

**TOWN OF KINGSTON SPRINGS, TENNESSEE**

**JUNE 30, 2015**

**Report  
of  
Examination**

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**TOWN OF KINGSTON SPRINGS, TENNESSEE  
DIRECTORY OF OFFICIALS  
(unaudited)**

<b><u>Title</u></b>	<b><u>Name of Official</u></b>
<b>Mayor</b>	<b>Tony Gross</b>
<b>Vice Mayor</b>	<b>Bob Stohler</b>
<b>Commissioner</b>	<b>Gary Corlew</b>
<b>Commissioner</b>	<b>Glenn Remick</b>
<b>Commissioner</b>	<b>Gordon Lampley</b>
<b>City Manager</b>	<b>Michael McClanahan</b>
<b>Assistant City Manager/Recorder/CMFO</b>	<b>Debbie Finch</b>

**PARSONS AND ASSOCIATES**

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TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

December 10, 2015

Board of Mayor and Aldermen  
Town of Kingston Springs, Tennessee  
Kingston Springs, Tennessee

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the business-type activities of the Town of Kingston Springs, Tennessee as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparisons for the General Fund, the Facilities Tax Fund, and the Drug Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information (pages 4 – 9) and the pension plan information (pages 39 - 40) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Kingston Springs, Tennessee's basic financial statements. The directory of officials is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2015 on our consideration of the Town of Kingston Springs, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Kingston Springs, Tennessee's internal control over financial reporting and compliance.

*Parsons and Associates*

Parsons and Associates

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

As management of the Town of Kingston Springs, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. Readers are encouraged to consider information presented here in conjunction with the Town's financial statements.

**FINANCIAL HIGHLIGHTS**

1. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$10,979,176 (total net position). Of this amount, \$2,489,088 is considered unassigned funds and may be used to meet the government's ongoing obligations to citizens and creditors.
2. The government's total net position increased by \$166,064 for the year.
3. As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,819,440 an increase of \$15,939 from the previous year. Approximately 72% of this total amount, or \$1,311,999 is available for spending at the government's discretion (unassigned fund balances).
4. At June 30, 2015 unassigned fund balance for the General Fund was \$1,311,999 or 66% of total general fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Kingston Springs' basic financial statements. The Town of Kingston Springs' basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** These financial statements are designed to provide readers with a broad overview of the Town of Kingston Springs' finances in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes, licenses, and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, codes administration, public safety, highways and streets, and parks. The business-type activities of the Town include sewer services.

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

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the town-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Town's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Kingston Springs adopts annual budgets for its general fund, special revenue funds, and enterprise funds.

**Proprietary funds.** The Town of Kingston Springs maintains a sewer fund as an enterprise or proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the sewer activity, which is also considered a major fund of the Town.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain other required information.

### **Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town of Kingston Springs, assets exceeded liabilities by \$10,979,176 at the end of the most recent fiscal year.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**TOWN OF KINGSTON SPRINGS  
NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 2,676,000	\$ 2,413,904	\$1,143,194	\$1,032,544	\$ 3,819,194	\$ 3,446,448
Capital assets	<u>7,710,460</u>	<u>7,949,844</u>	<u>1,829,756</u>	<u>1,932,734</u>	<u>9,540,216</u>	<u>9,882,578</u>
Total assets	<u>\$10,386,460</u>	<u>\$10,363,748</u>	<u>\$2,972,950</u>	<u>\$2,965,278</u>	<u>\$13,359,410</u>	<u>\$13,329,026</u>
Long-term liabilities outstanding	\$ 1,295,000	\$ 1,643,000	217,000	\$ 259,984	1,512,000	\$ 1,902,984
Other liabilities	<u>35,779</u>	<u>8,584</u>	<u>2,884</u>	<u>2,527</u>	<u>38,663</u>	<u>11,111</u>
Total liabilities	<u>1,330,779</u>	<u>1,651,584</u>	<u>219,884</u>	<u>262,511</u>	<u>1,550,663</u>	<u>1,914,095</u>
Deferred inflows	813,189	601,819	16,382		829,571	601,819
Net position:						
Invested in capital assets	6,415,460	6,306,844	1,612,756	1,672,750	8,028,216	7,979,594
Restricted	509,441	460,161	7,077	6,471	514,518	466,632
Unrestricted	<u>1,319,591</u>	<u>1,343,340</u>	<u>1,116,851</u>	<u>1,023,546</u>	<u>2,436,442</u>	<u>2,366,886</u>
Total net position	<u>\$ 8,242,492</u>	<u>\$ 8,110,345</u>	<u>\$2,736,684</u>	<u>\$2,702,767</u>	<u>\$10,979,176</u>	<u>\$10,813,112</u>

