in September, October and November.

Unemployment continued to improve as well, with the November Kingsport unemployment rate down to 6.4 percent. Compared to the prerecession benchmark Kingsport employer is up 1,486 jobs. It's the only major city in Northeast Tennessee above the prerecession benchmark.

Such activity was clearly reported in sales data. Kingsport sales rose 2.9% to \$398 million in the third quarter of 2014, according to East Tennessee State University's Dr. Steb Hipple. Kingsport sales tax collections for November as reported by the state were up 5.03 percent. For the fiscal year, from July through December, Kingsport sales tax collections are up 4.74 percent.

There is a two month lag in data from the State, so December sales numbers reflect transactions occurring in October.

According to Middle Tennessee State University's Business and Economic Research Center, Kingsport-Bristol MSA sales tax collections for November were up 5.4 percent over the previous year. Johnson City MSA sales were up 4.4 percent.

House prices also increased. The Federal Housing Finance Agency's All-Transaction Home Price Index released in December also shows the 1-year HPI for both MSAs are up 2.2 percent in Kingsport-Bristol and 2.35 percent in Johnson City.

Downtown redevelopment continued to be a top City priority, with 42 percent, or \$6.8 million, of the 2014 bond issue directed at streets, parks and other investments in the downtown area.

During the last 10 years, the City has invested \$39.8 million in capital spending in downtown area higher education facilities, road improvements, land acquisition, parks and other downtown oriented efforts.

In addition, 2015 should find downtown Kingsport with a major new employer, with IntelliHARTx announced 100 new jobs in December at Broad Street "patient contact" call center operation. Mid-term plans could see that grow to 350 to 500 jobs over the next few years.

And a local investment group reopened the former AGC glass plant as Heritage Manufacturing with a \$15.8 million investment, creating 120 jobs in the formerly shuttered plant.

At the Board level, the Board of Mayor and Aldermen placed renewed emphasis on pavement maintenance in 2014, allocating \$750,000 in recurring operating dollars and \$1 million in special emphasis capital funding to address a backlog of road maintenance work. Meanwhile, the J. Fred Johnson Stadium renovation opened in 2014, adding updated bathrooms, new seating, a new press box, elevators and other amenities at an investment of \$4.59 million in a facility that hadn't been faced improved in at least 30 years.

At the same time, work continued on Brickyard Park off Industry Drive, providing replacement baseball/softball fields for those fields displaced by Eastman Chemical Company's ongoing Project Inspire corporate expansion. The park is slated to open in 2015.

Also, staff continued to improve and streamline processes, deploying new asset management software that based on daily generated data can help predict water system failures before they occur moving forward.

Meanwhile, project management protocols have been standardized to more clearly delineate the roles of the project owner, project manager and contractor to ensure a finished project meets the vision of the Board and citizens by delivering an on-time, on-budget finished product with very few change orders.

Code Enforcement has also seen a major redesign with back office tasks distributed within Development Services to free enforcement staff to focus on field work.

Development Services also launched the KLOUD initiative to promote sustainability and best practices as well as raising community awareness, while rolling out a 10-month effort to fine tune and integrate a number of existing downtown improvement plans to develop a consolidated plan for the downtown area.

In Public Safety, the City earned an Insurance Services Office Rating increase from Class 3 to Class 2, potentially saving homeowners hundreds on their fire insurance, and only missed a Class 1 rating by just a few points. Only a handful of Cities around the state and 2.5% percent of the 30,145 communities with fire protection nation-wide have earned an ISO 2 rating.

At the same time, the City crime rate dropped dramatically, with serious violent crimes in 2013 (the latest numbers available) dropping 17.45%, a 26.4% decrease in domestic violence and a 27.96% decrease in simple assaults, according to the Kingsport Police Department.

Source: City of Kingsport

## EMPLOYMENT - GENERAL

The chart below depicts the average annual employment trends (on a seasonally adjusted basis) for the most recent 10 year period:

| <u>Location</u>            | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>United States</b>       | 5.5%        | 5.1%        | 4.6%        | 4.6%        | 5.8%        | 9.3%        | 9.6%        | 8.9%        | 8.1%        | 7.4%        |
| <b>Tennessee</b>           | 5.4%        | 5.6%        | 5.1%        | 4.7%        | 6.6%        | 10.5%       | 9.8%        | 9.3%        | 8.0%        | 8.2%        |
| <b>Sullivan County</b>     | 5.6%        | 5.2%        | 4.5%        | 4.1%        | 5.2%        | 8.7%        | 8.4%        | 7.7%        | 7.0%        | 7.5%        |
| ✓ <b>County Workforce</b>  | 72,290      | 72,320      | 73,620      | 73,530      | 74,360      | 74,970      | 74,840      | 76,010      | 75,060      | 73,340      |
| ✓ <b>County Employment</b> | 68,920      | 68,550      | 70,320      | 70,550      | 70,520      | 68,420      | 68,520      | 70,130      | 69,840      | 67,810      |
| ✓ <b>Co. Unemployment</b>  | 4,050       | 3,770       | 3,300       | 2,980       | 3,840       | 6,550       | 6,320       | 5,880       | 5,220       | 5,530       |
| <b>Kingsport</b>           | 7.1%        | 8.7%        | 6.4%        | 5.6%        | 7.1%        | 8.6%        | 9.4%        | 8.4%        | 7.6%        | 8.0%        |
| ✓ <b>City Workforce</b>    | 19,260      | 18,920      | 19,030      | 19,000      | 19,380      | 19,150      | 19,320      | 20,840      | 20,970      | 21,530      |
| ✓ <b>City Employment</b>   | 17,890      | 17,280      | 17,810      | 17,940      | 18,000      | 17,500      | 17,500      | 19,100      | 19,370      | 19,800      |
| ✓ <b>City Unemployment</b> | 1,370       | 1,640       | 1,220       | 1,070       | 1,380       | 1,660       | 1,820       | 1,740       | 1,600       | 1,730       |

Tennessee's unemployment rate for November 2014 was 6.8 percent (seasonally adjusted), down 0.3 percent from October 2014.

*Source:* Tennessee Department of Employment Security, Annual Labor Force Estimates Summary

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## PRINCIPAL EMPLOYERS

The following chart depicts the top employers in the Municipality during fiscal year 2014 compared to fiscal year 2005:

| Employer                          | 2014          |      |                                       | 2005          |      |                                       |
|-----------------------------------|---------------|------|---------------------------------------|---------------|------|---------------------------------------|
|                                   | Employees     | Rank | Percentage of Total County Employment | Employees     | Rank | Percentage of Total County Employment |
| Eastman Chemical Company          | 6,737         | 1    | 10.1%                                 | 7,500         | 1    | 10.9%                                 |
| Wellmont Health Systems           | 2,967         | 2    | 4.4%                                  | 2,000         | 2    | 2.9%                                  |
| Brock                             | 1,500         | 3    | 2.2%                                  | N/A           | -    | -                                     |
| Kingsport City Schools            | 1,047         | 4    | 1.6%                                  | 1,027         | 3    | 1.5%                                  |
| Wal-Mart                          | 744           | 5    | 1.1%                                  | 900           | 4    | 1.3%                                  |
| City of Kingsport                 | 740           | 6    | 1.1%                                  | 741           | 6    | 1.1%                                  |
| Holston Medical Group             | 724           | 7    | 1.1%                                  | N/A           | -    | -                                     |
| Jacobs                            | 672           | 8    | 1.0%                                  | N/A           | -    | -                                     |
| BAE SYSTEMS Ordnance Systems, Inc | 650           | 9    | 1.0%                                  | 428           | 9    | 0.6%                                  |
| Mountain States Health            | 630           | 10   | 0.9%                                  | 845           | 5    | 1.2%                                  |
| AFG Industries                    | N/A           | -    | -                                     | 600           | 7    | 0.9%                                  |
| Quebecor World                    | N/A           | -    | -                                     | 476           | 8    | 0.7%                                  |
| Weyerhaeuser Company              | N/A           | -    | -                                     | 370           | 10   | 0.5%                                  |
|                                   | <u>16,411</u> |      | <u>24.5%</u>                          | <u>14,887</u> |      | <u>21.6%</u>                          |

Total Sullivan County Employment:

FYE 2014 66,910

FYE 2005 68,940

Source:

-NETWORKS/Sullivan Partnership & Employers

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**ECONOMIC DATA**

The following chart shows estimated per capita personal income trends for the most recent 10 year period for the nation, State and the Municipality.

| PER CAPITA PERSONAL INCOME |             |             |             |             |             |             |             |             |             |             |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Location</u>            | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| National                   | \$33,909    | \$35,452    | \$37,725    | \$39,506    | \$40,947    | \$38,637    | \$39,791    | \$41,560    | \$43,735    | \$44,765    |
| Tennessee                  | \$30,285    | \$31,327    | \$32,885    | \$34,221    | \$35,112    | \$33,711    | \$35,103    | \$36,537    | \$38,752    | \$39,558    |
| City                       | \$24,983    | \$26,316    | \$27,163    | \$28,549    | \$28,222    | \$29,730    | \$29,730    | \$31,697    | \$32,390    | n/a         |
| City vs. Nat'l             | 73.68%      | 74.23%      | 72.00%      | 72.27%      | 68.92%      | 76.95%      | 74.72%      | 76.27%      | 74.06%      | n/a         |
| City vs. TN                | 82.49%      | 84.00%      | 82.60%      | 83.43%      | 80.38%      | 88.19%      | 84.69%      | 86.75%      | 83.58%      | n/a         |

Source: U.S. Department of Commerce, Bureau of Economic Analysis and the City of Kingsport.

The following chart depicts building permit activity in the Municipality from 2006 through 2014.

| <u>FYE</u> | <u>Permits Issued</u> | <u>Estimated Value</u> |
|------------|-----------------------|------------------------|
| 2014       | 600                   | \$128,262,000          |
| 2013       | 632                   | 61,991,466             |
| 2012       | 741                   | 75,196,403             |
| 2011       | 531                   | 65,620,983             |
| 2010       | 581                   | 56,285,000             |
| 2009       | 631                   | 123,745,000            |
| 2008       | 884                   | 180,938,000            |
| 2007       | 885                   | 123,352,000            |
| 2006       | 829                   | 79,250,000             |

Source: City of Kingsport, Tennessee

**ANNEXATION**

Over the last several years, the Municipality has undertaken a series of annexations by ordinance (referendum is also permitted) that were carried out under the requirements of state law (1998 Urban Growth Planning Act) and in a manner consistent with the adopted 20 year urban growth plans for Sullivan and Hawkins Counties. Many services are in place and others are in the process of being implemented within the specified timeframes of the formal adopted plans required as part of each annexation. There are about 45.7 square miles left in the urban growth area for Sullivan County and about 1.7 square miles in the growth area for Hawkins County that could be subject to future annexation as development activities occur in the area. Decisions to annex areas in the Municipality are determined

based on the Municipality's ability to cost effectively deliver essential services. A cost benefit analysis was prepared in advance to determine if the cost of extending services to the area would be covered from the additional property tax collections and per capita state-shared taxes that will be generated from the area. Most of the areas considered for annexation were already served by the Municipality's water system and there were a number of existing sewer trunk lines in place to provide service for these areas.

In the 2014 session of the Tennessee General Assembly, the State of Tennessee enacted new legislation (Public Acts of 2014, Chapter 707) that prohibits future annexations by ordinance. Under the new law residential and agricultural properties only may be annexed by cities upon petition of the property owners or by calling for a referendum and receiving favorable approval from residents in an affected area. A city may no longer annex by ordinance on its own initiative.

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**CITY OF KINGSPORT, TENNESSEE**  
**DEBT STRUCTURE - SUMMARY OF BONDED INDEBTEDNESS (As of June 30, 2014)**

The following section outlines various important factors related to the outstanding debt of the City.

| Amount<br>Issued - (1) | Purpose  | Due<br>Date    | Interest<br>Rates | Debt<br>Outstanding |
|------------------------|--|----------------|-------------------|---------------------|
| \$ 3,230,000           | General Obligation Bonds, Series 2005  | February 2017  | 3.000 - 5.000%    | \$ 700,000          |
| 13,320,000             | General Obligation School and Public Improvement Bonds, Series 2006                                | February 2016  | 3.625 - 4.100%    | 1,285,000           |
| 1,600,000              | General Obligation Capital Outlay Notes, Series 2007   | May 2019       | 4.120%            | * 812,000           |
| 19,360,000             | General Obligation School and Public Improvement Bonds, Series 2007                                | February 2027  | 4.000 - 5.000%    | * 15,315,000        |
| 7,480,000              | General Obligation Public Improvement and Refunding Bonds, Series 2008                             | March 2028     | 3.500 - 4.375%    | * 6,005,000         |
| 11,165,000             | General Obligation Bonds, Series 2008  | March 2028     | 3.500 - 4.375%    | * 8,965,000         |
| 12,160,000             | General Obligation Public Improvement Bonds, Series 2009A  | March 2029     | 2.000 - 5.000%    | 10,205,000          |
| 7,100,000              | General Obligation Bonds, Series 2009B   | March 2029     | 2.000 - 5.000%    | 5,960,000           |
| 12,406,436             | General Obligation Public Improvement Bonds, Series 2009D (Federally Taxable Build America Bonds)  | March 2030     | 2.250 - 5.625%    | 11,306,436          |
| 2,021,437              | General Obligation Public Improvement Bonds, Series 2009D (Federally Taxable Build America Bonds)  | March 2030     | 2.250 - 5.625%    | 1,841,437           |
| 303,404                | General Obligation Public Improvement Bonds, Series 2009D (Federally Taxable Build America Bonds)  | March 2030     | 2.250 - 5.625%    | 273,404             |
| 11,300,000             | General Obligation Public Improvement Bonds, Series 2011   | March 2032     | 2.000 - 3.750%    | 11,300,000          |
| 4,340,000              | General Obligation Refunding Bonds, Series 2012B   | April 2019     | 3.000%            | 3,710,000           |
| 1,495,000              | General Obligation Public Improvement Bonds, Series 2012C (Schools)                                | April 2032     | 2.000 - 4.000%    | 1,495,000           |
| 750,000                | General Obligation Public Improvement Bonds, Series 2012C (Public Safety)                          | April 2032     | 2.000 - 4.000%    | 750,000             |
| 1,560,000              | General Obligation Public Improvement Bonds, Series 2012C (Roads)                                  | April 2032     | 2.000 - 4.000%    | 1,560,000           |
| 2,380,000              | General Obligation Public Improvement Bonds, Series 2012C (Public Works)                           | April 2032     | 2.000 - 4.000%    | 2,380,000           |
| 12,310,000             | General Obligation Refunding Bonds, Series 2013  | May 2027       | 2.500 - 4.000%    | 11,185,000          |
| 856,000                | HUD - 108 Loan   | August 2030    | 0.560 - 4.480%    | 727,000             |
| 475,000                | Energy Efficiency (ECD) Capital Outlay Notes, Series 2007 (Loan L102)                              | July 2014      | 0.000%            | 67,857              |
| 5,045,078              | Energy Efficiency School Initiative Loan 822-001 - (2)   | November 2024  | 0.750%            | 4,405,121           |
| 1,542,050              | Qualified Zone Academy Bonds, Series 2004  | 2021           | 0.000%            | 1,542,050           |
| 722,864                | Qualified Zone Academy Bonds, Series 2005  | 2021           | 0.000%            | 722,864             |
| 1,240,000              | Qualified School Construction Bonds, Series 2009 - (2)   | July 2026      | 1.515%            | 943,420             |
| 13,665,000             | General Obligation Public Improvement Bonds, Series 2013B  | March 2034     | 2.000 - 5.000%    | 13,665,000          |
| 15,605,000             | General Obligation Public Improvement Bonds, Series 2014A  | September 2034 | 2.000 - 5.000%    | 15,605,000          |
| 15,180,000             | Local Option Sales Tax Revenue and Tax Bonds, Series 2009C   | March 2029     | 2.000 - 5.000%    | 12,750,000          |
| 1,016,085              | General Obligation Public Improvement Bonds, Series 2009D (Federally Taxable Build America Bonds)  | March 2030     | 2.250 - 5.625%    | 926,085             |
| 554,170                | General Obligation Public Improvement Bonds, Series 2009D (Federally Taxable Build America Bonds)  | March 2030     | 2.250 - 5.625%    | 504,170             |
| 14,225,000             | General Obligation Bonds, Series 2009E   | March 2030     | 2.500 - 5.000%    | 13,040,000          |
| 3,110,000              | General Obligation Bonds, Series 2012A   | April 2032     | 2.000 - 5.000%    | 3,110,000           |
| 1,450,000              | Meadow View Golf Course TMBF Loan, Series 1998   | September 2017 | Variable          | 390,000             |
| 1,310,000              | General Obligation Bonds, Series 2013A   | March 2034     | 3.000 - 4.000%    | 1,310,000           |
| 4,970,000              | Water and Sewer System Revenue and Tax Bonds, Series 2005 (Water Portion)                          | February 2021  | 3.750 - 3.875%    | 185,000             |
| 1,680,000              | Water and Sewer System Revenue and Tax Bonds, Series 2006 (Water Portion)                          | February 2027  | 3.750 - 5.000%    | 29,198              |
| 1,200,000              | Water Revenue and Tax Bonds, Series 2008 (Water Portion)   | March 2023     | 3.500 - 4.250%    | 845,000             |
| 4,045,387              | General Obligation Public Improvement Bonds, Series 2009D (Federally Taxable BABs (Water Portion)  | March 2030     | 2.250 - 5.625%    | 3,645,387           |
| 9,800,000              | TMBF Loan, Series 2008 (Water)   | May 2026       | Variable          | 7,630,000           |
| 1,515,000              | General Obligation Refunding Bonds, Series 2010 (Water Portion)                                    | June 2017      | 2.000 - 3.000%    | 670,000             |
| 805,000                | General Obligation Public Improvement Bonds, Series 2011 (Water Portion)                           | March 2032     | 2.000 - 3.750%    | 805,000             |
| 1,198,295              | General Obligation Refunding Bonds, Series 2012B (Water Portion)                                   | April 2019     | 3.000%            | 1,092,938           |
| 1,291,037              | General Obligation Public Improvement Bonds, Series 2012C (Water Portion)                          | April 2032     | 2.000 - 4.000%    | 1,291,037           |
| 3,025,000              | General Obligation Refunding Bonds, Series 2013 (Water Portion)                                    | May 2027       | 2.5000 - 4.000%   | 1,840,000           |
| 4,270,000              | General Obligation Public Improvement Bonds, Series 2013B (Water Portion)                          | March 2034     | 2.000 - 5.000%    | 4,270,000           |
| 2,715,000              | General Obligation Public Improvement Bonds, Series 2014B (Water Portion)                          | September 2034 | 2.000 - 3.000%    | 2,715,000           |
| 4,970,000              | Water and Sewer System Revenue and Tax Bonds, Series 2005  | February 2021  | 3.750 - 3.875%    | 885,000             |
| 1,680,000              | Water and Sewer System Revenue and Tax Bonds, Series 2006  | February 2027  | 3.750 - 5.000%    | 125,802             |
| 6,068,081              | General Obligation Public Improvement Bonds, Series 2009D (Federally Taxable BABs) (Sewer Portion) | March 2030     | 2.250 - 5.625%    | 5,478,081           |
| 2,940,000              | \$2,940,000 General Obligation Refunding Bonds, Series 2010 (Sewer Portion)                        | June 2017      | 2.000 - 3.000%    | 1,305,000           |
| 4,035,000              | General Obligation Public Improvement Bonds, Series 2011 (Sewer Portion)                           | March 2032     | 2.000 - 3.750%    | 4,035,000           |
| 4,431,705              | General Obligation Refunding Bonds, Series 2012B (Sewer Portion)                                   | April 2019     | 3.000%            | 4,042,062           |
| 1,828,963              | General Obligation Public Improvement Bonds, Series 2012C (Sewer Portion)                          | April 2032     | 2.000 - 4.000%    | 1,828,963           |
| 27,760,000             | General Obligation Refunding Bonds, Series 2013 (Sewer Portion)                                    | May 2032       | 2.500 - 4.000%    | 24,085,000          |
| 9,575,000              | General Obligation Public Improvement Bonds, Series 2013B (Sewer Portion)                          | March 2034     | 2.000 - 5.000%    | 9,575,000           |
| 6,585,000              | General Obligation Public Improvement Bonds, Series 2014B (Sewer)                                  | September 2034 | 2.000 - 3.000%    | 6,585,000           |
| \$ 306,665,992         | <b>Total Existing Debt</b>   |                |                   | \$ 247,720,312      |
| 17,695,000             | General Obligation Refunding Bonds, Series 2015 <sup>(2)</sup>                                     | March 2028     |                   | 17,695,000          |
| (18,597,000)           | Less: Refunded Bonds and Notes   |                |                   | (18,597,000)        |
| \$ 305,763,992         | <b>Total Existing / Proposed Debt</b>  |                |                   | \$ 246,818,312      |
| (144,483,723)          | Revenue Supported Bonds <sup>(3)</sup>   |                |                   | (114,993,723)       |
| \$ 161,280,269         | <b>Net Direct Debt</b>   |                |                   | \$ 131,824,589      |

