NEW ISSUE — Ratings: Moody's "Aa2"
Book-Entry — S&P: "AA"
(See "MISCELLANEOUS – Ratings")

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.

$9,300,000
CITY OF KINGSPORT, TENNESSEE
GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS, SERIES 2014B

Dated: Delivery Date — Due: September 1st (as shown below)

The $9,300,000 General Obligation Public Improvement Bonds, Series 2014B (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 March 1, 2015 and thereafter on each March 1st and September 1st to the owners thereof as shown on the books and records at the principal corporate trust office of Regions Bank, Nashville, Tennessee, the registration and paying 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 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. 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.

Sept. 1st	Amounts	Rate	Yield	Sept. 1st	Amounts	Rate	Yield	
2016	$390,000	2.000%	0.400%	2025	$480,000	3.000%	2.200%	c
2017	395,000	2.000%	0.650%	2026	495,000	3.000%	2.400%	c
2018	405,000	2.000%	0.900%	2027	510,000	3.000%	2.600%	c
2019	415,000	3.000%	1.120%	2028	525,000	3.000%	2.800%	c
2020	425,000	2.000%	1.350%	2029	535,000	3.000%	2.900%	c
2021	430,000	2.000%	1.580%					
2022	445,000	2.000%	1.780%	2032	585,000	3.000%	3.050%	
2023	450,000	2.000%	1.900%	2033	605,000	3.000%	3.100%	
2024	465,000	3.000%	2.000%	2034	625,000	3.000%	3.150%	

Amount	Rate	Type	Due	Yield
$1,120,000	3.000%	Term Bond	Sept. 1, 2031	3.000%

c = Priced to the call the first optional redemption date of September 1, 2024

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 October 31, 2014.

RAYMOND JAMES®
Financial Advisor

October 20, 2014

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 Resolutions (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 Resolutions.

The Bonds have not been registered under the Securities Act of 1933 and the Resolutions 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.

Sept. 1st	Amounts	Rate	Yield	CUSIPS[1]	Sept. 1st	Amounts	Rate	Yield	CUSIPS[1]	
2016	$390,000	2.000%	0.400%	496443MK5	2025	$480,000	3.000%	2.200%	496443MU3	c
2017	395,000	2.000%	0.650%	496443ML3	2026	495,000	3.000%	2.400%	496443MV1	c
2018	405,000	2.000%	0.900%	496443MM1	2027	510,000	3.000%	2.600%	496443MW9	c
2019	415,000	3.000%	1.120%	496443MN9	2028	525,000	3.000%	2.800%	496443MX7	c
2020	425,000	2.000%	1.350%	496443MP4	2029	535,000	3.000%	2.900%	496443MY5	c
2021	430,000	2.000%	1.580%	496443MQ2						
2022	445,000	2.000%	1.780%	496443MR0	2032	585,000	3.000%	3.050%	496443MZ2	
2023	450,000	2.000%	1.900%	496443MS8	2033	605,000	3.000%	3.100%	496443NA6	
2024	465,000	3.000%	2.000%	496443MT6	2034	625,000	3.000%	3.150%	496443NB4	

Amount	Rate	Type	Due	Yield	CUSIP[1]
$1,120,000	3.000%	Term Bond	Sept. 1, 2031	3.000%	496443NC2

c = Priced to the call on September 1, 2024

[1] 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	*Mayor*
Mike McIntire	*Vice Mayor and Alderman*
John Clark	*Alderman*
Colette George	*Alderman*
Andy Hall	*Alderman*
Tom C. Parham	*Alderman*
Tom Segelhorst	*Alderman*

OFFICIALS

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

REGISTRATION, PAYING AND DISSEMINATION AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Adams and Reese LLP
Nashville, Tennessee

UNDERWRITER

Robert W. Baird & Co. Incorporated
Red Bank, New Jersey

FINANCIAL ADVISOR

Raymond James & Associates, Inc.
Nashville, Tennessee

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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.............................$9,300,000 General Obligation Public Improvement Bonds, Series 2014B (the "Bonds") of the City of Kingsport, Tennessee (the "Municipality"). The Bonds are dated the date of issuance. The Bonds will mature each September 1st beginning September 1, 2016 through September 1, 2029, inclusive, on September, 2031 and on September 1, 2032 through September 1, 2034, inclusive.

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

Purpose .... The Bonds are being issued to finance certain public works projects, consisting of the acquisition of public art; construction, expansion and improvement of the Municipality's water system; construction, expansion and improvement of the Municipality's sewer system; the acquisition of all property real and personal, appurtenant thereto or connected with such work, to pay legal, fiscal, administrative, and engineering costs, to reimburse the Municipality for the costs of any of the above projects, to pay capitalized interest, and to pay costs incident to the issuance and sale of the Bonds.

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

Security...The Bonds are 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. 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 through September 1, 2024, are not subject to redemption prior to maturity. Bonds maturing on and after September 1, 2025, are subject to redemption prior to maturity on September 1, 2024, 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 par, plus accrued interest to the date fixed for redemption.

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

Mandatory Redemption	If any, mandatory redemption provisions will be determined by bids received and awarded.
Ratings	Moody's – "Aa2" (Negative Outlook) and Standard & Poor's – "AA" (Stable Outlook). 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	Robert W. Baird & Co. Incorporated, Red Bank, 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 and Paying 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 and 2 *Tennessee Code Annotated,* as supplemented and revised and resolutions 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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$9,300,000
CITY OF KINGSPORT, TENNESSEE

GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS, SERIES 2014B

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 $9,300,000 General Obligation Public Improvement Bonds, Series 2014B (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, Parts 1 and 2, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to a Bond resolution (the “Bond Resolution") duly adopted by the Board of Mayor and Aldermen of the Municipality (the “Governing Body”) on September 2, 2014.