The largest portion of the Town's net position \$8,028,216 or 73% reflects its investment in capital assets (for example - land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town of Kingston Springs' investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At year end, \$514,518 of the Town's net position represent resources that are subject to external restrictions or have other restrictions on how they may be used. The remaining balance of unrestricted net position, \$2,436,442, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Kingston Springs is able to report positive balances in both categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following is a summary of financial activities for the Town during the fiscal year ended June 30, 2015:

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**TOWN OF KINGSTON SPRINGS  
CHANGE IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Program revenues:						
Charges for service	\$ 165,937	\$ 211,619	\$ 353,322	\$ 374,369	\$ 519,259	\$ 585,988
Operating grants & contributions	264,484	232,433			264,484	232,433
General revenues:						
Property taxes	628,458	591,048			628,458	591,048
Sales tax	682,209	656,654			682,209	656,654
Other taxes	311,409	278,466			311,409	278,466
Interest	4,812	4,350	2,411	2,225	7,223	6,575
Other	12,832	36,578			12,832	36,578
Total general revenues	<u>2,070,141</u>	<u>2,011,148</u>	<u>355,733</u>	<u>376,594</u>	<u>2,425,874</u>	<u>2,387,742</u>
Expenses:						
General government	464,834	487,232			464,834	487,232
Public safety	674,638	661,039			674,638	661,039
Roads and streets	488,744	594,647			488,744	594,647
Codes	27,293	29,247			27,293	29,247
Parks	258,563	263,537			258,563	263,537
Interest on long-term debt	31,514	37,574	5,744	12,272	37,258	49,846
Sewer			324,376	332,122	324,376	332,122
Total expenses	<u>1,945,586</u>	<u>2,073,276</u>	<u>330,120</u>	<u>344,394</u>	<u>2,275,706</u>	<u>2,417,670</u>
Change in net position	124,555	( 62,128)	25,613	32,200	150,168	( 29,928)
Net position – beginning	8,110,345	8,172,473	2,702,767	2,670,567	10,813,112	10,843,040
Restatement – Note 11	7,592		8,304		15,896	
Net position - ending	<u>\$8,242,492</u>	<u>\$8,110,345</u>	<u>\$2,736,684</u>	<u>\$2,702,767</u>	<u>\$10,979,176</u>	<u>\$10,813,112</u>

**Governmental Activities.** Governmental activities increased the Town of Kingston Springs' net position by \$124,555. This increase is a result of decreased expenses, primarily maintaining expenses at or below the previous year's level.

**Business-Type Activities.** Business-type activities increased the Town's net position by \$25,613. This increase is primarily due to keeping expenses at the previous year's level.

**Financial Analysis of the Town's Funds**

As noted earlier, the Town of Kingston Springs uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Kingston Springs' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Town of Kingston Springs' governmental funds reported combined unassigned ending fund balances of \$1,311,999 an increase of \$15,939 in comparison with the prior year.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

The general fund is the chief operating fund of the Town of Kingston Springs. At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,311,999. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 66% of total general fund expenditures. The fund balance increased \$15,939 as a result of the current fiscal year operations.

**Proprietary funds.** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the sewer fund at the end of the year amounted to \$1,123,928. The sewer fund had an increase in net position for the year of \$93,911. Factors concerning the financial position of this fund have already been addressed in the discussion of the Town's business-type activity.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Kingston Springs' investment in capital assets for its governmental and business type activities as of June 30, 2015 amounted to \$9,540,216 (net of depreciation). This investment includes land, buildings, improvements, machinery, equipment, and infrastructure.

Major capital asset events during the current fiscal year included acquisition of equipment in the amount of \$58,397.

Additional information on the Town of Kingston Springs' capital assets can be found in Note 4.