(1) Does not include capitalized leases or compensated absences, if any. Interfund loans are not included. Also not included is the City's contingent liabilities. For more information on contingent liabilities, see page B-22. Also see the Notes to the Financial Statements referenced in Appendix D.

(2) TIC -2.1346972% after permitted adjustments allowed in the Detailed Notice of Sale.

(4) Revenue Supported Debt includes debt that is supported by Regional Sales Tax Revenues and by the Water and Sewer Enterprise Fund revenues.

\* Refunded Bonds and Notes. See the section entitled "AUTHORITY AND PURPOSE - Refunding Plan" for additional information including the selected maturities refunded.

**CITY OF KINGSPORT, TENNESSEE  
INDEBTEDNESS AND DEBT RATIOS**

**INTRODUCTION**

The information set forth in the following table is based upon information derived from the General Purpose Financial Statements, including those for the most recent reporting period which are included as Appendix C. This table should be read in conjunction with those statements. The table does not include future funding plans, if any.

| INDEBTEDNESS   | 2004                 | 2005                 | 2006                 | 2007                 | 2008                 | 2009                  | 2010                  | 2011                  | 2012                  | 2013                  | 2014                  |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>TAX SUPPORTED</b>   |                      |                      |                      |                      |                      |                       |                       |                       |                       |                       |                       |
| General Obligation Bonds - (1)                                   | \$ 61,935,657        | \$ 54,677,731        | \$ 51,679,240        | \$ 75,037,207        | \$ 83,414,174        | \$ 107,301,284        | \$ 102,991,394        | \$ 109,060,780        | \$ 116,753,130        | \$ 124,047,448        | \$ 131,824,589        |
| <b>TOTAL TAX SUPPORTED</b>                                       | <u>\$ 61,935,657</u> | <u>\$ 54,677,731</u> | <u>\$ 51,679,240</u> | <u>\$ 75,037,207</u> | <u>\$ 83,414,174</u> | <u>\$ 107,301,284</u> | <u>\$ 102,991,394</u> | <u>\$ 109,060,780</u> | <u>\$ 116,753,130</u> | <u>\$ 124,047,448</u> | <u>\$ 131,824,589</u> |
| <b>REVENUE SUPPORTED</b>   |                      |                      |                      |                      |                      |                       |                       |                       |                       |                       |                       |
| Water & Sewer Bonds, Loans & Leases and Sales Tax Supported Debt | \$ 60,534,273        | \$ 62,661,281        | \$ 58,655,000        | \$ 54,028,000        | \$ 49,977,000        | \$ 97,743,000         | \$ 91,559,000         | \$ 113,553,142        | \$ 109,222,397        | \$ 114,405,723        | \$ 115,243,589        |
| <b>TOTAL REVENUE SUPPORTED</b>                                   | <u>\$ 60,534,273</u> | <u>\$ 62,661,281</u> | <u>\$ 58,655,000</u> | <u>\$ 54,028,000</u> | <u>\$ 49,977,000</u> | <u>\$ 97,743,000</u>  | <u>\$ 91,559,000</u>  | <u>\$ 113,553,142</u> | <u>\$ 109,222,397</u> | <u>\$ 114,405,723</u> | <u>\$ 115,243,589</u> |
| <b>TOTAL DEBT</b>  | \$ 122,469,930       | \$ 117,339,012       | \$ 110,334,240       | \$ 129,065,207       | \$ 133,391,174       | \$ 205,044,284        | \$ 194,550,394        | \$ 222,613,922        | \$ 225,975,527        | \$ 238,453,171        | \$ 247,068,178        |
| Less: Revenue Supported Debt                                     | (60,534,273)         | (62,661,281)         | (58,655,000)         | (54,028,000)         | (49,977,000)         | (97,743,000)          | (91,559,000)          | (113,553,142)         | (109,222,397)         | (114,405,723)         | (115,243,589)         |
| Less: Debt Service Fund Balance - (2)                            | (71,000)             | (33,000)             | (59,000)             | (1,045,000)          | (1,172,778)          | (676,082)             | (495,077)             | (169,280)             | (21,333)              | -                     | -                     |
| <b>NET DIRECT DEBT</b>   | \$ 61,864,657        | \$ 54,644,731        | \$ 51,620,240        | \$ 73,992,207        | \$ 82,241,396        | \$ 106,625,202        | \$ 102,496,317        | \$ 108,891,500        | \$ 116,731,797        | \$ 124,047,448        | \$ 131,824,589        |
| <b>OVERLAPPING DEBT - (3)</b>                                    | \$ 10,273,505        | \$ 12,616,000        | \$ 11,000,979        | \$ 14,602,000        | \$ 18,431,987        | \$ 24,614,843         | \$ 33,183,233         | \$ 34,258,402         | \$ 40,011,367         | \$ 42,526,507         | \$ 42,526,507         |
| <b>NET DIRECT &amp; OVERLAPPING DEBT</b>                         | \$ 72,138,162        | \$ 67,260,731        | \$ 62,621,219        | \$ 88,594,207        | \$ 100,673,383       | \$ 131,240,045        | \$ 135,679,550        | \$ 143,149,902        | \$ 156,743,164        | \$ 166,573,955        | \$ 174,351,096        |
| <b>PROPERTY TAX BASE - (4)</b>                                   |                      |                      |                      |                      |                      |                       |                       |                       |                       |                       |                       |
| Estimated Actual Value   | \$ 3,963,988,784     | \$ 3,943,851,119     | \$ 4,100,277,574     | \$ 4,191,243,619     | \$ 5,129,398,172     | \$ 5,026,784,103      | \$ 5,136,863,657      | \$ 5,305,111,318      | \$ 5,604,513,479      | \$ 5,763,618,186      | \$ 5,784,231,432      |
| Appraised Value  | 3,756,874,247        | 3,737,754,979        | 4,082,275,721        | 4,191,243,619        | 4,380,660,219        | 4,270,247,541         | 5,136,863,657         | 5,305,111,318         | 5,288,268,400         | 5,763,618,186         | 5,784,231,432         |
| Assessed Value   | 1,157,957,281        | 1,155,042,394        | 1,169,011,610        | 1,297,375,372        | 1,352,126,208        | 1,322,721,235         | 1,606,980,905         | 1,641,584,382         | 1,643,256,206         | 1,678,554,710         | 1,785,012,769         |
| Source: Tennessee Tax Aggregate Reports.                         |                      |                      |                      |                      |                      |                       |                       |                       |                       |                       |                       |

- (1) Does not include compensated absences, capitalized leases or contingent liabilities. See the Notes to the Financial Statements accessible as indicated in APPENDIX D for additional details.
- (2) The columns for 2014 and After Issuance contain estimates based on the best available information.
- (3) OVERLAPPING DEBT Includes the City's estimated portion of Sullivan County's debt and Hawkins County's debt - best available information includes estimates.
- (4) The most recent reappraisal of property was effective January 1, 2013 for Sullivan County and January 1, 2011 for Hawkins County.

| <b>DEBT RATIOS</b>  | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| TOTAL DEBT to Estimated Actual Value  | 3.09%       | 2.98%       | 2.69%       | 3.08%       | 2.60%       | 4.08%       | 3.79%       | 4.20%       | 4.14%       | 4.27%       |
| TOTAL DEBT to Appraised Value   | 3.26%       | 3.14%       | 2.70%       | 3.08%       | 3.05%       | 4.80%       | 3.79%       | 4.20%       | 4.14%       | 4.27%       |
| TOTAL DEBT to Assessed Value  | 10.58%      | 10.16%      | 9.44%       | 9.95%       | 9.87%       | 15.50%      | 12.11%      | 13.56%      | 14.21%      | 13.84%      |
| NET DIRECT DEBT to Estimated Actual Value   | 1.56%       | 1.39%       | 1.26%       | 1.77%       | 1.60%       | 2.12%       | 2.00%       | 2.05%       | 2.15%       | 2.28%       |
| NET DIRECT DEBT to Appraised Value  | 1.65%       | 1.46%       | 1.26%       | 1.77%       | 1.88%       | 2.50%       | 2.00%       | 2.05%       | 2.15%       | 2.28%       |
| NET DIRECT DEBT to Assessed Value   | 5.34%       | 4.73%       | 4.42%       | 5.70%       | 6.08%       | 8.06%       | 6.38%       | 6.63%       | 7.39%       | 7.39%       |
| OVERLAPPING DEBT to Estimated Actual Value  | 0.26%       | 0.32%       | 0.27%       | 0.35%       | 0.36%       | 0.49%       | 0.65%       | 0.65%       | 0.74%       | 0.74%       |
| OVERLAPPING DEBT to Appraised value   | 0.27%       | 0.34%       | 0.27%       | 0.35%       | 0.42%       | 0.58%       | 0.65%       | 0.65%       | 0.74%       | 0.74%       |
| OVERLAPPING DEBT to Assessed Value  | 0.89%       | 1.09%       | 0.94%       | 1.13%       | 1.36%       | 1.86%       | 2.06%       | 2.09%       | 2.53%       | 2.38%       |
| NET DIRECT & OVERLAPPING DEBT to Assessed Value                                     | 6.23%       | 5.82%       | 5.36%       | 6.83%       | 7.45%       | 9.92%       | 8.44%       | 8.72%       | 9.92%       | 9.77%       |
| POPULATION (1)  | 44,905      | 44,905      | 44,905      | 44,905      | 44,905      | 48,205      | 48,205      | 48,205      | 48,205      | 48,205      |
| PER CAPITA PERSONAL INCOME (2)  | \$26,316    | \$27,163    | \$28,549    | \$28,222    | \$29,730    | \$29,730    | \$31,697    | \$31,697    | \$31,697    | \$31,697    |
| Estimated Actual Value to POPULATION  | \$88,275    | \$87,827    | \$91,310    | \$93,336    | \$114,228   | \$104,279   | \$106,563   | \$110,053   | \$119,565   | \$119,992   |
| Assessed Value to POPULATION  | \$25,787    | \$25,722    | \$26,033    | \$28,892    | \$30,111    | \$27,440    | \$33,336    | \$34,054    | \$34,821    | \$37,030    |
| Total Debt to POPULATION  | \$2,727     | \$2,613     | \$2,457     | \$2,874     | \$2,971     | \$4,254     | \$4,036     | \$4,618     | \$4,947     | \$5,125     |
| Net Direct Debt to POPULATION   | \$1,378     | \$1,217     | \$1,150     | \$1,648     | \$1,831     | \$2,212     | \$2,126     | \$2,259     | \$2,573     | \$2,735     |
| Overlapping Debt to POPULATION  | \$229       | \$281       | \$245       | \$325       | \$410       | \$511       | \$688       | \$711       | \$882       | \$882       |
| Net Direct & Overlapping Debt to POPULATION   | \$1,606     | \$1,498     | \$1,395     | \$1,973     | \$2,242     | \$2,723     | \$2,815     | \$2,970     | \$3,456     | \$3,617     |
| Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME                    | 10.36%      | 9.62%       | 8.61%       | 10.18%      | 9.99%       | 14.31%      | 12.73%      | 14.57%      | 15.61%      | 16.17%      |
| Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME               | 5.24%       | 4.48%       | 4.03%       | 5.84%       | 6.16%       | 7.44%       | 6.71%       | 7.13%       | 8.12%       | 8.63%       |
| Overlapping Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME              | 0.87%       | 1.03%       | 0.86%       | 1.15%       | 1.38%       | 1.72%       | 2.17%       | 2.24%       | 2.78%       | 2.78%       |
| Net Direct & Overlapping Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME | 6.10%       | 5.51%       | 4.88%       | 6.99%       | 7.54%       | 9.16%       | 8.88%       | 9.37%       | 10.90%      | 11.41%      |

(1) POPULATION data according to: the U.S. Census data and population estimates.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the Bureau of Economic Analysis for Kingsport, Bristol, TN, and Bristol, VA area.