The Bonds are being issued to finance certain public works projects, consisting of the acquisition of public art; construction, expansion and improvement of the Municipality’s water system; construction, expansion and improvement of the Municipality’s sewer system; the acquisition of all property real and personal, appurtenant thereto or connected with such work, to pay legal, fiscal, administrative, and engineering costs, to reimburse the Municipality for the costs of any of the above projects, to pay capitalized interest, and to pay costs incident to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

The Bonds initially will be dated the date of their issuance (October 31, 2014). Interest on the Bonds will be payable semiannually on March 1st and September 1st, commencing March 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.

SECURITY AND SOURCES OF PAYMENT

The Bonds are 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 <u>ad valorem</u> 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. Bonds maturing through September 1, 2024, are not subject to redemption prior to maturity. The Bonds maturing on and after September 1, 2025, are subject to redemption prior to maturity on September 1, 2024, 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 all Bonds of a single maturity to be selected by lot by the Registration Agent), at the price of par, plus accrued interest to the date fixed for redemption.

Mandatory Redemption. In the event of mandatory redemption, notice of intended redemption shall be given by the Registration Agent on behalf of the Municipality to the Owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the registration books kept by the Registration Agent. Notice of intended redemption shall be given not less than thirty (30) calendar days, nor more than sixty (60) calendar days prior to the date fixed for redemption. Each such notice of redemption shall state: (1) the redemption date; (2) the redemption price; (3) if less than all outstanding Bonds are to be redeemed, the registered number and the CUSIP number printed on the Bonds (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed; (4) that on the redemption date, the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date provided sufficient funds are available on such redemption date to fully pay the redemption price of and the interest on the Bonds called for redemption; and, (5) the place where such are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Registration Agent. Neither failure to mail any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds for which notice was correctly given.

Subject to the credit hereinafter provided, the Municipality shall redeem Bonds maturing on March 1st on the redemption dates set herein below opposite the maturity dates, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for the Bonds or such person as shall then be serving as the securities depository for the Bonds, shall determine the interest of each participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of the Bonds to be redeemed on said dates are as follows:

Final Maturity	Redemption Date	Bonds Redeemed
September 1, 2031	September 1, 2030	$570,000
	September 1, 2031*	585,000

*Final Maturity

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 the 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 Resolutions, 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 Resolutions.

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.

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, (ii) 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:

Par Amount	$9,300,000.00
Plus: Net Premium	223,155.55
TOTAL SOURCES:	$9,523,155.55
Uses of Funds:	
Deposit to Project Fund	$9,341,408.25
Underwriter's Discount	133,482.91
Costs of Issuance	48,264.39
TOTAL USES:	$9,523,155.55

DISPOSITION OF BOND PROCEEDS

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

(a) Proceeds from the sale of the Bonds (including premium, if any, received) shall be paid separately to the official of the Municipality designated by law as the custodian of the funds thereof to be deposited in special funds to be known as the "General Obligation Public Improvement Bonds, Series 2014B Project Fund" (the "Project Fund"), to be kept separate and apart from all other funds of the Municipality. The funds in the Project Fund shall be disbursed solely to pay the costs of the Project, to reimburse the Municipality, to pay capitalized interest, and to pay costs incurred in connection with the issuance of the Bonds, including necessary legal, accounting, engineering, and fiscal expenses, printing, advertising, and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds, and the financing of the Project. Monies in Project Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any. Monies in the Project Fund shall be expended only for the purposes authorized by the Bond Resolution. Monies if any, remaining in the Project Fund upon completion of the purposes authorized by the Resolution, shall be transferred to the Project Fund, and used to pay principal of and interest on the Project Fund. Monies in the Project Fund may be invested as directed by an Authorized Representative of the Municipality in any investment authorized for municipal funds under the applicable laws of the State of Tennessee. All income derived from such investments shall be deposited in the Project Fund and used to pay principal and interest on the Bonds, unless, by resolution(s), the Municipality directs retention of such earning in the Project Fund to pay the costs of the Project.

(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

The Municipality may 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 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 and to pay 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 the Bonds to the Registration Agent, for cancellation by such Registration Agent.

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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. Additionally, there are no suits threatened or pending challenging the legality or the validity of its right to collect water and sewer user fees used to pay principal of and interest on the Bonds. 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 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". A copy 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; (iii) 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 Outlook), 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 October 20, 2014. Details concerning the public sale were provided to potential bidders and others through the revised *Preliminary Official Statement* that was dated October 7, 2014.

Through IPREO's BiDCOMP®/Parity® system, five of the original five firms which indicated an interest in bidding for the Bonds submitted proposals ranging from a high bid of 2.730208 percent on a true interest cost basis ("TIC") to 2.975624 percent.

The successful bidder for the Bonds was an account led by Robert W. Baird & Co., Incorporated, Red Bank, 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 $9,389,672.64 (consisting of the par amount of the Bonds, plus a net premium of $223,155.55, less an underwriter's discount of $133,482.91) or a bid price of 100.964 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.

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.

Simultaneously with the issuance of the Bonds, the Municipality will issue its $15,605,000 General Obligation Public Improvement Bonds, Series 2014A.

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 years, (the “Annual Report”), commencing with the fiscal year ending June 30, 2014 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. 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") except for the omission of certain information permitted to be excluded by 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; (b) 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, 2013, 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

Attorneys at Law
Alabama
Florida
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Mississippi
South Carolina
Tennessee
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Washington, DC

Office: 615-259-1450
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October 31, 2014

Board of Mayor and Aldermen
City of Kingsport, Tennessee

Re: $9,300,000 General Obligation Public Improvement Bonds, Series 2014B

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 $9,300,000 General Obligation Public Improvement Bonds, Series 2014B, 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 $9,550,000 General Obligation Public Improvement Bonds, Series 2014B, of the City of Kingsport, Tennessee, and Providing the Details Thereof" (the "Resolution"), adopted by the Board on September 2, 2014.