**TOWN OF KINGSTON SPRINGS  
CAPITAL ASSETS  
(Net of Depreciation)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 226,790	\$ 226,790	\$ 48,432	\$ 48,432	\$ 275,222	\$ 275,222
Buildings	756,507	729,282			756,507	729,282
Improvements other than buildings	417,436	417,436			417,436	417,436
Utility plant in service			4,065,137	4,065,137	4,065,137	4,065,137
Machinery and equipment	1,953,462	1,922,290	114,319	114,319	2,067,781	2,036,609
Infrastructure	<u>9,492,573</u>	<u>9,492,573</u>			<u>9,492,573</u>	<u>9,492,573</u>
Total capital assets	12,846,768	12,788,371	4,227,888	4,227,888	17,074,656	17,016,259
Less accumulated depreciation	<u>5,136,308</u>	<u>4,838,527</u>	<u>2,398,132</u>	<u>2,295,154</u>	<u>7,534,440</u>	<u>7,133,681</u>
Capital assets	<u>\$ 7,710,460</u>	<u>\$ 7,949,844</u>	<u>\$1,829,756</u>	<u>\$1,932,734</u>	<u>\$ 9,540,216</u>	<u>\$ 9,882,578</u>

**Long-term Debt.** At the end of the fiscal year, the Town of Kingston Springs' total debt was \$1,512,000. This amount represents loan proceeds of debt incurred over the past years.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**TOWN OF KINGSTON SPRINGS  
OUTSTANDING DEBT**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
State of Tennessee Loan	\$ 552,000	\$ 650,000	\$	\$	\$ 552,000	\$ 650,000
State of Tennessee Loan	488,000	714,000			488,000	714,000
Capital outlay note	<u>255,000</u>	<u>279,000</u>	<u>217,000</u>	<u>259,984</u>	<u>472,000</u>	<u>538,984</u>
Total	<u>\$1,295,000</u>	<u>\$1,643,000</u>	<u>\$217,000</u>	<u>\$259,984</u>	<u>\$1,512,000</u>	<u>\$1,902,984</u>

Additional information on the Town of Kingston Springs' outstanding debt can be found in Note 5.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Town of Kingston Springs' budget for the 2014-15 fiscal year.

1. The primary challenge in preparing the budget was the extent to which the slowdown in the local and national real estate markets would have on the local economy.
2. The effect of the increasing cost of energy supplies will have on the economy.
3. What effect the slowdown of the economy will have on state-shared revenue.

**Requests for Information**

This financial report is designed to provide a general overview of the Town of Kingston Springs' finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Town of Kingston Springs, Office of the City Manager, 396 Spring Street, P O Box 256, Kingston Springs, Tennessee 37082.

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Governmental Activities	<u>Primary Government</u> Business- type Activities	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,584,664	\$1,072,264	\$ 2,656,928
Property tax receivable	674,741		674,741
Intergovernmental revenue receivable	155,395		155,395
Accounts receivable		39,167	39,167
Prepaid expenses	45,569	7,077	52,646
Net pension position	176,279	22,703	198,982
Capital assets:			
Capital assets not being depreciated: land	226,790	48,432	275,222
Capital assets being depreciated, net of accumulated depreciation	7,483,670	1,781,324	9,264,994
Deferred outflow of resources			
Deferred pension changes	<u>39,352</u>	<u>1,983</u>	<u>41,335</u>
<u>Total</u>	<u>\$10,386,460</u>	<u>\$2,972,950</u>	<u>\$13,359,410</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 1,450	\$	\$ 1,450
Accrued salaries	10,609	461	11,070
Accrued vacation compensation	23,720		23,720
Accrued interest		2,423	2,423
Long-term liabilities:			
Due within one year	365,000	45,000	410,000
Due beyond one year	<u>930,000</u>	<u>172,000</u>	<u>1,102,000</u>
<u>Total Liabilities</u>	<u>1,330,779</u>	<u>219,884</u>	<u>1,550,663</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred revenue – taxes	605,150		605,150
Deferred pension changes - inflows	208,039	16,382	224,421
<u>NET POSITION</u>			
Net investment in capital assets	6,415,460	1,612,756	8,028,216
Restricted for:			
Roads and streets	88,967		88,967
Drug enforcement	319,294		319,294
Facilities tax	53,611		53,611
Unrestricted	<u>1,365,160</u>	<u>1,123,928</u>	<u>2,489,088</u>
<u>Total Net Position</u>	<u>8,242,492</u>	<u>2,736,684</u>	<u>10,979,176</u>
<u>Total</u>	<u>\$10,386,460</u>	<u>\$2,972,950</u>	<u>\$13,359,410</u>