**CITY OF KINGSPORT, TENNESSEE**  
**DEBT SERVICE REQUIREMENTS - General Fund Supported**  
As of June 30, 2014

| Year Ending June 30 | Principal - General Obligation Bonds |                      |                        |                       | Percent Total Debt Retired | Interest - General Obligation Bonds |                     |                       |  | Total Debt Service Requirements |
|---------------------|--------------------------------------|----------------------|------------------------|-----------------------|----------------------------|-------------------------------------|---------------------|-----------------------|--|---------------------------------|
|                     | Outstanding Debt - (1)               | Current Issue        | Less Bonds Refunded    | Total Principal       |                            | Outstanding Debt                    | Current Issue       | Less Bonds Refunded   | Total Interest Net of BABS Subsidy - (2) |                                 |
| 2015                | \$ 8,034,907                         | \$ -                 | \$ (150,000)           | \$ 7,884,907          |                            | \$ 4,027,687                        | \$ -                | (8,256)               | \$ 4,019,431                             | \$ 11,904,338                   |
| 2016                | 8,086,121                            | 145,000              | (156,000)              | 8,075,121             |                            | 4,691,089                           | 707,544             | (776,304)             | 4,622,329                                | 12,697,450                      |
| 2017                | 8,120,216                            | 150,000              | (162,000)              | 8,108,216             |                            | 4,357,215                           | 658,700             | (770,124)             | 4,245,791                                | 12,354,007                      |
| 2018                | 8,685,334                            | -                    | (169,000)              | 8,516,334             |                            | 3,931,022                           | 654,200             | (762,697)             | 3,822,525                                | 12,338,858                      |
| 2019                | 8,199,475                            | 160,000              | (175,000)              | 8,184,475             |                            | 3,665,301                           | 654,200             | (757,023)             | 3,562,479                                | 11,746,954                      |
| 2020                | 8,047,640                            | 1,220,000            | (1,115,000)            | 8,152,640             | 37.11%                     | 3,410,429                           | 649,400             | (931,060)             | 3,128,769                                | 11,281,409                      |
| 2021                | 8,320,830                            | 1,100,000            | (1,160,000)            | 8,260,830             |                            | 3,136,823                           | 600,600             | (704,250)             | 3,033,173                                | 11,294,003                      |
| 2022                | 8,000,482                            | 1,145,000            | (1,210,000)            | 7,935,482             |                            | 2,853,733                           | 556,600             | (656,400)             | 2,753,933                                | 10,689,415                      |
| 2023                | 7,938,719                            | 2,300,000            | (2,380,000)            | 7,858,719             |                            | 2,569,294                           | 510,800             | (606,488)             | 2,473,606                                | 10,332,326                      |
| 2024                | 8,236,981                            | 2,390,000            | (2,475,000)            | 8,151,981             |                            | 2,279,529                           | 418,800             | (508,313)             | 2,190,017                                | 10,341,997                      |
| 2025                | 8,153,323                            | 2,485,000            | (2,580,000)            | 8,058,323             | 67.66%                     | 1,963,154                           | 323,200             | (403,125)             | 1,883,229                                | 9,941,552                       |
| 2026                | 8,267,990                            | 2,580,000            | (2,685,000)            | 8,162,990             |                            | 1,351,829                           | 223,800             | (293,475)             | 1,282,154                                | 9,445,144                       |
| 2027                | 8,535,294                            | 2,695,000            | (2,810,000)            | 8,420,294             |                            | 1,328,353                           | 120,600             | (179,363)             | 1,269,590                                | 9,689,884                       |
| 2028                | 6,293,000                            | 1,325,000            | (1,370,000)            | 6,248,000             |                            | 985,922                             | 39,750              | (59,938)              | 965,734                                  | 7,213,734                       |
| 2029                | 5,128,000                            | -                    | -                      | 5,128,000             |                            | 723,940                             | -                   | -                     | 723,940                                  | 5,851,940                       |
| 2030                | 3,824,277                            | -                    | -                      | 3,824,277             | 91.77%                     | 511,375                             | -                   | -                     | 511,375                                  | 4,335,652                       |
| 2031                | 2,869,000                            | -                    | -                      | 2,869,000             |                            | 363,381                             | -                   | -                     | 363,381                                  | 3,232,381                       |
| 2032                | 2,945,000                            | -                    | -                      | 2,945,000             |                            | 257,633                             | -                   | -                     | 257,633                                  | 3,202,633                       |
| 2033                | 1,920,000                            | -                    | -                      | 1,920,000             |                            | 153,745                             | -                   | -                     | 153,745                                  | 2,073,745                       |
| 2034                | 1,990,000                            | -                    | -                      | 1,990,000             |                            | 36,695                              | -                   | -                     | 36,695                                   | 2,026,695                       |
| 2035                | 1,130,000                            | -                    | -                      | 1,130,000             | 100.00%                    | -                                   | -                   | -                     | -  | 1,130,000                       |
|                     | <u>\$ 132,726,589</u>                | <u>\$ 17,695,000</u> | <u>\$ (18,597,000)</u> | <u>\$ 131,824,589</u> |                            | <u>\$ 42,598,149</u>                | <u>\$ 6,118,194</u> | <u>\$ (7,416,815)</u> | <u>\$ 41,299,528</u>                     | <u>\$ 173,124,117</u>           |

(1) Does not include capitalized leases, compensated absences, if any or contingent liabilities. Interfund loans and QSCBs are also not included. For more information, see the Summary of Bonded Indebtedness and the Notes to the Financial Statements referenced in Appendix D.

(2) Interest shown is net of Build America Bonds subsidy for applicable bond issue(s).

**CITY OF KINGSPORT, TENNESSEE**  
**DEBT SERVICE REQUIREMENTS - Sales Tax Backed**  
As of January 1, 2015

| <u>Principal - General Obligation Bonds</u> |                               |                        | <u>Interest - General Obligation Bonds</u> |                         |   |  |
|---|-------------------------------|------------------------|--|-------------------------|---|--|
| <u>Year Ending June 30</u>                  | <u>Outstanding Debt - (1)</u> | <u>Total Principal</u> | <u>Percent Total Debt Retired</u>          | <u>Outstanding Debt</u> | <u>Total Interest Net of BABS Subsidy - (2)</u> | <u>Total Debt Service Requirements</u> |
| 2015  | \$ 1,628,000                  | \$ 1,628,000           |  | \$ 1,252,185            | \$ 1,252,185                                    | \$ 2,880,185                           |
| 2016  | 1,685,000                     | 1,685,000              |  | 1,198,920               | 1,198,920                                       | 2,883,920                              |
| 2017  | 1,742,000                     | 1,742,000              |  | 1,143,435               | 1,143,435                                       | 2,885,435                              |
| 2018  | 1,655,000                     | 1,655,000              |  | 1,084,854               | 1,084,854                                       | 2,739,854                              |
| 2019  | 1,720,000                     | 1,720,000              | 26.32%                                     | 1,023,573               | 1,023,573                                       | 2,743,573                              |
| 2020  | 1,780,000                     | 1,780,000              |  | 962,758                 | 962,758   | 2,742,758                              |
| 2021  | 1,860,000                     | 1,860,000              |  | 888,353                 | 888,353   | 2,748,353                              |
| 2022  | 1,930,000                     | 1,930,000              |  | 817,528                 | 817,528   | 2,747,528                              |
| 2023  | 1,995,000                     | 1,995,000              |  | 747,872                 | 747,872   | 2,742,872                              |
| 2024  | 2,080,000                     | 2,080,000              | 56.43%                                     | 672,691                 | 672,691   | 2,752,691                              |
| 2025  | 2,150,000                     | 2,150,000              |  | 589,666                 | 589,666   | 2,739,666                              |
| 2026  | 2,245,000                     | 2,245,000              |  | 501,920                 | 501,920   | 2,746,920                              |
| 2027  | 2,335,000                     | 2,335,000              |  | 409,002                 | 409,002   | 2,744,002                              |
| 2028  | 2,430,000                     | 2,430,000              |  | 311,602                 | 311,602   | 2,741,602                              |
| 2029  | 2,545,000                     | 2,545,000              | 92.98%                                     | 203,500                 | 203,500   | 2,748,500                              |
| 2030  | 1,480,000                     | 1,480,000              |  | 89,953                  | 89,953  | 1,569,953                              |
| 2031  | 290,000                       | 290,000                |  | 27,575                  | 27,575  | 317,575                                |
| 2032  | 305,000                       | 305,000                |  | 17,550                  | 17,550  | 322,550                                |
| 2033  | 85,000                        | 85,000                 |  | 7,000                   | 7,000   | 92,000                                 |
| 2034  | 90,000                        | 90,000                 | 100.00%                                    | 3,600                   | 3,600   | 93,600                                 |
|   | <u>\$ 32,030,000</u>          | <u>\$ 32,030,000</u>   |  | <u>\$ 11,953,537</u>    | <u>\$ 11,953,537</u>                            | <u>\$ 43,983,537</u>                   |

(1) Does not include capitalized leases or compensated absences. For more information, see the Summary of Bonded Indebtedness and the Notes to the Financial Statements accessible as indicated in Appendix D.

(2) Interest shown is net of gross (before sequestration) Build America Bond subsidy for applicable bond issue(s).

**CITY OF KINGSPORT, TENNESSEE**  
**DEBT SERVICE REQUIREMENTS - Water and Sewer Revenue Supported**  
**As of June 30, 2014**

| <u>PRINCIPAL REQUIREMENTS</u><br><u>WATER AND SEWER SYSTEM</u> |                           |                      |                                  | <u>INTEREST REQUIREMENTS</u><br><u>WATER AND SEWER SYSTEM</u> |  |                                       |
|--|---------------------------|----------------------|----------------------------------|---|--|---------------------------------------|
| Year<br>Ending<br>June 30                                      | Outstanding<br>Debt - (1) | Total<br>Principal   | Percent<br>Total Debt<br>Retired | Outstanding<br>Debt   | Total Interest<br>Net of BABS<br>Subsidy - (2) | Total Debt<br>Service<br>Requirements |
| 2015   | \$ 7,830,000              | \$ 7,830,000         |                                  | \$ 2,635,502  | \$ 2,635,502                                   | \$ 10,465,502                         |
| 2016   | 6,485,000                 | 6,485,000            |                                  | 2,352,892   | 2,352,892                                      | 8,837,892                             |
| 2017   | 5,710,000                 | 5,710,000            |                                  | 2,118,832   | 2,118,832                                      | 7,828,832                             |
| 2018   | 5,035,000                 | 5,035,000            |                                  | 1,915,332   | 1,915,332                                      | 6,950,332                             |
| 2019   | 4,220,000                 | 4,220,000            |                                  | 1,740,883   | 1,740,883                                      | 5,960,883                             |
| 2020   | 3,655,000                 | 3,655,000            | 44.71%                           | 1,603,815   | 1,603,815                                      | 5,258,815                             |
| 2021   | 3,775,000                 | 3,775,000            |                                  | 1,470,540   | 1,470,540                                      | 5,245,540                             |
| 2022   | 3,430,000                 | 3,430,000            |                                  | 1,340,213   | 1,340,213                                      | 4,770,213                             |
| 2023   | 3,590,000                 | 3,590,000            |                                  | 1,204,908   | 1,204,908                                      | 4,794,908                             |
| 2024   | 3,595,000                 | 3,595,000            |                                  | 1,067,578   | 1,067,578                                      | 4,662,578                             |
| 2025   | 3,640,000                 | 3,640,000            | 69.19%                           | 930,441   | 930,441  | 4,570,441                             |
| 2026   | 3,750,000                 | 3,750,000            |                                  | 802,542   | 802,542  | 4,552,542                             |
| 2027   | 3,085,000                 | 3,085,000            |                                  | 670,552   | 670,552  | 3,755,552                             |
| 2028   | 3,100,000                 | 3,100,000            |                                  | 564,596   | 564,596  | 3,664,596                             |
| 2029   | 3,200,000                 | 3,200,000            |                                  | 461,157   | 461,157  | 3,661,157                             |
| 2030   | 3,318,468                 | 3,318,468            | 91.52%                           | 349,217   | 349,217  | 3,667,685                             |
| 2031   | 2,660,000                 | 2,660,000            |                                  | 231,860   | 231,860  | 2,891,860                             |
| 2032   | 1,650,000                 | 1,650,000            |                                  | 140,210   | 140,210  | 1,790,210                             |
| 2033   | 950,000                   | 950,000              |                                  | 78,385  | 78,385   | 1,028,385                             |
| 2034   | 985,000                   | 985,000              |                                  | 40,385  | 40,385   | 1,025,385                             |
| 2035   | -                         | -                    | 100.00%                          | -   | -  | -                                     |
|  | <u>\$ 73,663,468</u>      | <u>\$ 73,663,468</u> |                                  | <u>\$ 21,719,840</u>  | <u>\$ 21,719,840</u>                           | <u>\$ 95,383,308</u>                  |

(1) Does not include capitalized leases or compensated absences, if any. Interfund loans are not included. For more information, see the Summary of Bonded Indebtedness and the Notes to the Financial Statements accessible as indicated in Appendix D.

(2) Interest shown is net of Build America Bonds full subsidy (excluding sequestration) for applicable bond issue(s).

**CITY OF KINGSPORT, TENNESSEE**  
**Ten Year Summary of Revenues, Expenditures and**  
**Changes In Fund Balances - General Fund**