The Bonds are issuable in definitive form as fully registered Bonds, without coupons, are numbered from one upwards, and mature serially on September 1 of the years 2016 through 2029, inclusive, September 1, 2031, and serially on September 1 of the years 2032 through 2034, inclusive. The Bonds will bear interest payable semiannually on March 1 and September 1 of each year, commencing March 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

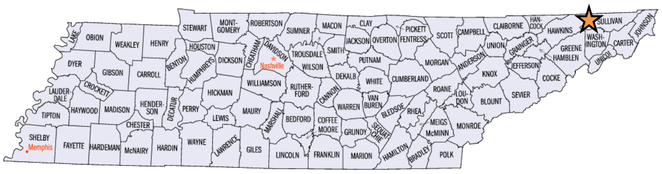
APPENDIX B

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.

Census Population	Kingsport[1]	% Increase	Sullivan County	% Increase	Hawkins County	% Increase	Tennessee	% Increase
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%

[1] 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. 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. Serving both the Kingsport and Sullivan County School systems, the Innovation Academy provides a STEM focused curriculum for students in grades 6 through 8.

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.kingsporthighered.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

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 later this fall at the earliest.

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.hgglass.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. Italian Village has added a second location downtown as well. 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

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EMPLOYMENT - GENERAL

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

Location	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
United States	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%
Tennessee	5.4%	5.6%	5.1%	4.7%	6.6%	10.5%	9.8%	9.3%	8.0%	8.2%
Sullivan County	5.6%	5.2%	4.5%	4.1%	5.2%	8.7%	8.4%	7.7%	7.0%	7.5%
✓ **County Workforce**	72,290	72,320	73,620	73,530	74,360	74,970	74,840	76,010	75,060	73,340
✓ **County Employment**	68,920	68,550	70,320	70,550	70,520	68,420	68,520	70,130	69,840	67,810
✓ **Co. Unemployment**	4,050	3,770	3,300	2,980	3,840	6,550	6,320	5,880	5,220	5,530
Kingsport	7.1%	8.7%	6.4%	5.6%	7.1%	8.6%	9.4%	8.4%	7.6%	8.0%
✓ **City Workforce**	19,260	18,920	19,030	19,000	19,380	19,150	19,320	20,840	20,970	21,530
✓ **City Employment**	17,890	17,280	17,810	17,940	18,000	17,500	17,500	19,100	19,370	19,800
✓ **City Unemployment**	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 June 2014 was 6.6 percent (seasonally adjusted), down 0.2 percent from May 2014. The June 2013 rate was 8.4 percent. The national unemployment rate for July was 6.1 percent (seasonally adjusted), 0.2 percentage less than the preceding month.

In Kingsport, the June 2014 preliminary unemployment rate was estimated to be 7.4 percent, up from the revised May 2014 rate of 6.6 percent.

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:

	2014			2005		
Employer	**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%
	16,411		24.5%	14,887		21.6%

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

Location	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
National	$32,295	$33,909	$35,452	$37,725	$39,506	$40,947	$38,637	$39,791	$41,560	$43,735
Tennessee	$29,041	$30,285	$31,327	$32,885	$34,221	$35,112	$33,711	$35,103	$36,537	$38,752
City	$25,299	$24,983	$26,316	$27,163	$28,549	$28,222	$29,730	$29,730	$31,697	$32,390
City vs. Nat'l	78.34%	73.68%	74.23%	72.00%	72.27%	68.92%	76.95%	74.72%	76.27%	74.06%
City vs. TN	87.11%	82.49%	84.00%	82.60%	83.43%	80.38%	88.19%	84.69%	86.75%	83.58%

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.

FYE	Permits Issued	Estimated Value
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 Issued - (1)	Purpose	Due Date	Interest Rates	Debt Outstanding
	General Fund Supported Debt			
$ 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 2008A	March 2028	3.500 - 4.375%	6,005,000
11,165,000	General Obligation Bonds, Series 2008B	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 Safty)	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
	Regional Sales Tax Revenue Supported Debt			
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
	Water Revenue Supported Debt			
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
	Sewer Revenue Supported Debt			
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
$ 281,760,992	**Total Existing Debt**			$ 222,815,312
15,605,000 *	General Obligation Public Improvement Bonds, Series 2014A	September 2034	2.000 - 5.000% (2)	15,605,000
9,300,000 *	General Obligation Public Improvement Bonds, Series 2014B (29.23% Water/70.77% Sewer)	September 2034	2.000 - 3.000% (3)	9,300,000
$ 306,665,992	**Total Existing / Proposed Debt**			$ 247,720,312
(144,483,723)	Revenue Supported Bonds - (4)			(115,243,723)
$ 162,182,269	**Net Direct Debt**			$ 132,476,589

(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 - 2.727%.

(3) TIC - 2.734%

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

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	After Issuance
TAX SUPPORTED											
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	$ 132,726,589 *
TOTAL TAX SUPPORTED	$ 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	$ 132,726,589
REVENUE SUPPORTED											
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	$ 114,993,723 *
TOTAL REVENUE SUPPORTED	$ 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	$ 114,993,723
TOTAL DEBT	$ 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	$ 247,720,312
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)	(114,993,723) *
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)	-	-
NET DIRECT DEBT	$ 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	$ 132,726,589
OVERLAPPING DEBT - (3)	$ 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
NET DIRECT & OVERLAPPING DEBT	$ 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	$ 124,047,448	$ 175,253,096
PROPERTY TAX BASE - (4)											
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 or capitalized leases. See the Notes to the Financial Statements accessible as indicated in APPENDIX D for additional details.

(2) The columns for 2011 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.