See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Government Business-type Activities</u>	<u>Total</u>
Primary Government						
Governmental Activities						
General government	\$ 464,834	\$ 18,625	\$	\$( 446,209)	\$	\$( 446,209)
Codes	27,293	47,544		20,251		20,251
Public safety	674,638	65,258	186,099	( 423,281)		( 423,281)
Roads and streets	488,744		78,385	( 410,359)		( 410,359)
Parks	258,563	34,510		( 224,053)		( 224,053)
Interest on long-term debt	31,514			( 31,514)		( 31,514)
Total Governmental Activities	<u>1,945,586</u>	<u>165,937</u>	<u>264,484</u>	<u>(1,515,165)</u>		<u>( 1,515,165)</u>
Business-type Activities						
Sewer	<u>330,120</u>	<u>353,322</u>			<u>23,202</u>	<u>23,202</u>
Total Primary Government	<u>\$2,275,706</u>	<u>\$519,259</u>	<u>\$264,484</u>	<u>(1,515,165)</u>	<u>23,202</u>	<u>\$( 1,491,963)</u>
General Revenues						
Property taxes				628,458		628,458
Sales taxes				682,209		682,209
Payments in-lieu-of-taxes				71,783		71,783
Beer and liquor taxes				122,396		122,396
State income tax				75,173		75,173
Franchise, excise taxes				36,760		36,760
Motel/hotel taxes				5,297		5,297
Interest and investment earnings				4,812	2,411	7,223
Miscellaneous				12,832		12,832
Total General Revenues				<u>1,639,720</u>	<u>2,411</u>	<u>1,642,131</u>
Change in net position				124,555	25,613	150,168
Net position - beginning				8,110,345	2,702,767	10,813,112
Restatement – Note 11				7,592	8,304	15,896
Net Position – ending				<u>\$ 8,242,492</u>	<u>\$2,736,684</u>	<u>\$ 10,979,176</u>

See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<u>General</u>	<u>Facilities Tax</u>	<u>Drug Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$1,211,177	\$53,611	\$319,876	\$1,584,664
Due from other governments	155,395			155,395
Taxes receivable	674,741			674,741
Prepaid expenses	<u>42,311</u>		<u>3,258</u>	<u>45,569</u>
<b><u>Total Assets</u></b>	<b><u>\$2,083,624</u></b>	<b><u>\$53,611</u></b>	<b><u>\$323,134</u></b>	<b><u>\$2,460,369</u></b>
 <b><u>LIABILITIES</u></b>				
Accounts payable	\$ 1,450	\$	\$	\$ 1,450
Accrued salaries	10,027		582	10,609
Accrued vacation pay	<u>23,720</u>			<u>23,720</u>
<b><u>Total Liabilities</u></b>	<b><u>35,197</u></b>		<b><u>582</u></b>	<b><u>35,779</u></b>
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred revenue - taxes	<u>605,150</u>			<u>605,150</u>
 <b><u>FUND BALANCES</u></b>				
Nonspendable: prepaid expenses	42,311		3,258	45,569
Restricted for:				
State Street aid	88,967			88,967
Drug enforcement			319,294	319,294
Facilities tax		53,611		53,611
Unassigned	<u>1,311,999</u>			<u>1,311,999</u>
<b><u>Total Fund Balances</u></b>	<b><u>1,443,277</u></b>	<b><u>53,611</u></b>	<b><u>322,552</u></b>	<b><u>1,819,440</u></b>
<b><u>Total Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>	<b><u>\$2,083,624</u></b>	<b><u>\$53,611</u></b>	<b><u>\$323,134</u></b>	<b><u>\$2,460,369</u></b>

See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

Total Governmental Funds Balances	\$1,819,440
Amounts Reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds, net of accumulated depreciation of \$5,136,308	7,710,460
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds: General long-term debt payable	(1,295,000)
Change in inflows and outflows related to pensions and net pension position	7,592
Net Position of Government Activities	<u><u>\$8,242,492</u></u>