|                                  | <u>2005</u>                 | <u>2006</u>                 | <u>2007</u>                 | <u>2008</u>                 | <u>2009</u>                 | <u>2010</u>                 | <u>2011</u>                 | <u>2012</u>                 | <u>2013</u>                 | <u>2014</u>                 |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Revenues</b>                  |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| Taxes                            | \$ 30,010,000               | \$ 32,560,000               | \$ 33,415,000               | \$ 34,196,929               | \$ 34,956,317               | \$ 35,687,142               | \$ 36,735,841               | \$ 37,664,973               | \$ 38,447,163               | \$ 40,655,013               |
| Licenses and Permits             | 350,000                     | 350,000                     | 526,000                     | 778,788                     | 544,797                     | 354,400                     | 339,843                     | 390,916                     | 357,816                     | 530,179                     |
| Intergovernmental                | 18,183,000                  | 19,223,000                  | 20,511,000                  | 20,799,950                  | 20,387,165                  | 19,642,492                  | 20,241,878                  | 21,829,490                  | 22,056,020                  | 22,628,202                  |
| Charges for Services             | 877,000                     | 1,100,000                   | 1,312,000                   | 1,270,450                   | 1,412,505                   | 2,201,664                   | 2,345,903                   | 2,082,809                   | 2,122,968                   | 1,933,484                   |
| Fines and Forfeitures            | 321,000                     | 448,000                     | 679,000                     | 2,034,486                   | 1,840,622                   | 1,205,281                   | 1,243,032                   | 736,228                     | 648,957                     | 753,558                     |
| Investment Earnings              | 513,000                     | 900,000                     | 1,278,000                   | 939,112                     | 388,048                     | 105,839                     | 68,235                      | 82,616                      | 38,116                      | 10,654                      |
| Contributions and Donations      | 20,000                      | 13,000                      | 15,000                      | 7,350                       | 2,074                       | 2,154                       | 32,407                      | 4,043                       | 127,563                     | 157,097                     |
| Miscellaneous                    | <u>131,000</u>              | <u>70,000</u>               | <u>209,000</u>              | <u>346,667</u>              | <u>225,927</u>              | <u>303,931</u>              | <u>794,771</u>              | <u>490,360</u>              | <u>93,898</u>               | <u>328,555</u>              |
| <b>Total Revenues</b>            | <b>\$ 50,405,000</b>        | <b>\$ 54,664,000</b>        | <b>\$ 57,945,000</b>        | <b>\$ 60,373,732</b>        | <b>\$ 59,757,455</b>        | <b>\$ 59,502,903</b>        | <b>\$ 61,801,910</b>        | <b>\$ 63,281,435</b>        | <b>\$ 63,892,501</b>        | <b>\$ 66,996,742</b>        |
| <b>Expenditures</b>              |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| General government               | \$ 5,724,000                | \$ 5,861,000                | \$ 6,672,000                | \$ 7,005,005                | \$ 8,056,430                | \$ 8,159,252                | \$ 8,182,493                | \$ 8,889,159                | \$ 8,796,127                | \$ 8,591,022                |
| Public Safety:                   | 13,807,000                  | 14,487,000                  | 15,414,000                  | 16,860,706                  | 17,763,626                  | 17,935,335                  | 18,350,902                  | 18,851,933                  | 19,068,656                  | 19,831,402                  |
| Public Works                     | 4,814,000                   | 5,018,000                   | 5,178,000                   | 5,639,582                   | 6,162,895                   | 6,297,624                   | 6,292,395                   | 6,104,746                   | 6,441,239                   | 6,823,759                   |
| Economic and Physical Dev.       | 2,444,000                   | 2,455,000                   | 2,749,000                   | 3,282,588                   | 3,333,384                   | 3,419,325                   | 3,577,098                   | 3,670,958                   | 3,594,287                   | 3,642,231                   |
| Culture and Recreation           | 3,629,000                   | 3,937,000                   | 3,889,000                   | 4,462,490                   | 4,693,900                   | 4,680,818                   | 4,884,922                   | 4,809,798                   | 5,041,504                   | 5,178,628                   |
| Miscellaneous Gov. Services      | 516,000                     | 722,000                     | 878,000                     | 1,019,288                   | 860,350                     | 1,164,299                   | 1,179,584                   | 1,108,609                   | 1,045,894                   | 726,702                     |
| Capital Outlay                   | <u>376,000</u>              | <u>195,000</u>              | <u>199,000</u>              | <u>898,876</u>              | <u>50,170</u>               | <u>41,930</u>               | <u>710,173</u>              | <u>162,194</u>              | <u>123,144</u>              | <u>138,633</u>              |
| <b>Total Expenditures</b>        | <b>\$ 31,310,000</b>        | <b>\$ 32,675,000</b>        | <b>\$ 34,979,000</b>        | <b>\$ 39,168,535</b>        | <b>\$ 40,920,755</b>        | <b>\$ 41,698,583</b>        | <b>\$ 43,177,567</b>        | <b>\$ 43,597,397</b>        | <b>\$ 44,110,851</b>        | <b>\$ 44,932,377</b>        |
| <b>Excess of Revenues</b>        |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| <b>Over (Under) Expenditures</b> | <b>\$ 19,095,000</b>        | <b>\$ 21,989,000</b>        | <b>\$ 22,966,000</b>        | <b>\$ 21,205,197</b>        | <b>\$ 18,836,700</b>        | <b>\$ 17,804,320</b>        | <b>\$ 18,624,343</b>        | <b>\$ 19,684,038</b>        | <b>\$ 19,781,650</b>        | <b>\$ 22,064,365</b>        |
| <b>Other Financing Sources</b>   |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| <b>(Uses)</b>                    |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| Transfers In                     | \$ 2,086,000                | \$ 2,232,000                | \$ 3,449,000                | \$ 2,524,363                | \$ 2,587,824                | \$ 3,759,855                | \$ 3,513,680                | \$ 2,882,006                | \$ 3,515,367                | \$ 3,150,395                |
| Transfers Out                    | (22,166,000)                | (23,348,000)                | (24,337,000)                | (27,208,550)                | (24,352,439)                | (22,146,855)                | (23,368,942)                | (23,577,499)                | (24,234,580)                | (25,081,379)                |
| Sale of Building                 | -                           | -                           | -                           | 800,000                     | -                           | -                           | -                           | -                           | -                           | -                           |
| Debt Proceeds                    | -                           | -                           | -                           | -                           | -                           | -                           | -                           | -                           | -                           | -                           |
| Total                            | <u>\$(20,080,000)</u>       | <u>\$(21,116,000)</u>       | <u>\$(20,888,000)</u>       | <u>\$(23,884,187)</u>       | <u>\$(21,764,615)</u>       | <u>\$(18,387,000)</u>       | <u>\$(19,855,262)</u>       | <u>\$(20,695,493)</u>       | <u>\$(20,719,213)</u>       | <u>\$(21,930,984)</u>       |
| <b>Excess of Revenues</b>        |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| <b>Over (Under) Expenditures</b> |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| <b>&amp; Other Uses</b>          | <b>\$ (985,000)</b>         | <b>\$ 873,000</b>           | <b>\$ 2,078,000</b>         | <b>\$ (2,678,990)</b>       | <b>\$ (2,927,915)</b>       | <b>\$ (582,680)</b>         | <b>\$ (1,230,919)</b>       | <b>\$ (1,011,455)</b>       | <b>\$ (937,563)</b>         | <b>\$ 133,381</b>           |
| <b>Fund Balance July 1</b>       | <b>16,670,000</b>           | <b>15,685,000</b>           | <b>18,652,000</b>           | <b>20,918,736</b>           | <b>18,239,746</b>           | <b>15,311,831</b>           | <b>14,729,151</b>           | <b>13,584,394</b>           | <b>12,572,939</b>           | <b>11,635,376</b>           |
| <b>Restatement</b>               | -                           | -                           | -                           | -                           | -                           | -                           | 86,162                      | -                           | -                           | -                           |
| <b>Prior Period Adjustment</b>   | -                           | 2,095,000                   | 189,000                     | -                           | -                           | -                           | -                           | -                           | -                           | -                           |
| <b>Net Encumbrances</b>          | -                           | -                           | -                           | -                           | -                           | -                           | -                           | -                           | -                           | -                           |
| <b>Fund Balance June 30</b>      | <b><u>\$ 15,685,000</u></b> | <b><u>\$ 18,653,000</u></b> | <b><u>\$ 20,919,000</u></b> | <b><u>\$ 18,239,746</u></b> | <b><u>\$ 15,311,831</u></b> | <b><u>\$ 14,729,151</u></b> | <b><u>\$ 13,584,394</u></b> | <b><u>\$ 12,572,939</u></b> | <b><u>\$ 11,635,376</u></b> | <b><u>\$ 11,768,757</u></b> |

Source: Comprehensive Annual Financial Reports of the City of Kingsport, Tennessee.

Note: From Fiscal Year ending 2005 - 2008, the figures reported in the CAFR were rounded to the nearest thousand.

**CITY OF KINGSPORT, TENNESSEE**  
**Ten Year Summary of Revenues, Expenses and**  
**Changes in Net Assets - Water and Sewer Funds**

|  | <u>2005</u>           | <u>2006</u>           | <u>2007</u>           | <u>2008</u>           | <u>2009</u>           | <u>2010</u>           | <u>2011</u>           | <u>2012</u>           | <u>2013</u>           | <u>2014</u>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Operating Revenues</b>                |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Charges and Fees                         | \$ 23,088,000         | \$ 24,223,000         | \$ 24,610,000         | \$ 25,183,269         | \$ 25,403,240         | \$ 24,545,159         | \$ 23,873,075         | \$ 24,463,225         | \$ 24,278,023         | \$ 25,313,894         |
| Penalties and Fines                      | 470,000               | 462,000               | 530,000               | 599,559               | 637,750               | 556,118               | 547,732               | 550,757               | 534,580               | 571,669               |
| Miscellaneous                            | 1,055,000             | 703,000               | 1,662,000             | 31,684                | 22,491                | 29,740                | 239,140               | 24,566                | 34,590                | 48,375                |
| <b>Total Operating Revenues</b>          | <u>\$ 24,613,000</u>  | <u>\$ 25,388,000</u>  | <u>\$ 26,802,000</u>  | <u>\$ 25,814,512</u>  | <u>\$ 26,063,481</u>  | <u>\$ 25,131,017</u>  | <u>\$ 24,659,947</u>  | <u>\$ 25,038,548</u>  | <u>\$ 24,847,193</u>  | <u>\$ 25,933,938</u>  |
| <b>Operating Expenses</b>                |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Operating Costs                          | \$ 9,143,000          | \$ 9,601,000          | \$ 9,341,000          | \$ 10,578,186         | \$ 11,109,643         | \$ 10,772,806         | \$ 11,054,147         | \$ 11,818,993         | \$ 12,054,338         | \$ 12,254,053         |
| Depreciation                             | 4,201,000             | 4,288,000             | 4,465,000             | 4,637,732             | 5,261,711             | 5,312,280             | 5,877,230             | 5,981,448             | 6,227,914             | 6,292,547             |
| <b>Total Operating Expenses</b>          | <u>\$ 13,344,000</u>  | <u>\$ 13,889,000</u>  | <u>\$ 13,806,000</u>  | <u>\$ 15,215,918</u>  | <u>\$ 16,371,354</u>  | <u>\$ 16,085,086</u>  | <u>\$ 16,931,377</u>  | <u>\$ 17,800,441</u>  | <u>\$ 18,282,252</u>  | <u>\$ 18,546,600</u>  |
| <b>Operating Income</b>                  | <u>\$ 11,269,000</u>  | <u>\$ 11,499,000</u>  | <u>\$ 12,996,000</u>  | <u>\$ 10,598,594</u>  | <u>\$ 9,692,127</u>   | <u>\$ 9,045,931</u>   | <u>\$ 7,728,570</u>   | <u>\$ 7,238,107</u>   | <u>\$ 6,564,941</u>   | <u>\$ 7,387,338</u>   |
| <b>Non-Operating Revenues (Expenses)</b> |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Investment Earnings                      | \$ 339,000            | \$ 846,000            | \$ 1,245,000          | \$ 970,530            | \$ 486,747            | \$ 223,541            | \$ 121,499            | \$ 152,258            | \$ 153,835            | \$ 73,588             |
| Federal Interest Subsidy                 | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ 203,407            | \$ 165,297            | \$ 165,297            | \$ 148,798            |
| Interest Expense                         | (1,732,000)           | (1,734,000)           | (1,608,000)           | (1,606,431)           | (1,308,336)           | (1,007,724)           | (843,459)             | (730,976)             | (634,424)             | (739,534)             |
| Gain on Disposal of Capital Assets       | (8,000)               | -                     | 2,000                 | 50                    | (11,266)              | 400                   | (22,029)              | 5,012                 | (58,911)              | (303,664)             |
| Amortization Expense                     | (86,000)              | (77,000)              | (75,000)              | (63,400)              | (56,477)              | (58,378)              | (21,761)              | (64,045)              | (85,721)              | -                     |
| Arbitrage Expense                        | -                     | (51,000)              | -                     | (27,121)              | -                     | -                     | -                     | -                     | -                     | -                     |
| Payment in Lieu of Taxes                 | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| Other                                    | 5,000                 | 22,000                | (3,000)               | -                     | -                     | -                     | -                     | -                     | -                     | (170,955)             |
| <b>Total Non-Operating Rev. (Exp.)</b>   | <u>\$ (1,482,000)</u> | <u>\$ (994,000)</u>   | <u>\$ (439,000)</u>   | <u>\$ (726,372)</u>   | <u>\$ (889,332)</u>   | <u>\$ (842,161)</u>   | <u>\$ (601,730)</u>   | <u>\$ (472,454)</u>   | <u>\$ (459,924)</u>   | <u>\$ (991,767)</u>   |
| <b>Operating Income Before Other</b>     | <u>\$ 9,787,000</u>   | <u>\$ 10,505,000</u>  | <u>\$ 12,557,000</u>  | <u>\$ 9,872,222</u>   | <u>\$ 8,802,795</u>   | <u>\$ 8,203,770</u>   | <u>\$ 7,126,840</u>   | <u>\$ 6,765,653</u>   | <u>\$ 6,105,017</u>   | <u>\$ 6,395,571</u>   |
| <b>Other</b>                             |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Capital Contributions                    | \$ -                  | \$ -                  | \$ -                  | \$ 2,660,735          | \$ 2,123,441          | \$ 1,296,823          | \$ 655,174            | \$ 65,871             | \$ 403,146            | \$ 1,033,605          |
| Transfers In                             | 40,000                | -                     | 100,000               | 87,163                | 122,826               | 125,786               | 105,304               | 115,834               | 134,465               | 133,761               |
| Transfers Out                            | (2,027,000)           | (2,104,000)           | (2,106,000)           | (2,253,434)           | (2,342,344)           | (2,455,001)           | (2,583,080)           | (2,555,883)           | (2,890,816)           | (2,771,823)           |
| <b>Total Other</b>                       | <u>\$ (1,987,000)</u> | <u>\$ (2,104,000)</u> | <u>\$ (2,006,000)</u> | <u>\$ 494,464</u>     | <u>\$ (96,077)</u>    | <u>\$ (1,032,392)</u> | <u>\$ (1,822,602)</u> | <u>\$ (2,374,178)</u> | <u>\$ (2,353,205)</u> | <u>\$ (1,604,457)</u> |
| <b>Net Income (Loss)</b>                 | <u>\$ 7,800,000</u>   | <u>\$ 8,401,000</u>   | <u>\$ 10,551,000</u>  | <u>\$ 10,366,686</u>  | <u>\$ 8,706,718</u>   | <u>\$ 7,171,378</u>   | <u>\$ 5,304,238</u>   | <u>\$ 4,391,475</u>   | <u>\$ 3,751,812</u>   | <u>\$ 4,791,114</u>   |
| <b>Net Assets (Equity) - PY</b>          | 99,608,000            | 107,408,000           | 115,809,000           | 126,360,600           | 136,727,286           | 145,434,004           | 152,605,382           | 157,909,620           | 162,301,095           | 166,052,907           |
| <b>Change in Contributed Capital</b>     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | (490,586)             |
| <b>Net Assets (Equity)</b>               | <u>\$ 107,408,000</u> | <u>\$ 115,809,000</u> | <u>\$ 126,360,000</u> | <u>\$ 136,727,286</u> | <u>\$ 145,434,004</u> | <u>\$ 152,605,382</u> | <u>\$ 157,909,620</u> | <u>\$ 162,301,095</u> | <u>\$ 166,052,907</u> | <u>\$ 170,353,435</u> |

Source: Comprehensive Annual Financial Reports of the City.

Note: From Fiscal Year ending 2005 - 2007, the figures reported in the CAFR were rounded to the nearest thousand.

| <b>Water Rates FY 2014</b>   |                     |                      |          | <b>Water Rates - FY 2015</b>         |                     |                      |          |
|------------------------------|---------------------|----------------------|----------|--------------------------------------|---------------------|----------------------|----------|
|                              | Outside City Limits |                      |          | Inside City Limits                   |                     | Outside City Limits  |          |
| \$                           | 3.61                | First 2,000 gallons  | \$ 11.67 | First 2,000 gallons                  | \$ 3.79             | First 2,000 gallons  | \$ 11.67 |
|                              | 2.90                | Next 13,000 gallons  | 7.07     | Next 13,000 gallons                  | 3.05                | Next 13,000 gallons  | 7.07     |
|                              | 2.24                | Next 35,000 gallons  | 6.39     | Next 55,000 gallons                  | 2.35                | Next 35,000 gallons  | 6.39     |
|                              | 1.61                | Next 70,000 gallons  | 5.93     | Over 70,000 gallons                  | 1.69                | Next 70,000 gallons  | 5.93     |
|                              |                     | Next 70,000 gallons  | 4.85     |                                      |                     | Next 70,000 gallons  | 4.85     |
|                              |                     | Over 190,000 gallons | 4.56     |                                      |                     | Over 190,000 gallons | 4.56     |
| <b>Sewer Rates - FY 2014</b> |                     |                      |          | <b>Sewer Rates - FY 2015</b>         |                     |                      |          |
|                              | Inside City Limits  | Outside City Limits  |          | Inside City Limits                   | Outside City Limits |                      |          |
| \$                           | 14.46               | \$ 21.72             |          | \$ 14.74                             | \$ 22.16            |                      |          |
|                              | 7.23                | 10.36                |          | 7.37                                 | 11.08               |                      |          |
|                              |                     |                      |          | First 2,000 gallons (minimum charge) |                     |                      |          |
|                              |                     |                      |          | Per Additional 1,000 gallons         |                     |                      |          |

Source: City Finance Department

## FINANCIAL INFORMATION

### CONTINGENT LIABILITIES

The Municipality is party to several agreements with both the Sullivan County Economic Partnership and the Industrial Development Board of the City of Kingsport (“IDBK”) that have required financial participation in the past or may require financial participation by the Municipality in the future. A portion of those agreements are shown below including several recent changes or additions. For additional information, see the Notes to the Financial Statements included as APPENDIX D (specifically, Footnote 5. “Other Information - sub-section B”. “Contingencies”, subsection G. “Joint Ventures”, subsection H. “Jointly Governed Organizations” and subsection I. “Subsequent Events”).

The IDBK acquired a loan in the amount of \$4,000,000 at an interest rate of 3%, with an even year term, from First Tennessee Bank, in order to purchase and develop certain property known as, the General Shale Property. Consisting of approximately 98 acres, this property will be used for the purpose of providing economic development opportunities and the construction of recreational facilities, for the City.

By resolution adopted on December 17, 2013 by the Board of Mayor and Aldermen, the City and the IDBK entered into an agreement where proceeds from the sale of all or any portion the property, will be applied toward retirement of the principal loan balance. To support IDBK’s acquisition of the property and ability to pay on the loan, the City also agrees to make certain semi-annual contributions up to \$60,000 each, to the IDBK as economic development contributions for a period up to seven years, beginning in fiscal year 2014. The first such semi-annual contribution will be made on or before June 1, 2014. Subsequent contributions are to be made on or before each December 1st and June 1st through December 1, 2020. IDBK agrees to use such contributions to pay interest payments due on the loan in the event net proceeds realized from the lease of all or any portion of the property, are insufficient to pay said interest. In the event a principal balance remains outstanding under the loan at maturity, the City agrees to either: (1) purchase the property from the IDBK for a purchase price equal to the outstanding principal and accrued interest owed on the loan, or (2) provide an economic development contribution to IDBK in an amount sufficient to pay the outstanding principal and accrued interest owed on the loan. In either event, IDBK agrees to use such funds to retire any remaining balance on the loan in full.

Source: Comprehensive Annual Financial Report for FY 2014 of the City of Kingsport.

In May 2014, the IDBK obtained a \$2,600,000 loan to purchase a glass manufacturing facility from AGC Glass. The loan carries a rate of 3.95%. Principal and interest are payable monthly over 15 years. The facility has been leased to a new glass manufacturer – Heritage Glass. Monthly lease payments cover the principal and interest on this loan. The City is contingently liable for the loan payments in the event the new manufacturer defaults on the lease.