* Assumes maximum sizing of Series 2014A Bonds and Series 2014B Bonds

DEBT RATIOS	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
TOTAL DEBT to Estimated Actual Value	3.09%	2.98%	2.69%	3.08%	2.60%	4.08%	3.79%	4.20%	4.03%	4.28%
TOTAL DEBT to Appraised Value	3.26%	3.14%	2.70%	3.08%	3.05%	4.80%	3.79%	4.20%	4.27%	4.28%
TOTAL DEBT to Assessed Value	10.58%	10.16%	9.44%	9.95%	9.87%	15.50%	12.11%	13.56%	13.75%	13.88%
NET DIRECT DEBT to Estimated										
Actual Value	1.56%	1.39%	1.26%	1.77%	1.60%	2.12%	2.00%	2.05%	2.08%	2.29%
NET DIRECT DEBT to Appraised Value	1.65%	1.46%	1.26%	1.77%	1.88%	2.50%	2.00%	2.05%	2.21%	2.29%
NET DIRECT DEBT to Assessed Value	5.34%	4.73%	4.42%	5.70%	6.08%	8.06%	6.38%	6.63%	7.10%	7.44%
OVERLAPPING DEBT to Estimated										
Actual Value	0.26%	0.32%	0.27%	0.35%	0.36%	0.49%	0.65%	0.65%	0.71%	0.74%
OVERLAPPING DEBT to Appraised value	0.27%	0.34%	0.27%	0.35%	0.42%	0.58%	0.65%	0.65%	0.76%	0.74%
OVERLAPPING DEBT to Assessed Value	0.89%	1.09%	0.94%	1.13%	1.36%	1.86%	2.06%	2.09%	2.43%	2.38%
NET DIRECT & OVERLAPPING DEBT to										
NET DIRECT & OVERLAPPING DEBT to										
NET DIRECT & OVERLAPPING DEBT to										
Assessed Value	6.23%	5.82%	5.36%	6.83%	7.45%	9.92%	8.44%	8.72%	9.54%	9.82%
POPULATION (1)	44,905	44,905	44,905	44,905	44,905	44,905	48,205	48,205	48,205	48,205
PER CAPITA PERSONAL INCOME (2)	$24,983	$26,316	$27,163	$28,549	$28,222	$29,730	$29,730	$31,697	$31,697	$31,697
Estimated Actual Value to POPULATION	$88,275	$87,827	$91,310	$93,336	$114,228	$111,943	$106,563	$110,053	$116,264	$119,992
Assessed Value to POPULATION	$25,787	$25,722	$26,033	$28,892	$30,111	$29,456	$33,336	$34,054	$34,089	$37,030
Total Debt to POPULATION	$2,727	$2,613	$2,457	$2,874	$2,971	$4,566	$4,036	$4,618	$4,688	$5,139
Net Direct Debt to POPULATION	$1,378	$1,217	$1,150	$1,648	$1,831	$2,374	$2,126	$2,259	$2,422	$2,753
Overlapping Debt to POPULATION	$229	$281	$245	$325	$410	$548	$688	$711	$830	$882
Net Direct & Overlapping Debt to POPULATION	$1,606	$1,498	$1,395	$1,973	$2,242	$2,923	$2,815	$2,970	$3,252	$3,636
Total Debt Per Capita as a percent										
of PER CAPITA PERSONAL INCOME	10.92%	9.93%	9.05%	10.07%	10.53%	15.36%	13.58%	14.57%	14.79%	16.21%
Net Direct Debt Per Capita as a percent										
of PER CAPITA PERSONAL INCOME	5.51%	4.62%	4.23%	5.77%	6.49%	7.99%	7.15%	7.13%	7.64%	8.69%
Overlapping Debt Per Capita as a %										
of PER CAPITA PERSONAL INCOME	0.92%	1.07%	0.90%	1.14%	1.45%	1.84%	2.32%	2.24%	2.62%	2.78%
Net Direct & Overlapping Debt Per Capita										
as a % of PER CAPITA PERSONAL INCOME	6.43%	5.69%	5.13%	6.91%	7.94%	9.83%	9.47%	9.37%	10.26%	11.47%

(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

	Principal - General Obligation Bonds				Interest - General Obligation Bonds				
Year Ending June 30	Outstanding Debt - (1)	Current Issue*	Total Principal	Percent Total Debt Retired	Outstanding Debt	Current Issue - (3)*	Capitalized Interest	Total Interest Net of BABS Subsidy - (2)	Total Debt Service Requirements
2015	$ 8,034,907	-	$ 8,034,907		$ 3,722,162	$ 198,255	$ (107,270)	$ 3,813,147	$ 11,848,054
2016	7,841,121	245,000	8,086,121		3,784,539	587,400	(319,150)	4,052,789	12,138,911
2017	7,840,216	280,000	8,120,216		3,616,890	580,750	(159,575)	4,038,065	12,158,281
2018	8,105,334	580,000	8,685,334		3,366,072	564,950	-	3,931,022	12,616,356
2019	7,599,475	600,000	8,199,475	30.99%	3,117,951	547,350	-	3,665,301	11,864,777
2020	7,427,640	620,000	8,047,640		2,884,579	525,850	-	3,410,429	11,458,069
2021	7,670,830	650,000	8,320,830		2,642,723	494,100	-	3,136,823	11,457,653
2022	7,315,482	685,000	8,000,482		2,393,008	460,725	-	2,853,733	10,854,215
2023	7,228,719	710,000	7,938,719		2,132,794	436,500	-	2,569,294	10,508,013
2024	7,501,981	735,000	8,236,981	61.53%	1,868,504	411,025	-	2,279,529	10,516,510
2025	7,383,323	770,000	8,153,323		1,589,754	373,400	-	1,963,154	10,116,477
2026	7,457,990	810,000	8,267,990		1,317,929	33,900	-	1,351,829	9,619,819
2027	7,685,294	850,000	8,535,294		1,031,703	296,650	-	1,328,353	9,863,647
2028	5,408,000	885,000	6,293,000		723,972	261,950	-	985,922	7,278,922
2029	4,208,000	920,000	5,128,000	88.94%	498,090	225,850	-	723,940	5,851,940
2030	2,869,277	955,000	3,824,277		323,025	188,350	-	511,375	4,335,652
2031	1,874,000	995,000	2,869,000		214,031	149,350	-	363,381	3,232,381
2032	1,915,000	1,030,000	2,945,000		143,633	114,000	-	257,633	3,202,633
2033	860,000	1,060,000	1,920,000		71,095	82,650	-	153,745	2,073,745
2034	895,000	1,095,000	1,990,000		36,695	50,325	-	87,020	2,077,020
2035	-	1,130,000	1,130,000	100.00%	-	16,950	-	16,950	1,146,950
	$ 117,121,589	$ 15,605,000	$ 132,726,589		$ 35,479,149	$ 6,600,280	$ (585,995)	$ 41,493,434	$ 174,220,023