See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015**

<u>REVENUE</u>	<u>General</u>	<u>Facilities Tax</u>	<u>Drug Fund</u>	<u>Total Governmental Funds</u>
Taxes	\$1,148,104	\$ 5,297	\$	\$1,153,401
Licenses and permits	52,621			52,621
Intergovernmental revenue	739,875			739,875
Other revenue	57,830	82	1,074	58,986
Fines and court costs	<u>36,242</u>		<u>29,016</u>	<u>65,258</u>
<u>Total Revenue</u>	<u>2,034,672</u>	<u>5,379</u>	<u>30,090</u>	<u>2,070,141</u>
 <u>EXPENDITURES</u>				
General government	134,090			134,090
Administrative	197,346			197,346
City Council	11,940			11,940
Judicial and legal	32,520			32,520
City clerk	93,836			93,836
Planning and zoning	13,267			13,267
Codes administration	27,293			27,293
Public safety	520,431		63,979	584,410
Highways and streets	276,157			276,157
State street aid	48,808			48,808
Parks	255,021			255,021
Debt service	<u>379,514</u>			<u>379,514</u>
<u>Total Expenditures</u>	<u>1,990,223</u>		<u>63,979</u>	<u>2,054,202</u>
 <u>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</u>				
	44,449	5,379	( 33,889)	15,939
 Other Financing Sources (Uses)				
Transfers in (out)	10,000	(10,000)		
Increase (decrease) in Fund Balances	<u>54,449</u>	<u>( 4,621)</u>	<u>( 33,889)</u>	<u>15,939</u>
Fund Balances – July 1, 2014	1,388,828	58,232	356,441	1,803,501
Fund Balances – June 30, 2015	<u>\$1,443,277</u>	<u>\$53,611</u>	<u>\$322,552</u>	<u>\$1,819,440</u>

See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

Net change in Fund Balance – Governmental Funds \$ 15,939

Amounts reported for governmental activities in the Statement of Activities are different from amounts reported for governmental funds in the Statement of Revenues, Expenditures and Changes in Funds Balances because:

Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities:

Acquisition of capital assets	58,397
Depreciation expense	(297,781)

Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets  
General obligation loan payments:

Repayment on debt principal	348,000
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<u>Change in Net Position of Governmental Activities</u>	<u>\$124,555</u>
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See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
STATEMENT OF NET POSITION  
SEWER FUND  
JUNE 30, 2015**

ASSETS

<u>Current Assets</u>	
Cash and cash equivalents	\$1,072,264
Accounts receivable	39,167
Prepaid expenses	<u>7,077</u>
<u>Total Current Assets</u>	<u>1,118,508</u>
<u>Non-current Assets</u>	
Net pension position	22,703
Capital assets:	
Land	48,432
Utility plant and equipment, net of accumulated depreciation	<u>1,781,324</u>
<u>Total Non-current Assets</u>	<u>1,852,459</u>
<u>Deferred Outflows of Resources</u>	
Pension contribution	<u>1,983</u>
 <u>Total Assets</u>	 <u><u>\$2,972,950</u></u>

LIABILITIES

<u>Current Liabilities</u>	
Bonds and note payable – current portion	\$ 45,000
Accrued interest	2,423
Accrued salaries	<u>461</u>
<u>Total Current Liabilities</u>	<u>47,884</u>
<u>Non-current Liabilities</u>	
Bonds and note payable	<u>172,000</u>
 <u>Total Liabilities</u>	 <u>219,884</u>
<u>Deferred Inflows of Resources</u>	
Pension changes in inflows	<u>16,382</u>

NET POSITION

<u>Invested in capital assets</u>	1,612,756
<u>Unrestricted</u>	<u>1,123,928</u>
<u>Total Net Position</u>	<u>2,736,684</u>
 <u>Total Liabilities and Net Position</u>	 <u><u>\$2,972,950</u></u>

See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION**  
**SEWER FUND**  
**YEAR ENDED JUNE 30, 2015**

<u>OPERATING REVENUE</u>	
Charges to customers	\$ 336,442
Penalties	<u>7,130</u>
Total Operating Revenue	<u>343,572</u>
<u>OPERATING EXPENSES</u>	
<u>Water Supply and Operation</u>	
Salaries	41,878
Payroll taxes	3,300
Group health insurance	9,305
Retirement contributions	2,717
Payment in lieu of tax	10,019
Collection commissions	26,393
Insurance and bonds	9,957
Electricity, water and gas	33,997
Other	115
Supplies	1,503
Small equipment	612
Repairs and maintenance	60,049
Chemicals	5,269
Fuel	2,164
Telephone	1,937
Uniforms and laundry	206
Tank pumping	8,638
Mowing	2,340
Memberships and dues	749
Rent	<u>250</u>
Operating Expenses	<u>221,398</u>
Depreciation	102,978
<u>Total Operating Expense</u>	<u>324,376</u>
<u>Operating Income</u>	19,196
<u>Nonoperating Revenue (Expense)</u>	
Interest income	2,411
Sewer tap fees	9,750
Interest expense and fiscal agent charges	<u>( 5,744)</u>
<u>Total Nonoperating Revenue (Expense)</u>	<u>6,417</u>
<u>Increase (decrease) in Net Position</u>	25,613
Total net position – July 1, 2014	2,702,767
Restatement – Note 11	8,304
Total net position – June 30, 2015	<u>\$2,736,684</u>