In August 2014, the IDBK obtained a \$650,000 loan to purchase the former National Guard Armory from the State to be used for economic or industrial development purposes. The loan is for 10 years and carries a rate of 2.85% for the first 5 years. The City has agreed to pay interest on the

loan until the property can be developed and sold. The City is contingently liable for the principal of the loan if it becomes due and payable before the property is sold.

Source: City of Kingsport

In July 2011 the IDBK entered into a loan agreement with a local bank in the amount of \$3,500,000. The loan was used to purchase an industrial use facility near the Tri-Cities Regional Airport. The property was leased to C & F Manufacturing. In the event the manufacturing company fails to make lease payments, IDBK would be required to fund the loan payments from other resources. The City of Kingsport, as well as Sullivan County, has entered into agreements to support this economic development project and share in a contingent liability, should the IDBK default on the loan. On October 7, 2014 the IDBK determined that it would terminate the lease with C & F Manufacturing. Under the terms of their respective funding agreements, the City and County each will pay to IDBK 50% of the amount necessary to make the debt service payments required under the terms of the loan agreement. The City's obligation may be as much as \$135,700 annually for up to 17 years. The IDBK is in the process of marketing the property. Proceeds from the sale or lease of the facility in excess of the amount needed to satisfy the outstanding principal balance and accrued interest of the loan, will be used to repay the City and County for any amounts paid pursuant to the funding agreements.

Source: City of Kingsport

## GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

The following table depicts major revenue sources for all governmental activities for the most recent 10 fiscal years:

| <b>Fiscal Year</b> | <b>Property Tax</b> | <b>Sales Tax</b> | <b>Hall Income Tax</b> | <b>Business Tax</b> | <b>Alcoholic Beverage Tax</b> | <b>Hotel/Motel Tax</b> | <b>Total</b> |
|--------------------|---------------------|------------------|------------------------|---------------------|-------------------------------|------------------------|--------------|
| 2014               | \$52,677,994        | \$30,753,163     | \$893,978              | \$1,806,045         | \$1,800,932                   | \$1,643,053            | \$89,575,167 |
| 2013               | 50,347,648          | 29,687,264       | 709,109                | 1,845,565           | 1,742,979                     | 1,507,778              | 85,840,343   |
| 2012               | 48,236,082          | 29,469,816       | 609,312                | 1,746,264           | 1,778,471                     | 1,499,600              | 83,339,545   |
| 2011               | 47,144,856          | 27,514,740       | 555,283                | 1,681,523           | 1,617,478                     | 1,380,588              | 79,894,468   |
| 2010               | 45,938,645          | 26,304,997       | 577,363                | 1,589,591           | 1,549,521                     | 1,300,766              | 77,260,883   |
| 2009               | 45,003,403          | 27,003,900       | 957,062                | 1,673,312           | 1,575,636                     | 1,241,227              | 77,454,540   |
| 2008               | 43,181,138          | 27,531,437       | 1,324,987              | 1,951,834           | 1,459,593                     | 1,381,161              | 76,830,150   |
| 2007               | 42,857,000          | 27,570,000       | 1,026,000              | 1,707,000           | 1,398,000                     | 938,000                | 75,496,000   |
| 2006               | 41,609,000          | 26,154,000       | 750,000                | 1,551,000           | 1,368,000                     | 791,000                | 72,223,000   |
| 2005               | 39,122,000          | 25,174,000       | 468,000                | 1,219,000           | 1,313,000                     | 743,000                | 68,039,000   |

Source: Comprehensive Annual Financial Reports of the City of Kingsport.

## **BUDGETARY PROCESS**

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

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

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

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

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

Source: Comprehensive Annual Financial Report of the City of Kingsport, TN for fiscal year 2014

## **INVESTMENT AND CASH MANAGEMENT PRACTICES**

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

State statutes impose various restrictions on deposits and investments, including repurchase agreements. These restrictions are summarized as follows:

Custodial credit risk is the risk that in the event of bank failure, deposits may not be returned to the City. All deposits were insured through FDIC or collateralized as required by Title 9, Chapter 1, Section 118, Tennessee Code Annotated.

Total demand deposits and certificates of deposit for the Municipality are held generally in financial institutions which are members of the Tennessee Bank Collateral Pool (the pool) administered by the State of Tennessee Treasurer. The pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the pool if the value of collateral is inadequate to cover a loss.

The Municipality's investment policy is to ensure the preservation of capital in the overall investment portfolio. The Municipality will emphasize the safety of capital first, maintain sufficient liquidity to meet obligations second, and gain the highest possible yield third.

The Municipality's investments generally include long term certificates of deposit placed at local banks or money market deposits with the State of Tennessee Local Government Investment Pool ("LGIP").

Specifically, the LGIP was established under Tennessee Code Annotated Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invest in time deposits, such as certificates of deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. By law, the LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares. The Tennessee LGIP has not been rated by a nationally recognized statistical rating organization.

Source: Comprehensive Annual Financial Report of the City of Kingsport, TN for fiscal year 2014

## **PROPERTY TAX**

*Introduction.* The Municipality is authorized to levy a tax on all property within the Municipality without limitation as to rate or amount.

In accordance with the State constitutional and statutory provisions, all property (real and personal) is assessed by the County Property Tax Assessor. Most utility property is assessed directly by the State. All Municipality property taxes are due on November 1<sup>st</sup> of each year based upon appraisals as of January 1<sup>st</sup> of the same calendar year. All property taxes levied in the Municipality are delinquent on December 1<sup>st</sup> of the same calendar year. Delinquent taxes begin accumulating penalties after November 1<sup>st</sup> at a rate of two percent for November and December and at a rate of one percent for each month thereafter that taxes remain unpaid. In order to collect delinquent taxes, suit must be filed in Chancery Court within a ten-year period of the delinquency

date. After the Chancery Court suit is filed by the Municipality, additional costs are incurred and attached to delinquent property.

*Reappraisal Program.* Title 67, Chapter 5, Part 16, *Tennessee Code Annotated*, as supplemented and amended mandates that all property in the State be reappraised on a continuous cycle composed of an on-sight review of each parcel. Periodic valuations and indices are established for the jurisdiction by the State Board of Equalization in order to maintain real property values at full value as defined in Title 67, Chapter 5, Part 6, *Tennessee Code Annotated*. The State Board of Equalization is also required to consider a plan submitted by a local assessor that may be used in lieu of indexing which would have the effect of maintaining real property values at full value.

Title 67, Chapter 5, Part 17, *Tennessee Code Annotated*, provides that at such time as such reappraisal and reassessment processes are completed in a particular county, the respective governing bodies of the county and the municipalities located therein shall determine and certify a tax rate which will provide the same *ad valorem* tax revenue for the respective jurisdiction as was levied prior to reappraisal and reassessment. In computing the new tax rate, the estimated assessed value of all new construction and improvements placed on the tax rolls since the previous year, and the assessed value of all deletions from the previous tax roll are excluded. The new tax rate therefore, is derived from a comparison of tax revenues, tax rates and assessed values of property on the tax roll in both the year before and the year after the reappraisal. The effect of the reappraisal and reassessment statutes is to adjust the property tax rate downward to prevent a taxing unit from collecting additional property tax revenues as a result of reappraisal. Once a municipality or county complies with State law and certifies a tax rate which provides the same property tax revenue as was collected for reappraisal, its governing body may vote to approve a tax rate change which would produce more or less tax revenue.

*Assessed Valuations.* As of May 19, 2014 according to the Tennessee State Board of Equalization, property in Sullivan County reflected a ratio of appraised value to true market value of 1.0000 resulting from a County-wide reappraisal certified in 2013 (fiscal year 2014). Sullivan County is on a four year appraisal cycle. The next county-wide reappraisal will be dated January 1, 2017 (fiscal year 2018).

Approximately four percent of the Municipality is located in Hawkins County. Property in Hawkins County reflected a ratio of appraised value to true market value of 1.0377 according to the State resulting from a county-wide reappraisal certified in 2011 (fiscal year 2012). Hawkins County is on a five year appraisal cycle. The next county-wide appraisal in Hawkins County will occur in 2016. Public utility assessments have been equalized and certified by the State after adjustment resulting from reappraisals or from sales studies.

*Assessed Values and Estimated Actual Values of the Municipality.* The table on the following page depicts total historical data for all property in Sullivan and Hawkins Counties for tax years 2004 (fiscal year 2005) through 2013 (fiscal year 2014):

**Real Property**

| <b>FY</b> | <b>Tax Year</b>     | <b>Industrial/<br/>Commercial<sup>(2)</sup></b> | <b>Residential</b> | <b>Farm</b> | <b>Tangible<br/>Personal<br/>Property</b> | <b>Public<br/>Utility<br/>Property</b> | <b>Total Assessed<br/>Value<sup>(2)</sup></b> | <b>Estimated<br/>Actual<br/>Value</b> | <b>City<br/>Tax<br/>Rate<sup>(3)</sup></b> |
|-----------|---------------------|---|--------------------|-------------|---|--|---|---------------------------------------|--|
| 2014      | 2013*               | \$661,117,320                                   | \$656,652,875      | \$6,122,250 | \$407,237,524                             | \$52,692,551                           | \$1,785,012,769                               | \$5,784,231,932                       | \$1.94                                     |
| 2013      | 2012                | 637,745,231                                     | 632,822,600        | 6,301,400   | 352,511,056                               | 47,486,322                             | 1,678,554,710                                 | 5,763,618,186                         | 1.97                                       |
| 2012      | 2011**              | 636,935,120                                     | 588,474,175        | 5,983,325   | 359,875,528                               | 51,988,058                             | 1,643,256,206                                 | 5,604,513,479                         | 1.97                                       |
| 2011      | 2010                | 625,090,560                                     | 569,650,900        | 5,913,398   | 386,518,022                               | 54,411,500                             | 1,641,584,382                                 | 5,305,111,318                         | 1.94                                       |
| 2010      | 2009*               | 608,769,000                                     | 536,498,100        | 5,788,225   | 407,493,801                               | 48,431,779                             | 1,606,980,905                                 | 5,136,863,657                         | 1.94                                       |
| 2009      | 2008 <sup>(1)</sup> | 479,385,760                                     | 451,915,375        | 4,772,725   | 345,092,059                               | 40,551,109                             | 1,321,717,028                                 | 5,026,787,103                         | 2.30                                       |
| 2008      | 2007                | 459,666,840                                     | 439,977,900        | 4,223,425   | 401,179,200                               | 47,070,183                             | 1,352,126,208                                 | 5,129,398,172                         | 2.30                                       |
| 2007      | 2006**              | 447,971,040                                     | 428,248,625        | 4,253,775   | 370,955,810                               | 44,945,105                             | 1,297,375,372                                 | 4,191,243,619                         | 2.26                                       |
| 2006      | 2005*               | 448,656,200                                     | 413,238,725        | 4,130,975   | 354,208,836                               | 49,276,874                             | 1,169,011,610                                 | 4,100,277,574                         | 2.26                                       |
| 2005      | 2004                | 388,316,240                                     | 387,895,325        | 3,984,775   | 327,251,076                               | 46,710,193                             | 1,154,157,609                                 | 3,943,851,119                         | 2.29                                       |
|           | <b>Rate</b>         | <b>40%</b>                                      | <b>25%</b>         | <b>25%</b>  | <b>30%</b>                                | <b>55%</b>                             |   |                                       |  |

<sup>(1)</sup> In tax year 2008, Quebecor Printing which closed in October 2006 reduced assessments as did the new Eastman PILOT.

<sup>(2)</sup> A material portion of the City's property tax revenue is derived from one taxpayer, the loss of which would have a material effect on the Municipality. During the tax years ended December 31, 2013 and 2012, the taxes assessed on this taxpayer accounted for approximately 24% of total property taxes assessed for each year.

<sup>(3)</sup> Direct tax rate paid by City residents in the Sullivan County portion of the City. Residents located in the Hawkins County portion of the City pay a different rate. Residents in the City in Hawkins and Sullivan Counties also pay a separate tax to each jurisdiction.

\* Reappraisal in the Sullivan County portion of the City.

\*\* Reappraisal in the Hawkins County portion of the City.

Source: Tax Aggregate Reports of Tennessee published by the State Board of Equalization and The Comprehensive Annual Financial Reports of the City of Kingsport, Tennessee.

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*Property Tax Levies, Rates and Collections.* The following table depicts property tax levies and collections for fiscal years ending June 30<sup>th</sup> 2005 through 2014:

| <u>FY</u> | <u>Tax Year</u>     | <u>Combined Assessed Valuation</u> <sup>(2)</sup> | <u>Sullivan County Tax Rates</u> |                    | <u>Hawkins County Tax Rates</u> |                    | <u>City Fiscal Year Collections</u> <sup>(1)</sup> |               |                       |
|-----------|---------------------|---|----------------------------------|--------------------|---------------------------------|--------------------|--|---------------|-----------------------|
|           |                     |   | <u>City Rate</u>                 | <u>County Rate</u> | <u>City Rate</u>                | <u>County Rate</u> | <u>Adjusted Taxes Levied</u>                       | <u>Amount</u> | <u>Pct. Adj. Levy</u> |
| 2014      | 2013*               | \$1,785,012,769                                   | \$1.9400                         | \$2.3054           | \$1.8800                        | \$2.3450           | \$35,124,139                                       | \$34,296,096  | 97.64%                |
| 2013      | 2012                | 1,678,554,710                                     | 1.9700                           | 2.3307             | 1.8500                          | 2.3450             | 33,610,542   | 32,509,564    | 96.72%                |
| 2012      | 2011**              | 1,643,256,206                                     | 1.9700                           | 2.1307             | 1.8500                          | 2.3450             | 32,696,105   | 31,684,065    | 96.45%                |
| 2011      | 2010                | 1,641,584,382                                     | 1.9400                           | 2.1307             | 2.2400                          | 2.7050             | 32,297,608   | 31,071,305    | 96.20%                |
| 2010      | 2009*               | 1,606,980,905                                     | 1.9400                           | 2.1307             | 2.2700                          | 2.7050             | 31,198,267   | 30,151,757    | 96.65%                |
| 2009      | 2008 <sup>(1)</sup> | 1,321,717,028                                     | 2.3000                           | 2.5300             | 2.2500                          | 2.6100             | 30,535,512   | 29,616,908    | 96.99%                |
| 2008      | 2007                | 1,352,126,208                                     | 2.3000                           | 2.5300             | 1.9600                          | 2.6100             | 29,757,507   | 28,616,818    | 96.17%                |
| 2007      | 2006**              | 1,297,375,372                                     | 2.2600                           | 2.5300             | 2.2600                          | 2.3600             | 29,566,014   | 28,769,796    | 97.31%                |
| 2006      | 2005*               | 1,169,011,610                                     | 2.2600                           | 2.5300             | 2.5200                          | 2.6800             | 28,734,891   | 27,985,510    | 97.39%                |
| 2005      | 2004                | 1,155,042,394                                     | 2.2900                           | 2.6700             | 2.2900                          | 2.6700             | 26,599,513   | 25,793,768    | 96.97%                |

<sup>(1)</sup> In tax year 2008, Quebecor Printing which closed in October 2006 reduced assessments as did the new Eastman PILOT.

<sup>(2)</sup> A material portion of the City's property tax revenue is derived from one taxpayer, the loss of which would have a material effect on the Municipality. During the tax years ended December 31, 2013 and 2012, the taxes assessed on this taxpayer accounted for approximately 24% of total property taxes assessed for each year.

\* Reappraisal in the Sullivan County portion of the City.

\*\* Reappraisal in the Hawkins County portion of the City.

Source: Tax Aggregate Reports of the Tennessee published by the State Board of Equalization, Tennessee Comptroller's website and the City of Kingsport.