(1) Does not include capitalized leases or compensated absences, if any. Interfund loans are not included. QSCBs are also not included. As of June 30, 2012, a total of $7,770,000 of principal debt was outstanding for the Sullivan County Economic Development Partnership, with $2,408,700 representing the City's 31% contingent share. 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).

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* Estimated final sizing

CITY OF KINGSPORT, TENNESSEE
DEBT SERVICE REQUIREMENTS - Sales Tax Backed
As of June 30, 2013

	Principal - General Obligation Bonds				Interest - General Obligation Bonds			
Year Ending June 30	Outstanding Debt - (1)	Current Issue	Total Principal	Percent Total Debt Retired	Outstanding Debt	Current Issue	Total Interest Net of BABS Subsidy - (2)	Total Debt Service Requirements
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
	$ 32,030,000	$ -	$ 32,030,000		$ 11,953,537	$ -	$ 11,953,537	$ 43,983,537

(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 groos (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

	PRINCIPAL REQUIREMENTS WATER AND SEWER SYSTEM				INTEREST REQUIREMENTS WATER AND SEWER SYSTEM			
Year Ending June 30	Outstanding Debt - (1)	Current Issue*	Total Principal	Percent Total Debt Retired	Outstanding Debt	Current Issue	Total Interest Net of BABS Subsidy - (2)	Total Debt Service Requirements
2015	$ 7,830,000	$ -	$ 7,830,000		$ 2,635,502	$ 83,893	$ 2,719,396	$ 10,549,396
2016	6,485,000	-	6,485,000		2,352,892	249,600	2,602,492	9,087,492
2017	5,710,000	390,000	6,100,000		2,118,832	245,700	2,364,532	8,464,532
2018	5,035,000	395,000	5,430,000		1,915,332	237,850	2,153,182	7,583,182
2019	4,220,000	405,000	4,625,000		1,740,883	229,850	1,970,733	6,595,733
2020	3,655,000	415,000	4,070,000	41.63%	1,603,815	219,575	1,823,390	5,893,390
2021	3,775,000	425,000	4,200,000		1,470,540	209,100	1,679,640	5,879,640
2022	3,430,000	430,000	3,860,000		1,340,213	200,550	1,540,763	5,400,763
2023	3,590,000	445,000	4,035,000		1,204,908	191,800	1,396,708	5,431,708
2024	3,595,000	450,000	4,045,000		1,067,578	182,850	1,250,428	5,295,428
2025	3,640,000	465,000	4,105,000	66.04%	930,441	171,375	1,101,816	5,206,816
2026	3,750,000	480,000	4,230,000		802,542	157,200	959,742	5,189,742
2027	3,085,000	495,000	3,580,000		670,552	142,575	813,127	4,393,127
2028	3,100,000	510,000	3,610,000		564,596	127,500	692,096	4,302,096
2029	3,200,000	525,000	3,725,000		461,157	111,975	573,132	4,298,132
2030	3,318,468	535,000	3,853,468	88.93%	349,217	96,075	445,292	4,298,760
2031	2,660,000	550,000	3,210,000		231,860	79,800	311,660	3,521,660
2032	1,650,000	570,000	2,220,000		140,210	63,000	203,210	2,423,210
2033	950,000	585,000	1,535,000		78,385	45,675	124,060	1,659,060
2034	985,000	605,000	1,590,000		40,385	27,825	68,210	1,658,210
2035	-	625,000	625,000	100.00%	-	9,375	9,375	634,375
	$ 73,663,468	$ 9,300,000	$ 82,963,468		$ 21,719,840	$ 3,083,143	$ 24,802,983	$ 107,766,451

(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 Note 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).