See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
STATEMENT OF CASH FLOWS - SEWER FUND  
YEAR ENDED JUNE 30, 2015**

<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 394,665
Payments to employees	( 41,901)
Payments to suppliers for goods and services	( 179,746)
Net cash provided (used) by operating activities	<u>173,018</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Principal paid on capital debt	( 42,984)
Interest paid on capital debt	( 5,744)
Tap fees in excess of connection costs	9,750
Interest income	<u>2,411</u>
Net cash provided (used) by capital and related financing activities	<u>( 36,567)</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	136,451
Cash and cash equivalents – beginning of year	935,813
Cash and cash equivalents – end of year	<u>\$1,072,264</u>
Cash, including time deposits	<u>\$1,072,264</u>
 <u>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities</u>	
Operating Income	\$ 19,196
Adjustments to reconcile operating income to net cash provided (used) by operating activities: depreciation	102,978
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables	51,093
Prepaid expenses	( 606)
Increase (decrease) in:	
Accounts payable	<u>357</u>
Net cash provided (used) by operating activities	<u>\$ 173,018</u>
 <u>Non-cash Financing Activities</u>	
During the year ended June 30, 2015, no sewer system additions were donated by developers.	0

See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – ACTUAL TO BUDGET**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>RESOURCES (Inflows)</u></b>				
<b><u>Taxes</u></b>				
Real estate taxes	\$ 602,420	\$ 602,420	\$ 628,458	\$ 26,038
Payments in-lieu-of-taxes	36,239	36,239	39,841	3,602
Wholesale beer tax	78,130	78,130	79,123	993
Wholesale liquor tax	31,000	31,000	32,345	1,345
Local sales tax – trustee	312,000	312,000	328,221	16,221
Cable TV franchise tax	37,600	37,600	36,670	( 930)
Beer privilege tax	1,000	1,000	1,000	0
Penalties and miscellaneous	<u>2,500</u>	<u>2,500</u>	<u>2,446</u>	<u>( 54)</u>
<b>Total Taxes</b>	<b><u>1,100,889</u></b>	<b><u>1,100,889</u></b>	<b><u>1,148,104</u></b>	<b><u>47,215</u></b>
<b><u>Licenses and Permits</u></b>				
Building permits	5,100	5,100	47,544	42,444
Other licenses and permits	5,100	5,100	3,279	( 1,821)
Other	<u>1,495</u>	<u>1,495</u>	<u>1,798</u>	<u>303</u>
<b>Total Licenses and Permits</b>	<b><u>11,695</u></b>	<b><u>11,695</u></b>	<b><u>52,621</u></b>	<b><u>40,926</u></b>
<b><u>Other Income</u></b>				
Fees and charges	3,255	3,255	5,063	1,808
Other	2,500	2,500	5,595	3,095
Interest	2,500	2,500	3,656	1,156
Park income	27,400	27,400	34,510	7,110
Planning fees	1,500	1,500	2,890	1,390
Insurance claims	<u>0</u>	<u>0</u>	<u>6,116</u>	<u>6,116</u>
<b>Total Other Income</b>	<b><u>37,155</u></b>	<b><u>37,155</u></b>	<b><u>57,830</u></b>	<b><u>20,675</u></b>
<b><u>Intergovernmental Revenue</u></b>				
State mixed drinks taxes	8,200	8,200	9,610	1,410
State income tax	2,500	2,500	75,173	72,673
State beer tax	1,378	1,378	1,318	( 60)
Local sales tax	140,000	140,000	145,258	5,258
State sales tax	199,810	199,810	208,730	8,920
State city street and transportation aid	5,650	5,650	5,622	( 28)
State gasoline and motor fuel	50,869	50,869	49,887	( 982)
State gasoline inspection	15,482	15,482	14,866	( 616)
State 1989 gasoline tax	7,372	7,372	8,010	638
State telecommunications	275	275	270	( 5)
State law enforcement	3,600	3,600	3,000	( 600)
State excise tax	1,380	1,380	90	( 1,290)
TVA payment in lieu of taxes	30,481	30,481	31,942	1,461
Fire Fighters Association	27,500	27,500	27,500	0
County fire taxes	<u>158,599</u>	<u>158,599</u>	<u>158,599</u>	<u>0</u>
<b>Total Intergovernmental Revenue</b>	<b><u>653,096</u></b>	<b><u>653,096</u></b>	<b><u>739,875</u></b>	<b><u>86,779</u></b>
<b><u>Police Fines and Other Revenue</u></b>				
Fines and court costs	<u>41,350</u>	<u>41,350</u>	<u>36,242</u>	<u>( 5,108)</u>
<b>Total Revenues</b>	<b><u>\$1,844,185</u></b>	<b><u>\$1,844,185</u></b>	<b><u>\$2,034,672</u></b>	<b><u>\$190,487</u></b>