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*Ten Largest Taxpayers.* For the fiscal year ending June 30, 2014 (tax year 2013), the ten largest taxpayers in Kingsport are as follows:

| Taxpayer  | 2014                   |      |  | 2005                   |      |  |
|---|------------------------|------|--|------------------------|------|--|
|   | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Eastman Chemical Company                                | \$ 434,699,204         | 1    | 24.4%                                      | \$ 329,989,000         | 1    | 28.4%                                      |
| Domtar, Inc (Weyerhaeuser Co/Willamette Industries)     | 45,203,497             | 2    | 2.5%                                       | 16,543,000             | 2    | 1.4%                                       |
| Kingsport Power Company                                 | 20,948,531             | 3    | 1.2%                                       | 15,919,000             | 3    | 1.4%                                       |
| Wellmont Health System/<br>Holston Valley Health Care   | 18,533,822             | 4    | 1.0%                                       | 7,895,000              | 9    | 0.7%                                       |
| Holston Family Practice                                 | 18,370,269             | 5    | 1.0%                                       |                        |      |  |
| Brandy Mill Apartments, LLC                             | 17,375,391             | 6    | 1.0%                                       |                        |      |  |
| Inland Western Kpt East Stone LLC<br>- Clara F Jackson  | 16,455,080             | 7    | 0.9%                                       |                        |      |  |
| Eastman Credit Union                                    | 16,301,465             | 8    | 0.9%                                       |                        |      |  |
| Mountain States Health / HCA                            | 15,186,075             | 9    | 0.9%                                       | 8,686,000              | 8    | 0.7%                                       |
| Kingsport Town Center (Fort Henry<br>Mall- Baltry, LLC) | 11,914,253             | 10   | 0.7%                                       | 11,455,000             | 6    | 1.0%                                       |
| Wal Mart Properties/Real Estate                         |                        |      |  | 9,349,000              | 7    | 0.8%                                       |
| Quebecor  |                        |      |  | 15,306,000             | 4    | 1.3%                                       |
| Sprint/United Inter-Mountain<br>Telephone Southeast     |                        |      |  | 14,319,000             | 5    | 1.2%                                       |
| AFG/AGC Industries                                      |                        |      |  | 7,345,000              | 10   | 0.6%                                       |
| <b>Totals</b>   | <u>\$ 614,987,587</u>  |      | <u>34.5%</u>                               | <u>\$ 436,806,000</u>  |      | <u>37.5%</u>                               |
| Total Taxable Assessed Value:                           |                        |      |  |                        |      |  |
| FYE 2014 (Tax Year 2013)                                | \$ 1,784,395,940       |      |  |                        |      |  |
| FYE 2005 (Tax Year 2004)                                | 1,161,444,000          |      |  |                        |      |  |

Source: City of Kingsport Finance Department

## LOCAL OPTION SALES TAX

Pursuant to applicable provisions of Title 67, Chapter 6, Part 7 of *Tennessee Code Annotated* as amended (the "Sales Tax Act"), Sullivan County and Hawkins County levy a county-wide local option sales and use tax. Under the Sales Tax Act, counties and incorporated cities may levy sales and use tax on the same privileges on which the State levies its sales and use tax. The rate of any sales and use tax levied by a county or city is limited under State law to two and three-fourths percent (2.75%).

Pursuant to the Sales Tax Act, the levy of a sales and use tax by a county precludes any city from within the county from levying a sales and use tax, but a city may levy a sales tax in addition to the county's sales tax at a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three-fourths percent (2.75%). If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate.

Currently, Sullivan County levies a two and one-quarter percent (2.25%) sales tax, but the Municipality has elected to add an additional one-quarter percent (0.25%) to all sales within that portion of the corporate limits of the Municipality located in Sullivan County bringing the total to two and one-half percent (2.50%) in the Sullivan County portion of the Municipality. These funds go directly to the Regional Fund which is used to support capital improvements associated with the Municipality’s MeadowView Convention Center and Resort as well as the Kingsport Aquatics Center. The local option sales tax levied by Hawkins County equals the maximum rate allowed by the Sales Tax Act of two and three-fourths percent (2.75%).

The revenues from the county-wide sales and use taxes in Sullivan and Hawkins Counties are distributed pursuant to the provisions of the Sales Tax Act and other provisions of the *Tennessee Code Annotated*. Fifty percent (50.0%) of the revenues raised through the county-wide sales taxes are directed to educational purposes and are distributed to all organized public school systems in the county (including the Kingsport City School System) in which the taxes are collected based upon the average daily attendance of each school system. The balance of the sales tax collections are divided between the general fund of the county in which the taxes are collected and all incorporated cities in such county based upon the situs of collection unless a separate agreement has been ratified concerning the distribution of these funds. As noted, the Regional Fund receives all the proceeds from the special one-quarter percent (0.25%) increment.

The distribution of the sales tax for the most recent fiscal years was as follows:

| <b>City-Wide</b>   |                                      |                             |                     |                                    |
|--------------------|--------------------------------------|-----------------------------|---------------------|------------------------------------|
| <b>Fiscal Year</b> | <b>Total Sales Tax<sup>(1)</sup></b> | <b>FY Percentage Change</b> | <b>General Fund</b> | <b>Regional Fund<sup>(2)</sup></b> |
| 2014               | \$19,390,768                         | 3.05%                       | \$15,901,590        | \$3,489,178                        |
| 2013               | 18,816,178                           | 1.42%                       | 15,439,975          | 3,376,203                          |
| 2012               | 18,789,437                           | 5.68%                       | 15,432,814          | 3,356,623                          |
| 2011               | 17,778,766                           | 4.17%                       | 14,594,959          | 3,183,807                          |
| 2010               | 17,067,113                           | (3.22%)                     | 14,009,678          | 3,057,435                          |
| 2009               | 17,634,903                           | (1.23%)                     | 14,478,441          | 3,156,462                          |
| 2008               | 17,854,873                           | 0.18%                       | 14,640,220          | 3,214,653                          |
| 2007               | 17,834,000                           | 4.27%                       | 14,619,000          | 3,215,000                          |
| 2006               | 17,103,000                           | 2.60%                       | 14,019,000          | 3,084,000                          |

<sup>(1)</sup> For 2014, the figures shown are preliminary and subject to final audit.

<sup>(2)</sup> One quarter (0.25%) percent is levied by the Municipality only in that portion of the Municipality located in Sullivan County (the “Regional Fund”) and has been and will be used to offset the costs related to the Municipality’s MeadowView Conference Center and Resort and related facilities and the Aquatics Center and Water park which will serve the Municipality and the region. All totals are depicted on an accrued basis as of the end of the appropriate fiscal year.

Source: Comprehensive Annual Financial Report and the Municipality.

As allowed by the Sales Tax Act, the Municipality formally has pledged revenues to be derived from the one-quarter percent (0.25%) local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County to the payment of both principal and interest on its \$15,180,000 Local Option Sales Tax Revenue and Tax Bonds, Series

2009C Bonds, dated February 3, 2009 (the “Series 2009C Bonds”). The Series 2009C Bonds mature on March 1, 2011 through March 1, 2022, inclusive, on March 1, 2024, on March 1, 2025 through March 1, 2027, inclusive, and on March 1, 2029. In the event of a deficiency of such revenues, the Municipality has pledged such payments from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the prompt payment of the Series 2009 C Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality has been irrevocably pledged.

The Municipality’s \$26,415,000 General Obligation Public Improvement Bonds, Series 2009D (Federally Taxable Build America Bonds), dated December 8, 2009 and maturing on March 1, 2013 through March 1, 2027, on March 1, 2029 and on March 1, 2020 (the “Series 2009D Bonds”) are also payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the prompt payment of the Series 2009D Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality has been irrevocably pledged.

The Municipality’s \$14,225,000 General Obligation Public Improvement Bonds, Series 2009E, dated December 8, 2009 and maturing on March 1, 2013 through March 1, 2023, inclusive and on March 1, 2025, on March 1, 2027 and on March 1, 2028 through March 1, 2030, inclusive (the “Series 2009E Bonds”) are also payable from revenues derived from the one-quarter percent (0.25%) local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County, Tennessee.

Approximately, 5.9 percent of the proceeds of the Series 2009D Bonds were used to fund the acquisition, development and construction of additional improvements to Municipality’s MeadowView Convention Center and area roads. One hundred percent of the proceeds of the Series 2009E Bonds were used to fund the acquisition, development and construction of the Municipality’s new aquatics center and Water Park and related facilities. Debt service related to these projects is paid from revenues derived from the one-quarter percent (0.25%) local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County, Tennessee.

The Municipality’s General Obligation Public Improvement Bonds, Series 2012A dated June 22, 2012 (the “Series 2012A Bonds”) are also payable from revenues derived from the one-quarter percent (0.25%) local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County, Tennessee.

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**TOP TEN WATER CUSTOMERS**

The Municipality’s Water Treatment facility has a capacity of 28 MGD (WTP capacity). Water is distributed through nearly 826 miles of waterlines. There are currently 34,658 total customers (12,165 outside the City).

The Top Ten Customers of the Water System as of June 30, 2014 are depicted on the following chart:

| <u>Customer Name</u>                | <u>Consumption<br/>(in gallons)</u> | <u>Revenue</u>      | <u>Revenue as<br/>% of FY14<br/>Water Sales</u> |
|-------------------------------------|-------------------------------------|---------------------|---|
| Eastman Chemical Company            | 795,803,500                         | \$ 1,574,337        | 13.33%  |
| Domtar Paper Company, LLC           | 53,799,100                          | 103,524             | 0.88%   |
| BAE Systems                         | 55,326,500                          | 90,406              | 0.77%   |
| Wellmont Health System              | 39,811,200                          | 66,125              | 0.56%   |
| Warriors Path State Park            | 12,977,000                          | 63,864              | 0.54%   |
| Kingsport Housing Authority         | 30,087,500                          | 58,110              | 0.49%   |
| AGC                                 | 17,088,600                          | 42,589              | 0.36%   |
| Indian Path Hospital                | 20,229,300                          | 33,302              | 0.28%   |
| Allandale Falls Apt, LLC            | 16,485,200                          | 27,206              | 0.23%   |
| Model City II, L.P.                 | <u>12,483,700</u>                   | <u>26,124</u>       | <u>0.22%</u>                                    |
|                                     | <u>1,054,091,600</u>                | <u>\$ 2,085,588</u> | <u>17.66%</u>                                   |
| Total Water Sales Revenue - FY 2014 |                                     | \$ 11,810,305       |   |

**TOP TEN WASTEWATER CUSTOMERS**

The Municipality’s Wastewater Treatment facility has a current capacity of 12.4 MGD. Wastewater is collected through nearly 540 miles of sewer lines. There are currently about 21,414 total connections (972 outside the City). The Top Ten Customers of the Wastewater System as of June 30, 2014 are depicted on chart on the following page:

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| <u>Customer Name</u>                  | <u>Consumption<br/>(in gallons)</u> | <u>Revenue</u>      | <u>Revenue as %<br/>of FY14<br/>Sewer User Fees</u> |
|---------------------------------------|-------------------------------------|---------------------|---|
| Eastman Chemical Company              | 229,889,300                         | \$ 1,666,708        | 13.43%  |
| Kingsport Housing Authority           | 30,064,600                          | 218,655             | 1.76%   |
| Wellmont Health System                | 20,387,600                          | 147,515             | 1.19%   |
| Allandale Falls Apt, LLC              | 16,485,200                          | 119,188             | 0.96%   |
| Warriors Path State Park              | 10,871,000                          | 118,059             | 0.95%   |
| Rental Uniform                        | 12,583,000                          | 90,975              | 0.73%   |
| Model City II, L.P.                   | 12,483,700                          | 90,257              | 0.73%   |
| Indian Path Hospital                  | 11,864,300                          | 85,870              | 0.69%   |
| Tuscany Villas                        | 9,709,100                           | 70,197              | 0.57%   |
| Mountain States Properties            | 8,786,500                           | 63,526              | 0.51%   |
|                                       | <u>363,124,300</u>                  | <u>\$ 2,670,950</u> | <u>21.52%</u>                                       |
| Total Sewer User Fee Revenue - FY2014 | \$12,414,174                        |                     |   |

## **PENSION PLANS**

### **City of Kingsport General Government Plan**

#### *Plan Description*

Employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. The City has authorized Mandatory Retirement for Public Safety Officers. Public Safety Officers can retire at age 55 with five years of service or at any age with 25 years of service and receive a supplemental bridge payment between the mandatory retirement age and age 62. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The City withdrew from TCRS effective July 1, 2012. Employees hired after the date of withdrawal are not eligible to participate in TCRS. Employees active as of the withdrawal date will continue to accrue salary and service credit in TCRS. The City remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the City.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 15<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Source: Comprehensive Annual Financial Report for Fiscal Year 2014

### *Funding Policy*

The City previously adopted a non-contributory provision for the defined benefit plan, assuming employee contributions up to 5.0 percent of annual covered payroll. The City elected to discontinue the non-contributory provision for new hires between October 1, 2010 and June 30, 2012. Employees hired during this time frame are required to contribute 5.0 percent of compensation into the defined benefit plan. Employees hired prior to October 1, 2010 continue as non-contributory plan members.

The City is required to contribute to the defined benefit plan at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 17.11% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

### *Annual Pension Cost*

For the fiscal year ending June 30, 2014, the City's annual pension cost of \$6,099,494 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50% a year compounded annually, (b) projected 3.00% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.50% annual increase in the Social Security wage base and (e) projected post retirement increases of 2.5% annually.

The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 15 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

| <b>Fiscal Year<br/>Ending</b> | <b>Annual<br/>Pension Cost<br/>(APC)</b> | <b>Percentage of<br/>APC<br/>Contributed</b> | <b>Net<br/>Pension<br/>Obligation</b> |
|-------------------------------|--|--|---------------------------------------|
| June 30, 2014                 | \$ 6,099,494                             | 100.00%                                      | \$0                                   |
| June 30, 2013                 | \$ 6,335,112                             | 100.00%                                      | \$0                                   |
| June 30, 2012                 | \$ 6,099,950                             | 100.00%                                      | \$0                                   |

*Funded Status and Funding Progress*

As of July 1, 2013, the most recent actuarial valuation date, the plan was 72.50% funded. The actuarial accrued liability for benefits was \$211.73 million, and the actuarial value of assets was \$153.51 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$58.22 million. The covered payroll (annual payroll of active employees covered by the plan) was \$35.66 million, and the ratio of UAAL to covered payroll was 163.27%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**Schedule of Funding Progress**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(a)</b> | <b>Actuarial<br/>Liability<br/>(AAL)<br/>Entry Age<br/>(b)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(b) - (a)</b> | <b>Funded<br/>Ratio<br/>(a/b)</b> | <b>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL as a<br/>Percentage of<br/>Covered<br/>Payroll<br/>((b-a)/c)</b> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| July 1, 2013                            | \$ 153,511,000                                   | \$ 211,727,000   | \$ 58,216,000                                    | 72.50%                            | \$ 35,658,000                      | 163.27%  |
| July 1, 2011                            | \$ 141,716,000                                   | \$ 168,059,000   | \$ 26,343,000                                    | 84.33%                            | \$ 35,364,000                      | 74.49%   |
| July 1, 2009                            | \$ 121,255,000                                   | \$ 153,266,000   | \$ 32,011,000                                    | 79.11%                            | \$ 34,897,000                      | 91.73%   |

Source: Comprehensive Annual Financial Report for 2014

*Defined Contribution Plan*

Employees of the City hired on or after July 1, 2012 are participants in a Governmental Money Purchase Plan and Trust known as the City of Kingsport Defined Contribution Retirement Plan. The qualified plan is established under Internal Revenue Codes 401(a) and 457(b) and is administered by the International City/County Management Association Retirement Corporation (ICMA-RC). Investment decisions on contributions to the plan are controlled by the employee participant. In-service distributions are not permitted under the plan at any age. Employee contributions are immediately 100% vested to the participant. Employer contributions made by the City are subject to a graduated vesting schedule based upon the

employee's completed years of service with the City as follows: 1 year – 0% vested; 2 years – 20% vested; 3 years – 40% vested; 4 years – 60% vested; 5 years – 80% vested; 6 years – 100% vested. The plan's provisions may be amended at the discretion of the City's BMA, by resolution and subject to applicable federal laws governing such plans.

### *Funding Policy*

A mandatory employee contribution equal to 5% of compensation is required from each participant. An employer matching contribution equal to 5% of the employee's compensation is currently made by the City. Employees may make voluntary contributions to the plan up to the Internal Revenue Service code annual maximum. Voluntary contributions made by the employee receive an equal matching contribution made by the City, which is currently up to a maximum of 3%. Funding requirements may be amended at the discretion of the City's Board of Mayor and Aldermen, by resolution and subject to applicable federal laws governing such plans. Total contributions for the year ended June 30, 2014 were \$ 368,549 which consisted of \$181,086 made by the City and \$187,463 made by employees.

Source: Comprehensive Annual Financial Report for 2014

## **Kingsport City Schools Plan**

### *Plan Description*

The Kingsport City Schools contribute to the State Employees, Teachers, and Higher Education Employee Pension Plan (SETHEEPP), a cost-sharing, multiple employers, defined benefit pension plan administered by the TCRS. TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at: [www.tn.gov/treasury/tcrs/Schools](http://www.tn.gov/treasury/tcrs/Schools).

### *Funding Policy*

Most teachers are required by state statute to contribute 5.00% of salary to the plan. The employer contribution rate for Kingsport City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2014 was 8.88% of annual covered payroll. The employer contribution requirement for Kingsport City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2014, 2013, and 2012 were \$2,895,779, \$2,812,755 and \$2,795,181 respectively, equal to the required contributions for each year.

For additional information, please refer to the appropriate Note to Financial Statements located in the Comprehensive Annual Financial Report of the Municipality for Fiscal Year 2014 which may be accessed as described in APPENDIX D.