*Estimated final sizing

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	$ 29,261,000	$ 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
Licenses and Permits	324,000	350,000	350,000	526,000	778,788	544,797	354,400	339,843	390,916	357,816
Intergovernmental	18,035,000	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
Charges for Services	879,000	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
Fines and Forfeitures	246,000	321,000	448,000	679,000	2,034,486	1,840,622	1,205,281	1,243,032	736,228	648,957
Investment Earnings	301,000	513,000	900,000	1,278,000	939,112	388,048	105,839	68,235	82,616	38,116
Contributions and Donations	10,000	20,000	13,000	15,000	7,350	2,074	2,154	32,407	4,043	127,563
Miscellaneous	83,000	131,000	70,000	209,000	346,667	225,927	303,931	794,771	490,360	93,898
Total Revenues	$ 49,139,000	$ 50,405,000	$ 54,664,000	$ 57,945,000	$ 60,373,732	$ 59,757,455	$ 59,502,903	$ 61,801,910	$ 63,281,435	$ 63,892,501
Expenditures										
General government	$ 5,569,000	$ 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
Public Safety:	13,027,000	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
Public Works	5,207,000	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
Economic and Physical Dev.	2,132,000	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
Culture and Recreation	2,994,000	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
Miscellaneous Gov. Services	348,000	516,000	722,000	878,000	1,019,288	860,350	1,164,299	1,179,584	1,108,609	1,045,894
Capital Outlay	436,000	376,000	195,000	199,000	898,876	50,170	41,930	710,173	162,194	123,144
Total Expenditures	$ 29,713,000	$ 31,310,000	$ 32,675,000	$ 34,979,000	$ 39,168,535	$ 40,920,755	$ 41,698,583	$ 43,177,567	$ 43,597,397	$ 44,110,851
Excess of Revenues Over (Under) Expenditures	$ 19,426,000	$ 19,095,000	$ 21,989,000	$ 22,966,000	$ 21,205,197	$ 18,836,700	$ 17,804,320	$ 18,624,343	$ 19,684,038	$ 19,781,650
Other Financing Sources (Uses)										
Transfers In	$ 1,912,000	$ 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
Transfers Out	(22,966,000)	(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)
Sale of Building			-	-	800,000	-	-	-	-	-
Debt Proceeds	-	-	-	-	-	-	-	-	-	-
Total	$(21,054,000)	$(20,080,000)	$(21,116,000)	$(20,888,000)	$(23,884,187)	$(21,764,615)	$(18,387,000)	$(19,855,262)	$(20,695,493)	$(20,719,213)
Excess of Revenues Over (Under) Expenditures & Other Uses	$ (1,628,000)	$ (985,000)	$ 873,000	$ 2,078,000	$ (2,678,990)	$ (2,927,915)	$ (582,680)	$ (1,230,919)	$ (1,011,455)	$ (937,563)
Fund Balance July 1	18,298,000	16,670,000	15,685,000	18,652,000	20,918,736	18,239,746	15,311,831	14,729,151	13,584,394	12,572,939
Restatement	-	-	-	-	-	-	-	86,162	-	-
Prior Period Adjustment	-	-	2,095,000	189,000	-	-	-	-	-	-
Net Encumbrances	-	-	-	-	-	-	-	-	-	-
Fund Balance June 30	$ 16,670,000	$ 15,685,000	$ 18,653,000	$ 20,919,000	$ 18,239,746	$ 15,311,831	$ 14,729,151	$ 13,584,394	$ 12,572,939	$ 11,635,376

Source: Comprehensive Annual Financial Reports of the City of Kingsport, Tennessee.
Note: From Fiscal Year ending 2004 - 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

	2004	2005	2006	2007	2008	2009	2010 [1]	2011	2012	2013
Operating Revenues										
Charges and Fees	$ 21,233,000	$ 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
Penalties and Fines	456,000	470,000	462,000	530,000	599,559	637,750	556,118	547,732	550,757	534,580
Miscellaneous	629,000	1,055,000	703,000	1,662,000	31,684	22,491	29,740	239,140	24,566	34,590
Total Operating Revenues	$ 22,318,000	$ 24,613,000	$ 25,388,000	$ 26,802,000	$ 25,814,512	$ 26,063,481	$ 25,131,017	$ 24,659,947	$ 25,038,548	$ 24,847,193
Operating Expenses										
Operating Costs	$ 9,321,000	$ 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
Depreciation	3,938,000	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
Total Operating Expenses	$ 13,259,000	$ 13,344,000	$ 13,889,000	$ 13,806,000	$ 15,215,918	$ 16,371,354	$ 16,085,086	$ 16,931,377	$ 17,800,441	$ 18,282,252
Operating Income	$ 9,059,000	$ 11,269,000	$ 11,499,000	$ 12,996,000	$ 10,598,594	$ 9,692,127	$ 9,045,931	$ 7,728,570	$ 7,238,107	$ 6,564,941
Non-Operating Revenues (Expenses)										
Investment Earnings	$ 228,000	$ 339,000	$ 846,000	$ 1,245,000	$ 970,530	$ 486,747	$ 223,541	$ 121,499	$ 152,258	$ 153,835
Federal Interest Subsidy	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 203,407	$ 165,297	165,297
Interest Expense	(1,775,000)	(1,732,000)	(1,734,000)	(1,608,000)	(1,606,431)	(1,308,336)	(1,007,724)	(843,459)	(730,976)	(634,424)
Gain on Disposal of Capital Assets	(25,000)	(8,000)	-	2,000	50	(11,266)	400	(22,029)	5,012	(58,911)
Amortization Expense	(78,000)	(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	4,000	5,000	22,000	(3,000)	-	-	-	-	-	-
Total Non-Operating Rev. (Exp.)	$ (1,646,000)	$ (1,482,000)	$ (994,000)	$ (439,000)	$ (726,372)	$ (889,332)	$ (842,161)	$ (601,730)	$ (472,454)	$ (459,924)
Operating Income Before Other	$ 7,413,000	$ 9,787,000	$ 10,505,000	$ 12,557,000	$ 9,872,222	$ 8,802,795	$ 8,203,770	$ 7,126,840	$ 6,765,653	$ 6,105,017
Other										
Capital Contributions	$ -	$ -	$ -	$ -	$ 2,660,735	$ 2,123,441	$ 1,296,823	$ 655,174	$ 65,871	$ 403,146
Transfers In	20,000	40,000	-	100,000	87,163	122,826	125,786	105,304	115,834	134,465
Transfers Out	(1,900,000)	(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)
Total Other	$ (1,880,000)	$ (1,987,000)	$ (2,104,000)	$ (2,006,000)	$ 494,464	$ (96,077)	$ (1,032,392)	$ (1,822,602)	$ (2,374,178)	$ (2,353,205)
Net Income (Loss)	$ 5,533,000	$ 7,800,000	$ 8,401,000	$ 10,551,000	$ 10,366,686	$ 8,706,718	$ 7,171,378	$ 5,304,238	$ 4,391,475	$ 3,751,812
Net Assets (Equity) - PY	94,075,000	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
Change in Contributed Capital	-	-	-	-	-	-	-	-	-	-
Net Assets (Equity)	$ 99,608,000	$ 107,408,000	$ 115,809,000	$ 126,360,000	$ 136,727,286	$ 145,434,004	$ 152,605,382	$ 157,909,620	$ 162,301,095	$ 166,052,907

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.