See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ACTUAL TO BUDGET  
GENERAL FUND  
YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>		<u>Actual</u>	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>CHARGES TO APPROPRIATIONS (Outflows)</b>				
<u>General Government</u>				
Salaries	\$ 3,360	\$ 3,360	\$ 2,111	\$ 1,249
Payroll Taxes	279	279	169	110
Water, gas and electricity	9,120	9,120	7,277	1,843
Telephone	5,400	5,400	5,539	( 139)
Property and liabilities insurance	7,140	7,140	5,453	1,687
Online services	2,675	2,675	3,537	( 862)
Office supplies	9,000	9,000	7,399	1,601
Accounting and auditing	9,900	9,900	9,900	0
Grants and donations	1,500	1,500	1,500	0
Repairs and maintenance	5,325	5,325	7,719	( 2,394)
Engineering	6,500	11,500	17,133	( 5,633)
Advertising	5,000	5,000	4,846	154
Computers and printers	5,500	5,500	1,510	3,990
CIO services	7,500	7,500	1,714	5,786
Cheatham County Library	8,500	8,500	8,500	0
Other	31,430	36,430	27,511	8,919
Software/hardware support	12,338	12,338	12,665	( 327)
Governmental improvements/additions	10,000	10,000	9,607	393
<u>Total General Government</u>	<u>140,467</u>	<u>150,467</u>	<u>134,090</u>	<u>16,377</u>
<u>Administration</u>				
Salaries	123,007	126,934	125,372	1,562
Payroll taxes	9,488	9,765	9,924	( 159)
Health insurance	29,007	27,913	27,860	53
Retirement	8,657	9,038	8,923	115
Insurance	1,197	1,197	964	233
Education and training	1,000	1,000	900	100
Improvements	0	20,000	19,595	405
Other	4,604	4,660	3,808	852
<u>Total Administration</u>	<u>176,960</u>	<u>200,507</u>	<u>197,346</u>	<u>3,161</u>
<u>City Council</u>				
Board salaries	9,600	9,600	9,600	0
Payroll taxes	870	870	734	136
Insurance	266	266	221	45
Other	2,245	2,245	1,385	860
<u>Total City Council</u>	<u>12,981</u>	<u>12,981</u>	<u>11,940</u>	<u>1,041</u>
<u>Judicial and Legal</u>				
Judicial and legal	3,000	3,000	3,000	0
City attorney services	23,000	29,400	29,395	5
Membership	150	150	125	25
<u>Total Judicial and Legal</u>	<u>26,150</u>	<u>32,550</u>	<u>32,520</u>	<u>30</u>
<u>City Clerk</u>				
Salaries	62,880	63,690	68,182	( 4,492)
Payroll taxes	4,880	4,942	4,942	0
Retirement	4,428	4,497	4,471	26
Health insurance	15,174	15,174	15,157	17
Insurance and bonds	414	414	371	43
Other	1,050	1,050	713	337
<u>Total City Clerk</u>	<u>88,826</u>	<u>89,767</u>	<u>93,836</u>	<u>( 4,069)</u>