### *New State Employee, Higher Education and Teacher Hybrid Pension Plan*

During the 2013 General Assembly session, legislation was enacted to provide a new pension plan for State employees and teachers hired on or after July 1, 2014. The pension reform language can be found in Public Chapter 259, Acts of 2013 or on the TCRS website at: <http://treasury.tn.gov/tcrs/>.

### **OTHER POST-EMPLOYMENT BENEFITS**

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the City recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated for prior years will be phased in over 30 years, commencing with the 2008 liability.

### **Kingsport Plan Description**

The City of Kingsport provides continuation of medical insurance coverage to eligible employees that retire under the Tennessee Consolidated Retirement System at the same time they end their services to the City. Employees hired prior to June 1, 2007 are eligible to continue coverage if they had been enrolled in the City's offered health insurance plan as an active full time employee at the date of retirement. Employees hired after June 1, 2007, must have a minimum of 25 years of service with the City, be at least 55 years old, and must have been enrolled in the health insurance provided by the City for three full consecutive years immediately prior to retirement or have 30 years of service with the City and have been enrolled in the health insurance provided by the City for one full year immediately prior to retirement. Employees who retired before June 30, 2010 and continued on the City's health insurance as listed above are eligible for the City funded Medicare supplement plan when they

reach 65 years of age. Employees retiring after June 30, 2010 are no longer eligible for the City funded Medicare supplement plan.

The number of participants as of July 1, 2014, the effective date of the OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

|   |              |
|---|--------------|
| Active employees - medical & death benefits     | 606          |
| Active employees - death benefit only           | 1,060        |
| Retired employees - medical & death benefits    | 68           |
| Retired employees spouse - medical benefit only | 9            |
| Retired employees - death benefit only          | <u>801</u>   |
| Total   | <u>2,534</u> |

*Funding Policy*

The premium requirements of plan members are established and may be amended by the BMA. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claim liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates.

|  |                                |
|--|--------------------------------|
| <u>Annual OPEB Cost and Net OPEB Obligation</u>      | City of Kingsport Retiree Plan |
| Annual Required Contribution (ARC)                   | \$ 1,844,327                   |
| Interest on the Net OPEB Obligation (NOO)            | 852,718                        |
| Adjustment to the Annual Required Contribution (ARC) | (450,984)                      |
| Annual OPEB Cost                                     | \$ 1,956,061                   |
| Amount of Contribution                               | <u>(821,471)</u>               |
| Increase/Decrease in Net Pension Obligation (NPO)    | \$ 1,134,590                   |
| Net OPEB Obligation – Beginning of Year              | <u>11,254,354</u>              |
| Net OPEB Obligation – Ending of Year                 | <u>\$12,388,944</u>            |

| <u>Year End*</u> | <u>Plan</u>  | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation at Year End</u> |
|------------------|--------------|-------------------------|---|--|
| 06/30/14         | City Retiree | \$ 1,956,061            | 42%   | \$ 12,388,944                          |
| 06/30/13         | City Retiree | \$ 2,029,501            | 35%   | \$ 11,254,354                          |
| 06/30/12         | City Retiree | \$ 2,562,314            | 32%   | \$ 9,936,937                           |
| 06/30/11         | City Retiree | \$ 2,422,409            | 20%   | \$ 8,203,478                           |
| 06/30/10         | City Retiree | \$ 2,581,342            | 47%   | \$ 6,272,246                           |
| 06/30/09         | City Retiree | \$ 3,292,208            | 27%   | \$ 4,906,010                           |
| 06/30/08         | City Retiree | \$ 3,166,263            | 20%   | \$ 2,518,897                           |

\*Data not available for the 2007 year

## *Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2013, the date of the latest actuarial interim year valuation, was as follows:

### City of Kingsport Retiree Plan

|   |              |
|---|--------------|
| Actuarial valuation date                    | 07/01/13     |
| Actuarial accrued liability (AAL)           | \$23,012,654 |
| Actuarial value of plan assets              | \$ 0         |
| Unfunded actuarial accrued liability (UAAL) | \$23,012,654 |
| Actuarial Value of Assets as a % of the AAL | 0%           |
| Covered payroll (active plan members)       | \$30,020,389 |
| UAAL as a percentage of covered payroll     | 77%          |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2013 actuarial year valuation, the Projected Unit Credit actuarial cost method was used with linear proration to decrement. The actuarial assumptions included a 5 percent investment rate of return, annual inflation rate of 3 percent and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. Total payroll growth is estimated at 4 percent per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls over a 30 year period based on open group, beginning with July 1, 2008.

### **Post-employment Healthcare Plan – Kingsport City Schools**

#### *Plan Description*

The Kingsport City Schools participate in the state-administered Teacher Group Insurance Plan and Medicare Supplement Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-302 (teachers) and TCA 8-27-701 (Medicare Supplement). Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in

the state's retirement system may participate in a state- administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

*Special Funding Situation*

The state is legally responsible for contributions to the Teacher Group and Medicare Supplements Plans that cover the retirees of other governmental entities. The state provides a subsidy for retired higher education and local education agency (LEA) teachers in the plans. The state is not the sole employer for the LEA employees since some of these agencies provide additional direct subsidies and all provide implicit subsidies.

*Funding Policy*

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. Retired employees who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent. Retired employees who are 65 years of age or older have flat rate premium subsidies based on years of service. Retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25.

During the year ended June 30, 2014, Kingsport City Schools contributed \$373,586 for the Teacher Group plan and \$308,897 for the Medicare Supplement plan. For the year ended June 30, 2014, the State of Tennessee contributed \$305,835 on behalf of retirees for the teacher group plan and \$89,358 for the Medicare supplement plan.

*Annual OPEB Cost and Net OPEB Obligation*

|  | <b>Teacher Group<br/>Plan</b> | <b>Medicare<br/>Supplement Plan</b> |
|--|-------------------------------|-------------------------------------|
| Annual Required Contribution (ARC)                   | \$1,502,000                   | \$2,805,000                         |
| Interest on Net Pension Obligation (NPO)             | 386,419                       | 443,777                             |
| Adjustment to the Annual Required Contribution (ARC) | <u>(376,465)</u>              | <u>(432,346)</u>                    |
| Annual OPEB Cost                                     | 1,511,954                     | 2,816,431                           |
| Amount of Contribution                               | <u>(373,586)</u>              | <u>(308,897)</u>                    |
| Increase/Decrease in Net Pension Obligation (NPO)    | 1,138,368                     | 2,507,534                           |
| Net OPEB Obligation - Beginning of Year              | <u>9,660,477</u>              | <u>11,094,436</u>                   |
| Net OPEB Obligation - Ending of Year                 | <u>\$10,798,845</u>           | <u>\$13,601,970</u>                 |

| <u>Year End*</u> | <u>Plan</u>   | <u>Annual OPEB</u> | Percentage of<br>Annual OPEB Cost<br><u>Contributed</u> | <u>Net OPEB<br/>Obligation<br/>at Year End</u> |
|------------------|---------------|--------------------|---|--|
| 06/30/14         | Teacher Group | \$ 1,511,954       | 25%   | \$ 10,798,845                                  |
| 06/30/13         | Teacher Group | \$ 1,912,941       | 21%   | \$ 9,660,477                                   |
| 06/30/12         | Teacher Group | \$ 2,021,793       | 19%   | \$ 8,156,792                                   |
| 06/30/11         | Teacher Group | \$ 1,992,215       | 20%   | \$ 6,527,534                                   |
| 06/30/10         | Teacher Group | \$ 2,055,663       | 17%   | \$ 4,932,899                                   |
| 06/30/09         | Teacher Group | \$ 1,992,895       | 17%   | \$ 3,233,246                                   |
| 06/30/08         | Teacher Group | \$ 1,900,000       | 17%   | \$ 1,575,446                                   |
| 06/30/14         | Medicare Supp | \$ 2,816,431       | 11%   | \$ 13,601,970                                  |
| 06/30/13         | Medicare Supp | \$ 2,085,190       | 13%   | \$ 11,094,436                                  |
| 06/30/12         | Medicare Supp | \$ 2,206,865       | 11%   | \$ 9,275,049                                   |
| 06/30/11         | Medicare Supp | \$ 2,013,969       | 11%   | \$ 7,311,881                                   |
| 06/30/10         | Medicare Supp | \$ 2,079,538       | 10%   | \$ 5,518,188                                   |
| 06/30/09         | Medicare Supp | \$ 2,033,125       | 10%   | \$ 3,650,763                                   |
| 06/30/08         | Medicare Supp | \$ 1,928,000       | 6%  | \$ 1,815,000                                   |

\*Data not available for the 2007

The funded status of the plan as of July 1, 2013, the date of the latest valuation, was as follows:

|   | <u>Teacher Group<br/>Plan</u> | <u>Medicare<br/>Supplement Plan</u> |
|---|-------------------------------|-------------------------------------|
| Actuarial valuation date                    | 07/01/13                      | 07/01/13                            |
| Actuarial accrued liability (AAL)           | \$ 13,210,000                 | \$25,653,000                        |
| Actuarial value of plan assets              | 0                             | 0                                   |
| Unfunded actuarial accrued liability (UAAL) | \$ 13,210,000                 | \$25,653,000                        |
| Actuarial Value of Assets as a % of the AAL | 0%                            | 0%                                  |
| Covered payroll (active plan members)       | \$ 25,898,037                 | n/a                                 |
| UAAL as a percentage of covered payroll     | 51%                           | n/a                                 |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### *Actuarial Methods and Assumptions*

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term

perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2013 actuarial valuation for each plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5 percent initially for the Teacher Group plan. The rate decreases to 7 percent in fiscal year 2015 and then will reduce by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. The annual healthcare premium trend rate for the Medicare Supplement plan was 6.50 percent initially. All rates include a 2.5 percent inflation assumption. The cost trend in the Medicare Supplement plan is 2 percent initially. The rate increases to 6 percent in fiscal year 2015 and decreases incrementally to 4.2 percent in fiscal year 2044. The unfunded actuarial accrued liability is being amortized as a level percentage of pay roll on a closed basis over a 30 year period beginning with July 1, 2007. Pay roll is assumed to grow at a rate of 3 percent.

*New Plan Effective January 1, 2015*

Kingsport City Schools through the Kingsport Board of Education, elected to begin a self-insured health benefits program for eligible school employees and retirees, with an effective date of January 1, 2015. The self-insured health benefits program will replace the previous health benefits program administered through the State of Tennessee for school employees and retirees. The City, through the BMA has approved two additional internal service funds for fiscal year 2015: The School Employee Insurance Fund and the School Retirees Insurance Fund. The fiscal year 2015 City budget has been amended to include budgeted revenues and expenditures for both funds, approved by ordinance through the BMA.

Source: Comprehensive Annual Financial Report of the Municipality of Fiscal Year 2014

For additional information, please refer to the appropriate Note to Financial Statements found in the Comprehensive Annual Financial Report of the Municipality for Fiscal Year 2014 which may be accessed as described in APPENDIX D.

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**APPENDIX C**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**



CITY OF KINGSPORT, TENNESSEE

\$17,695,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015

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CONTINUING DISCLOSURE CERTIFICATE

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This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Kingsport, Tennessee (the “Municipality”) in connection with the issuance of \$17,695,000 General Obligation Refunding Bonds, Series 2015 (the “Bonds”), dated the date of original issuance and delivery. The Bonds are being issued pursuant to Resolution adopted by the Board of Mayor and Aldermen of the Municipality on January 20, 2015 (the “Resolution”). The Municipality covenants and agrees as follows:

SECTION 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Municipality for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access (“EMMA”) System at [www.emma.msrb.org](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which applies to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Municipality pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the Municipality, or any successor Dissemination Agent designated in writing by the Municipality and which has filed with the Municipality a written acceptance of such designation.

“Material Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board located at 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of Tennessee.

### SECTION 3. Provision of Annual Reports.

(a) The Municipality shall, or shall cause the Dissemination Agent to, not later than twelve months after the end of the Municipality’s fiscal year, commencing with the report for the fiscal year ending June 30, 2015, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Municipality may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Municipality’s fiscal year changes, it shall give notice of such change in the same manner as for a Material Event under Section 5(c) hereof.

(b) Not later than fifteen (15) Business Days prior to said date, the Municipality shall provide the Annual Report to the Dissemination Agent (if other than the Municipality). If the Municipality is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Municipality shall send a notice to the MSRB in substantially the form of Exhibit A attached hereto.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Municipality), file a report with the Municipality certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The Municipality’s Annual Report shall contain or include by reference the audited financial statements of the Municipality for the prior fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the Municipality’s audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

The Annual Report shall also include the following information in a format similar to that included in the Official Statement, dated January 26, 2015 relating to the Bonds (the “Official Statement”):

1. Summary of long-term indebtedness as of the end of such fiscal year;
2. The indebtedness and debt ratios as of the end of such fiscal year, together with information regarding the property tax base;
3. Information regarding general obligation debt service requirements;
4. Information about the revenue and tax backed debt service requirements as of the end of such fiscal year;
5. The fund balances and retained earnings for the fiscal year;
6. Summary of revenues, expenditures, and changes in fund earnings – general fund for the fiscal year;
7. Summary of revenues, expenditures, and changes in retained balances – water fund and the sewer fund;
8. The estimated assessed value of property in the Municipality for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year;
9. Property tax rates and tax collections of the Municipality for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year;
10. The ten largest taxpayers; and
11. Information regarding the Municipality’s share of the Local Option Sales Tax.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Municipality or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Municipality shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Material Events.

(a) Pursuant to the provisions of this Section 5, the Municipality shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Modifications to rights of Bondholders, if material.
4. Bond calls, if material, and tender offers.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

8.       Unscheduled draws on the debt service reserves reflecting financial difficulties.
9.       Unscheduled draws on the credit enhancements reflecting financial difficulties.
10.      Substitution of the credit or liquidity providers or their failure to perform.
11.      Release, substitution or sale of property securing repayment of the Bonds, if material.
12.      Bankruptcy, insolvency, receivership or similar event of the Municipality.
13.      The consummation of a merger, consolidation, or acquisition involving the Municipality or the sale of all or substantially all of the assets of the Municipality, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14.      Appointment of a successor or additional trustee or the change of the name of a trustee, if material.

For purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Municipality in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Municipality, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Municipality.

(b)      When a Material Event occurs, the Municipality shall, in a timely manner not in excess of ten business days after the occurrence of the Material Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Material Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolutions.

(c)      Unless otherwise required by law, the Municipality shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

**SECTION 6. Termination of Reporting Obligation.** The Municipality's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Municipality shall give notice of such termination in the same manner as for a Material Event under Section 5(c).

**SECTION 7. Dissemination Agent.** The Municipality may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Municipality pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Regions Bank.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Municipality may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and,
- (c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolutions with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Municipality shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Municipality. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Material Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Municipality from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Municipality chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Municipality shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

SECTION 10. Default. In the event of a failure of the Municipality to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific

performance by court order, to cause the Municipality to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Municipality to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities, and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and to the extent permitted by Tennessee law, the Municipality agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Municipality under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Municipality, the Dissemination Agent, the Participating Underwriters, and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: February 6, 2015

CITY OF KINGSPORT, TENNESSEE

By: \_\_\_\_\_  
Mayor

Attest:

By: \_\_\_\_\_  
Recorder

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
CITY OF KINGSPORT, TENNESSEE**

**FOR THE FISCAL YEAR ENDED**

**June 30, 2014**

This document and similar documents for at least the past 9 fiscal years may be found in electronic, searchable format on the City of Kingsport's official web site:

[www.kingsporttn.gov/financial-reports](http://www.kingsporttn.gov/financial-reports)

The Comprehensive Annual Financial Reports are hereby incorporated by reference as APPENDIX D. To the extent there are any differences between the electronically posted financial statements of the Municipality, the printed version shall control.

The Municipality's independent auditors have not been engaged to perform and have not performed any procedures on the financial statements addressed in that report since the date of its report included herein. Additionally, no procedures have been performed relating to this *Official Statement*.





STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
OFFICE OF STATE & LOCAL FINANCE  
SUITE 1600 JAMES K. POLK BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7872 FAX (615) 741-5986

December 23, 2014

Honorable Dennis Phillips, Mayor  
Board of Mayor and Alderman  
City of Kingsport  
225 West Center Street  
Kingsport, TN 37660

Dear Mayor Phillips and Alderpersons:

This letter and attached report should be presented at the next Board meeting with a copy provided to each Alderperson.

This letter acknowledges receipt on December 19, 2014, from the City of Kingsport (the "City") of a request to review a plan of refunding (the "Plan") for the issuance of a maximum \$20,200,000 General Obligation Refunding Bonds, Series 2015 (the "Refunding Bonds"), to current refund an estimated \$812,000 General Obligation Capital Outlay Note, Series 2007 (the "2007 Notes"); and to advance refund an estimated:

- \$10,345,000 General Obligation School and Public Improvement Bonds, Series 2007 (the "2007 Bonds");
- \$2,985,000 General Obligation Bonds, Series 2008A (the "2008A Bonds"); and
- \$4,455,000 General Obligation Bonds, Series 2008B (the "2008B Bonds").