Water Rates FY 2014

Inside City Limits		Outside City Limits	
First 2,000 gallons	$ 3.61	First 2,000 gallons	$ 11.67
Next 13,000 gallons	2.90	Next 13,000 gallons	7.07
Next 55,000 gallons	2.24	Next 35,000 gallons	6.39
Over 70,000 gallons	1.61	Next 70,000 gallons	5.93
		Next 70,000 gallons	4.85
		Over 190,000 gallons	4.56

Water Rates - FY 2015

Inside City Limits		Outside City Limits	
First 2,000 gallons	$ 3.79	First 2,000 gallons	$ 11.67
Next 13,000 gallons	3.05	Next 13,000 gallons	7.07
Next 55,000 gallons	2.35	Next 35,000 gallons	6.39
Over 70,000 gallons	1.69	Next 70,000 gallons	5.93
		Next 70,000 gallons	4.85
		Over 190,000 gallons	4.56

Sewer Rates - FY 2014

	Inside City Limits	Outside City Limits
First 2,000 gallons (minimum charge)	$ 14.46	$ 21.72
Per Additional 1,000 gallons	7.23	10.36

Sewer Rates - FY 2015

	Inside City Limits	Outside City Limits
First 2,000 gallons (minimum charge)	$ 14.74	$ 22.16
Per Additional 1,000 gallons	7.37	11.08

Source: City Finance Department

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", subsection 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 or 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 2013 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 Industrial Development Board of the City of Kingsport (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:

Fiscal Year	Property Tax	Sales Tax	Hall Income Tax	Business Tax	Alcoholic Beverage Tax	Hotel/Motel Tax	Total
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
2004	38,532,000	24,394,000	379,000	1,419,000	1,296,000	735,000	66,752,000

Source: Comprehensive Annual Financial Report 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 15th. 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 2013

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 2013

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 1st of each year based upon appraisals as of January 1st of the same calendar year. All property taxes levied in the Municipality are delinquent on December 1st of the same calendar year. Delinquent taxes begin accumulating penalties after December 1st at a rate of two percent for December and January 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 Annotate*d. 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.

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Assessed Values and Estimated Actual Values for 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							
FY	**Tax Year**	**Industrial/ Commercial**[2]	**Residential**	**Farm**	**Tangible Personal Property**	**Public Utility Property**	**Total Assessed Value**[2]	**Estimated Actual Value**	**City Tax Rate** [3]
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** [1]	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
	Rate	**40%**	**25%**	**25%**	**30%**	**55%**			

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

(2) 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.

(3) 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 30th 2005 through 2014:

			Sullivan County Tax Rates		Hawkins County Tax Rates		City Fiscal Year Collections(1)		
FY	**Tax Year**	**Combined Assessed Valuation (2)**	**City Rate**	**County Rate**	**City Rate**	**County Rate**	**Adjusted Taxes Levied**	**Amount**	**Pct. Adj. Levy**
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** (1)	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%

(1) In tax year 2008, Quebecor Printing which closed in October 2006 reduced assessments as did the new Eastman PILOT.
(2) 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:

	2014			2005		
Taxpayer	**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 (Weyerhauser 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/ 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 - 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 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 Telephone Southeast				14,319,000	5	1.2%
AFG/AGC Industries				7,345,000	10	0.6%
Totals	$ 614,987,587		34.5%	$ 436,806,000		37.5%

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:

	City-Wide			
Fiscal Year	**Total Sales Tax** [1]	**FY Percentage Change**	**General Fund**	**Regional Fund**[2]
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

(1) For 2014, the figures shown are preliminary and subject to final audit.
(2) 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:

Customer Name	Consumption (in gallons)	Revenue	Revenue as % of FY14 Water Sales
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.	12,483,700	26,124	0.22%
	1,054,091,600	$ 2,085,588	17.66%

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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Customer Name	Consumption (in gallons)	Revenue	Revenue as % of FY14 Sewer User Fees
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%
	363,124,300	$ 2,670,950	21.52%
Total Sewer User Fee Revenue - FY 2014	$12,414,174		

PENSION PLANS

City of Kingsport General Government Plan

Plan Description

Most employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service.

Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of the plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The 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, 10th Floor Andrew Jackson Building; Nashville, Tennessee 37243-0230 or can be accessed at:

http://www.treasury.tn.gov/**TCRS**-Annual**Report-2011**.pdf

Source: Comprehensive Annual Financial Report for Fiscal Year 2013

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.

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, 2013 was 17.10% 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, 2013, the City's annual pension cost of $6,335,112 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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	$ 6,335,112	100.00%	$0
June 30, 2012	$ 6,099,950	100.00%	$0
June 30, 2011	$ 5,939,797	100.00%	$0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 84.33% funded. The actuarial accrued liability for benefits was $168.06 million, and the actuarial value of assets was $141.72 million, resulting in an unfunded actuarial accrued liability (UAAL) of $26.34 million. The covered payroll (annual payroll of active employees covered by the plan) was $35.36 million, and the ratio of UAAL to covered payroll was 74.49%.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 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%
July 1, 2007	$ 117,466,000	$ 140,590,000	$ 23,124,000	83.55%	$ 31,672,000	73.01%

Source: Comprehensive Annual Financial Report for 2013

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.