The 2007 Notes, 2007 Bonds, 2008A Bonds, and 2008B Bonds are collectively (the "Refunded Bonds"). The total amount of refunded principal is \$18,597,000.

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, a plan must be submitted to our Office for review. The information presented in the Plan includes the assertions of the City and may not reflect either current market conditions or market conditions at the time of sale.

### **BALLOON INDEBTEDNESS**

The City submitted a plan of balloon indebtedness for review. The City stated in the plan "since issuance of the bonds is expected to result in significant net aggregate annual and net present value savings, the sale and issuance of the bonds will strengthen the overall financial position of the municipality. Accordingly, this transaction and the proposed amortization schedule are in the best interests of the citizens of the municipality." This advance refunding transaction, with the proposed

bond structure, reduces the average life of the refunded bonds from 9.29 years to 9.16 years and produces net present savings of \$1,004,133. The Bonds' final maturity does not extend beyond the final maturity of the refunded bonds.

The City's plan of balloon indebtedness was approved in a separate letter dated December 23, 2014.

## **FINANCIAL PROFESSIONALS**

The City has reported Raymond James as its municipal advisor. Municipal advisors have a fiduciary responsibility to the City. Underwriters have no fiduciary responsibility to the City. They represent the interests of their firm and are not required to act in the City's best interest without regard to their own or other interests. The Plan was prepared by the City with the assistance of its municipal advisor.

## **CITY'S PROPOSED REFUNDING OBJECTIVE**

The City indicated its purpose for the refunding is for present value debt service savings.

## **COMPLIANCE WITH THE CITY'S DEBT MANAGEMENT POLICY**

The City provided a copy of its debt management policy, and within forty-five (45) days of issuance of the debt approved in this letter, is required to submit a Report on Debt Obligation that indicates that this debt complies with its debt policy. If the City amends its policy, please submit the amended policy to this office.

## **REPORT OF THE REVIEW OF A PLAN OF REFUNDING**

This letter, report, and the Plan are to be posted on the City's website, if there is one. The same report is to be provided to each member of the City Council and reviewed at the public meeting at which the proposed refunding bond resolution will be presented.

**The enclosed report does not constitute approval or disapproval for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This letter and the enclosed report do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The City should discuss these issues with a bond counsel.**

*This report is effective for a period of one hundred and twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office. At that time we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no*

*refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.*

*We recognize that the information provided in the plan submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions at the time of sale of the debt obligations. However, if it is determined prior to the issuance of these obligations that the actual results will be significantly different from the information provided in the plan which has been submitted, and the local government determines to proceed with the issue, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than fifteen percent (15%) in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.*

## **REPORT ON DEBT OBLIGATION**

We are enclosing the Report on Debt Obligation. The form must be completed for all debt issued. Pursuant to T.C.A. § 9-21-151, this form is to be completed and filed with the governing body of the City no later than forty-five days after the issuance of this debt, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by mail to the address on this letterhead or by email to [stateandlocalfinance.publicdebtform@cot.tn.gov](mailto:stateandlocalfinance.publicdebtform@cot.tn.gov). No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation.

Sincerely,



Sandra Thompson  
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Mr. Jeff Fleming, City Manager, City of Kingsport  
Mr. James Demming, CFO, City of Kingsport  
Mr. Rick Dulaney, Raymond James  
Ms. Cindy Barnett, Adams and Reese

Enclosures: Report of the Director of the Office of State & Local Finance  
Report on Debt Obligation

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE  
CONCERNING THE PROPOSED ISSUANCE  
BY THE CITY OF KINGSPORT, TENNESSEE OF  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015**

City of Kingsport (the “City”) submitted a plan of refunding (the “Plan”), as required by T.C.A. § 9-21-903 regarding an issuance of a maximum \$20,200,000 General Obligation Refunding Bonds, Series 2015 (the “Refunding Bonds”), to current refund an estimated \$812,000 General Obligation Capital Outlay Note, Series 2007 (the “2007 Notes”); and to advance refund an estimated:

- \$10,345,000 General Obligation School and Public Improvement Bonds, Series 2007 (the “2007 Bonds”);
- \$2,985,000 General Obligation Bonds, Series 2008A (the “2008A Bonds”); and
- \$4,455,000 General Obligation Bonds, Series 2008B (the “2008B Bonds”).

The 2007 Notes, 2007 Bonds, 2008A Bonds, and 2008B Bonds are collectively (the “Refunded Bonds”). The total amount of refunded principal is \$18,597,000.

The Plan was prepared with the assistance of the City’s municipal advisor, Raymond James. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. This letter and report provide no assurances of the reasonableness of the underlying assumptions. This report must be presented to the governing body prior to the adoption of a refunding bond resolution. The Refunding Bonds may be issued with a structure different to that of the Plan. The City provided a copy of its debt management policy.

**BALLOON INDEBTEDNESS**

The City submitted a plan of balloon indebtedness for review. The City stated in the plan “since issuance of the bonds is expected to result in significant net aggregate annual and net present value savings, the sale and issuance of the bonds will strengthen the overall financial position of the municipality. Accordingly, this transaction and the proposed amortization schedule are in the best interests of the citizens of the municipality.” This advance refunding transaction, with the proposed bond structure, reduces the average life of the refunded bonds from 9.29 years to 9.16 years and produces net present savings of \$1,004,133. The Bonds’ final maturity does not extend beyond the final maturity of the refunded bonds.

The City’s plan of balloon indebtedness was approved in a separate letter dated December 23, 2014.

**CITY’S PROPOSED REFUNDING OBJECTIVE**

The City indicated its purpose for the refunding is for present value debt service savings.

**REFUNDING ANALYSIS**

- The results of the refunding are based on the assumption that \$17,450,000 Refunding Bonds will be sold by competitive sale and priced at a premium of \$2,708,073.
- The City is making a transfer of \$341,711 from prior issue debt service funds to call bonds and pay costs of issuance.
- The estimated net present value savings of the refunding is \$1,004,133 or 5.40% of the refunded principal amount of \$18,597,000. Gross savings are \$1,193,118.
- The final maturity of the Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.

- Estimated cost of issuance of the Refunding Bonds is \$246,725 or \$14.14 per \$1,000 of the par amount. See Table 1 for individual costs of issuance.

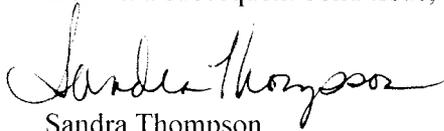
Table 1  
Costs of Issuance of the Refunding Bonds

|  | Amount               | Price per \$1,000 bond |
|--|----------------------|------------------------|
| Underwriter (TBD by competitive sale)                  | \$ 139,600.00        | \$ 8.00                |
| Municipal Advisor (Raymond James)                      | 37,500.00            | 2.15                   |
| Bond Counsel (Adams and Reese)                         | 30,000.00            | 1.72                   |
| Other Costs (includes \$16,625 for rating agency fees) | 39,625.00            | 2.27                   |
| Total Cost of Issuance                                 | <u>\$ 246,725.00</u> | <u>\$ 14.14</u>        |

The City has identified Raymond James as its municipal advisor. Municipal advisors have a fiduciary responsibility to you, the issuer. Underwriters have no fiduciary responsibility to you. They represent the interests of their firm.

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This report is based on information as presented in the Plan by the City. The assumptions included in the City's Plan may not reflect either current market conditions or market conditions at the time of sale.

If all of the Refunded Bonds are not refunded as a part of the Refunding Bonds, and the City wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this Office for review.



Sandra Thompson  
 Director of the Office of State and Local Finance  
 Date: December 23, 2014

**REPORT ON DEBT OBLIGATION**  
(Pursuant to Tennessee Code Annotated Section 9-21-151)

**1. Public Entity:**  
 Name: City of Kingsport, Tennessee  
 Address: 225 West Center Street  
Kingsport, Tennessee  
 Debt Issue Name: General Obligation Refunding Bonds, Series 2015  
 If disclosing initially for a program, attach the form specified for updates, indicating the frequency required.

**2. Face Amount:** \$ 17,695,000.00  
 Premium/Discount: \$ 2,516,265.20

**3. Interest Cost:** 2.1347 %  Tax-exempt  Taxable  
 TIC  NIC  
 Variable: Index \_\_\_\_\_ plus \_\_\_\_\_ basis points; or  
 Variable: Remarketing Agent \_\_\_\_\_  
 Other: \_\_\_\_\_

**4. Debt Obligation:**  
 TRAN  RAN  CON  
 BAN  CRAN  GAN  
 Bond  Loan Agreement  Capital Lease  
 If any of the notes listed above are issued pursuant to Title 9, Chapter 21, enclose a copy of the executed note with the filing with the Office of State and Local Finance ("OSLF").

**5. Ratings:**  
 Unrated  
 Moody's Aa2 Standard & Poor's AA Fitch \_\_\_\_\_

**6. Purpose:**

|   |                 | BRIEF DESCRIPTION                    |
|---|-----------------|--------------------------------------|
| <input type="checkbox"/> General Government           | _____ %         | _____                                |
| <input type="checkbox"/> Education                    | _____ %         | _____                                |
| <input type="checkbox"/> Utilities                    | _____ %         | _____                                |
| <input type="checkbox"/> Other                        | _____ %         | _____                                |
| <input checked="" type="checkbox"/> Refunding/Renewal | <u>100.00</u> % | <u>various public works projects</u> |

**7. Security:**  
 General Obligation  General Obligation + Revenue/Tax  
 Revenue  Tax Increment Financing (TIF)  
 Annual Appropriation (Capital Lease Only)  Other (Describe): \_\_\_\_\_

**8. Type of Sale:**  
 Competitive Public Sale  Interfund Loan \_\_\_\_\_  
 Negotiated Sale  Loan Program \_\_\_\_\_  
 Informal Bid

**9. Date:**  
 Dated Date: 02/06/2015 Issue/Closing Date: 02/06/2015

**REPORT ON DEBT OBLIGATION**

(Pursuant to Tennessee Code Annotated Section 9-21-151)

**10. Maturity Dates, Amounts and Interest Rates \*:**

| Year | Amount          | Interest Rate | Year | Amount          | Interest Rate |
|------|-----------------|---------------|------|-----------------|---------------|
| 2016 | \$ 145,000.00   | 2.0000 %      | 2028 | \$ 1,325,000.00 | 3.0000 %      |
| 2017 | \$ 150,000.00   | 3.0000 %      |      | \$              | %             |
| 2019 | \$ 160,000.00   | 3.0000 %      |      | \$              | %             |
| 2020 | \$ 1,220,000.00 | 4.0000 %      |      | \$              | %             |
| 2021 | \$ 1,100,000.00 | 4.0000 %      |      | \$              | %             |
| 2022 | \$ 1,145,000.00 | 4.0000 %      |      | \$              | %             |
| 2023 | \$ 2,300,000.00 | 4.0000 %      |      | \$              | %             |
| 2024 | \$ 2,390,000.00 | 4.0000 %      |      | \$              | %             |
| 2025 | \$ 2,485,000.00 | 4.0000 %      |      | \$              | %             |
| 2026 | \$ 2,580,000.00 | 4.0000 %      |      | \$              | %             |
| 2027 | \$ 2,695,000.00 | 3.0000 %      |      | \$              | %             |

If more space is needed, attach an additional sheet.

If (1) the debt has a final maturity of 31 or more years from the date of issuance, (2) principal repayment is delayed for two or more years, or (3) debt service payments are not level throughout the retirement period, then a cumulative repayment schedule (grouped in 5 year increments out to 30 years) including this and all other entity debt secured by the same source **MUST BE PREPARED AND ATTACHED**. For purposes of this form, debt secured by an ad valorem tax pledge and debt secured by a dual ad valorem tax and revenue pledge are secured by the same source. Also, debt secured by the same revenue stream, no matter what lien level, is considered secured by the same source.

\* This section is not applicable to the Initial Report for a Borrowing Program.

**11. Cost of Issuance and Professionals:**

No costs or professionals

|                                   | AMOUNT<br>(Round to nearest \$) | FIRM NAME  |
|-----------------------------------|---------------------------------|--|
| Financial Advisor Fees            | \$ 37,500                       | Raymond James & Associates, Inc.                       |
| Legal Fees                        | \$ 0                            |  |
| Bond Counsel                      | \$ 30,000                       | Adams and Reese LLP                                    |
| Issuer's Counsel                  | \$ 0                            |  |
| Trustee's Counsel                 | \$ 0                            |  |
| Bank Counsel                      | \$ 0                            |  |
| Disclosure Counsel                | \$ 0                            |  |
| Paying Agent Fees                 | \$ 2,275                        | Regions Bank   |
| Registrar Fees                    | \$ 0                            |  |
| Trustee Fees                      | \$ 0                            |  |
| Remarketing Agent Fees            | \$ 0                            |  |
| Liquidity Fees                    | \$ 0                            |  |
| Rating Agency Fees                | \$ 32,375                       | Moody's and Standard & Poors                           |
| Credit Enhancement Fees           | \$ 0                            |  |
| Bank Closing Costs                | \$ 0                            |  |
| Underwriter's Discount _____%     |                                 |  |
| Take Down                         | \$ 194,645                      | UBS Financial Services Inc.                            |
| Management Fee                    | \$ 0                            |  |
| Risk Premium                      | \$ 0                            |  |
| Underwriter's Counsel             | \$ 0                            |  |
| Other expenses                    | \$ 0                            |  |
| Printing and Advertising Fees     | \$ 1,750                        | I-Deal Prospectus                                      |
| Issuer/Administrator Program Fees | \$ 3,500                        | Grant Thornton LLP; verification                       |
| Real Estate Fees                  | \$ 0                            |  |
| Sponsorship/Referral Fee          | \$ 0                            |  |
| Other Costs _____                 | \$ 7,500                        | Raymond James & Associates, Inc.; escrow bidding agent |
| <b>TOTAL COSTS</b>                | <b>\$ 309,545</b>               |  |

**REPORT ON DEBT OBLIGATION**  
(Pursuant to Tennessee Code Annotated Section 9-21-151)

**12. Recurring Costs:**

No Recurring Costs

|                                | AMOUNT<br>(Basis points/\$) | FIRM NAME<br>(If different from #11) |
|--------------------------------|-----------------------------|--------------------------------------|
| Remarketing Agent              |                             |                                      |
| Paying Agent / Registrar       | 500.00                      | Regions Bank                         |
| Trustee                        |                             |                                      |
| Liquidity / Credit Enhancement |                             |                                      |
| Escrow Agent                   |                             |                                      |
| Sponsorship / Program / Admin  |                             |                                      |
| Other _____                    |                             |                                      |

**13. Disclosure Document / Official Statement:**

None Prepared

EMMA link <http://emma.msrb.org/SecurityView/SecurityDetails.aspx?cusip=A9F6> or

Copy attached

**14. Continuing Disclosure Obligations:**

Is there an existing continuing disclosure obligation related to the security for this debt?  Yes  No

Is there a continuing disclosure obligation agreement related to this debt?  Yes  No

If yes to either question, date that disclosure is due June 30

Name and title of person responsible for compliance James H. Demming, City Recorder/CFO

**15. Written Debt Management Policy:**

Governing Body's approval date of the current version of the written debt management policy 11/15/2011

Is the debt obligation in compliance with and clearly authorized under the policy?  Yes  No

**16. Written Derivative Management Policy:**

No derivative

Governing Body's approval date of the current version of the written derivative management policy \_\_\_\_\_

Date of Letter of Compliance for derivative \_\_\_\_\_

Is the derivative in compliance with and clearly authorized under the policy?  Yes  No

**17. Submission of Report:**

To the Governing Body: on 02/06/2015 and presented at public meeting held on 02/17/2015

Copy to Director to OSFL: on 02/18/2015 either by:

Mail to: 505 Deaderick Street, Suite 1600  
James K. Polk State Office Building  
Nashville, TN 37243-1402

OR  Email to: [StateAndLocalFinance.PublicDebtForm@cot.tn.gov](mailto:StateAndLocalFinance.PublicDebtForm@cot.tn.gov)

**18. Signatures:**

|       | AUTHORIZED REPRESENTATIVE             | PREPARER                        |
|-------|---------------------------------------|---------------------------------|
| Name  | <u>Dennis R. Phillips</u>             | <u>Cynthia M. Barnett, Esq.</u> |
| Title | <u>Mayor</u>                          | <u>Bond Counsel</u>             |
| Firm  | <u>City of Kingsport, Tennessee</u>   | <u>Adams and Reese LLP</u>      |
| Email | <u>DennisPhillips@kingsporttn.gov</u> | <u>cindy.barnett@arlaw.com</u>  |
| Date  | <u>02/06/2015</u>                     | <u>02/06/2015</u>               |