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, 2013 were $ 119,812 which consisted of $ 59,033 made by the City and $ 60,779 made by employees.
Source: Comprehensive Annual Financial Report for 2013

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 t heir 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, 10th Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at: 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, 2013 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, 2013, 2012, and 2011 were $2,812,755, $2,795,181, and $2,681,961 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 2012 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, 2013, 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	597
Active employees - death benefit only	1,010
Retired employees - medical & death benefits	166
Retired employees spouse - medical benefit only	38
Retired employees - death benefit only	677
Total	2,488

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.

Annual OPEB Cost and Net OPEB Obligation

	City of Kingsport Retire Plan
Interest on Net Pension Obligation (NPO)	496,847
Adjustment to the Annual Required Contribution (ARC)	(398,193)
Annual OPEB Cost	$2,029,501
Amount of Contribution	(712,084)
Increase/Decrease in Net Pension Obligation (NPO)	$1,317,417
Net OPEB Obligation - Beginning of Year	9,936,937
Net OPEB Obligation - Ending of Year	$11,254,354

Year End*	**Plan**	**Annual OPEB Cost**	**Percentage Annual OPEB Cost Contributed**	**Net OPEB Obligation at Year End**
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, 2012, the date of the latest actuarial interim year valuation, was as follows:

City of Kingsport Retiree Plan

Actuarial valuation date	07/01/12
Actuarial accrued liability (AAL)	$24,569,633
Actuarial value of plan assets	$ 0
Unfunded actuarial accrued liability (UAAL)	$24,569,633
Actuarial Value of Assets as a % of the AAL	0%
Covered payroll (active plan members)	$28,865,759
UAAL as a percentage of covered payroll	85%

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, 2012 actuarial interim 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 and an annual healthcare cost trend rate of 10 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 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.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees' or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to the Kingsport City Schools pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The required contribution rate for retired teachers is based on their years of service. For the year ended June 30, 2013, retired teachers contributed $464,583. During the year ended June 30, 2013, Kingsport City Schools contributed $409,256 for the teacher group plan and $265,804 for the Medicare supplement plan. For the year ended June 30, 2013, the State of Tennessee contributed $348,290 on behalf of retirees for the teacher group plan and $6,067 for the Medicare supplement plan.

Annual OPEB Cost and Net OPEB Obligation

	Teacher Group Plan	**Medicare Supplement Plan**
Annual Required Contribution (ARC)	$1,933,000	$2,108,000
Interest on Net Pension Obligation (NPO)	326,272	371,002
Adjustment to the Annual Required Contribution (ARC)	(346,331)	(383,812)
Annual OPEB Cost	1,912,941	2,085,190
Amount of Contribution	(409,256)	(265,803)
Increase/Decrease in Net Pension Obligation (NPO)	1,503,085	1,819,387
Net OPEB Obligation - Beginning of Year	8,156,792	9,275,049
Net OPEB Obligation - Ending of Year	$9,660,477	$11,094,438

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Year End*	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation FY End
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
06/30/13	Medicare Supplement	$2,085,190	13%	$11,094,436
06/30/12	Medicare Supplement	$2,206,865	11%	$9,275,049
06/30/11	Medicare Supplement	$2,013,969	11%	$7,311,881
06/30/10	Medicare Supplement	$2,079,538	10%	$5,518,188
06/30/09	Medicare Supplement	$2,033,125	10%	$3,650,763
06/30/08	Medicare Supplement	$1,928,000	6%	$1,815,000

*Data not available for the 2007

The funded status of the plan as of July 1, 2011, the date of the latest valuation, was as follows:

		Teacher Group Plan	Medicare Supplement Plan
Actuarial valuation date		07/01/11	07/01/11
Actuarial accrued liability (AAL)	$	16,816,000	19,371,000
Actuarial value of plan assets	$	0	0
Unfunded actuarial accrued liability (UAAL)	$	16,816,000	19,371,000
Actuarial Value of Assets as a % of the AAL		0%	0%
Covered payroll (active plan members)	$	23,226,238	23,226,238
UAAL as a percentage of covered payroll		72%	83%

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, 2011 actuarial valuation for the Teacher Group plan, the Projected Unit Credit actuarial cost method was used and the actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent initially. The rate decreased to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5.0 percent by fiscal year 2021. The annual healthcare premium trend rate for the Medicare Supplement plan was 6.50 percent initially. The rate reduced to 6.25 percent for fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5.0 percent by fiscal year 2018. Both rates include a 2.5 percent inflation assumption, which also represent projected salary increases. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.
Source: Comprehensive Annual Financial Report of the Municipality of Fiscal Year 2013

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 2013 which may be accessed as described in APPENDIX D.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CITY OF KINGSPORT, TENNESSEE

$9,300,000 GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS, SERIES 2014B

CONTINUING DISCLOSURE CERTIFICATE

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 $9,300,000 General Obligation Public Improvement Bonds, Series 2014B (the "Bonds"), dated the date of original issuance and delivery. The Bonds are being issued pursuant to Resolutions adopted by the Board of Mayor and Aldermen of the Municipality on September 2, 2014 (the "Resolutions"). The Municipality covenants and agrees as follows:

SECTION 1(a). <u>Purpose of the Disclosure Certificate.</u> 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). <u>Filing Requirements.</u> 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 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. <u>Definitions.</u> In addition to the definitions set forth in the Resolutions, which apply 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, 2014, 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 October 20, 2014 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. <u>Termination of Reporting Obligation</u>. 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. <u>Dissemination Agent</u>. 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 the Municipality.

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: ______________, 2014

CITY OF KINGSPORT, TENNESSEE

By: ________________________________
Mayor

Attest:

By: ________________________________
Recorder

APPROVED AS TO FORM:

____
City Attorney

APPENDIX D

COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF KINGSPORT, TENNESSEE

FOR THE FISCAL YEAR ENDED

June 30, 2013

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

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*.