See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – ACTUAL TO BUDGET**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
<u>Planning and Zoning</u>				
Cheatham County Economic Development	\$ 12,916	\$ 12,916	\$ 10,597	\$ 2,319
Planning office services	11,000	11,000	2,653	8,347
Recording	170	170	17	153
<u>Total Planning and Zoning</u>	<u>24,086</u>	<u>24,086</u>	<u>13,267</u>	<u>10,819</u>
<u>Total General Government</u>	<u>469,470</u>	<u>510,358</u>	<u>482,999</u>	<u>27,359</u>
<u>Codes</u>				
Demolition	5,000	5,000	0	5,000
Books and catalogs	0	0	182	( 182)
Building inspector	27,000	27,000	25,713	1,287
Clean-up costs	3,000	3,000	0	3,000
Insurance	1,562	1,562	1,398	164
Other	800	800	0	800
<u>Total Codes Administration</u>	<u>37,362</u>	<u>37,362</u>	<u>27,293</u>	<u>10,069</u>
<u>Public Safety</u>				
<u>Police</u>				
Salaries	228,530	254,330	252,606	1,724
Payroll taxes	17,044	19,017	17,016	2,001
Health insurance	46,417	56,129	47,466	8,663
Retirement	15,517	17,307	15,852	1,455
Dispatching	1,200	1,200	1,200	0
Insurance	26,537	28,147	19,984	8,163
Repairs and maintenance	13,750	13,750	10,995	2,755
Machinery and equipment	61,050	61,050	5,914	55,136
Clothing and uniforms	2,000	2,000	2,178	( 178)
Fuel	22,500	22,500	17,213	5,287
Online services	4,200	4,200	2,201	1,999
Maintenance contracts	1,200	1,200	460	740
Other	13,500	13,500	7,699	5,801
<u>Total Police</u>	<u>453,445</u>	<u>494,330</u>	<u>400,784</u>	<u>93,546</u>
<u>Fire</u>				
Incentive program	27,500	27,500	27,500	0
Payroll taxes	2,104	2,104	2,104	0
Insurance	18,923	18,923	15,204	3,719
Utilities	15,900	15,900	14,360	1,540
Repairs and maintenance	32,150	32,150	27,895	4,255
Out-of-town expense	4,800	4,800	241	4,559
Education and training	2,500	2,500	1,167	1,333
Machinery and equipment	33,300	33,300	17,828	15,472
Clothing and uniforms	2,500	2,500	280	2,220
Medical	350	350	0	350
Fuel	4,750	4,750	3,486	1,264
Meals and entertainment	2,400	2,400	3,358	( 958)
Dispatching	1,200	1,200	1,200	0
Other	11,804	11,804	5,024	6,780
<u>Total Fire</u>	<u>160,181</u>	<u>160,181</u>	<u>119,647</u>	<u>40,534</u>
<u>Total Public Safety</u>	<u>613,626</u>	<u>654,511</u>	<u>520,431</u>	<u>134,080</u>

See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ACTUAL TO BUDGET  
GENERAL FUND  
YEAR ENDED JUNE 30, 2015**

	Budget			Variance
	Original	Final	Actual	Positive (Negative)
<u>Highways and Streets</u>				
Salaries	\$ 56,711	\$ 24,988	\$ 37,430	\$( 12,442)
Payroll taxes	4,298	1,853	2,835	( 982)
Retirement	3,895	1,672	2,511	( 839)
Health insurance	15,208	6,764	9,484	( 2,720)
Repairs – equipment	29,000	29,000	12,925	16,075
Street additions/improvements	227,000	227,000	195,014	31,986
Insurance	4,935	4,935	4,252	683
Fuel	6,500	6,500	5,192	1,308
Machinery and equipment	1,600	1,600	743	857
Supplies and salt	6,500	6,500	2,767	3,733
Other	7,642	5,702	3,004	2,698
<u>Total Highways and Streets</u>	<u>363,289</u>	<u>316,514</u>	<u>276,157</u>	<u>40,357</u>
<u>State Street Aid</u>				
Street lights	42,000	48,810	48,808	2
<u>Total Street Aid</u>	<u>42,000</u>	<u>48,810</u>	<u>48,808</u>	<u>2</u>
<u>Parks</u>				
Salaries	76,755	76,755	80,805	( 4,050)
Payroll taxes	5,859	5,859	5,909	( 50)
Retirement	4,965	4,965	5,008	( 43)
Health insurance	14,404	14,918	14,918	0
Land rent	2,450	2,450	2,450	0
Insurance	12,226	12,226	10,334	1,892
Repairs	25,000	25,000	11,321	13,679
Mowing	23,000	23,000	17,160	5,840
Supplies	2,000	2,000	1,133	867
Fuel	6,000	6,000	2,725	3,275
Park programming	24,400	24,400	21,419	2,981
Equipment and building	38,500	44,105	44,135	( 30)
Utilities	25,500	25,500	25,289	211
Other	19,800	19,800	12,415	7,385
<u>Total Parks</u>	<u>280,859</u>	<u>286,978</u>	<u>255,021</u>	<u>31,957</u>
<u>Debt Service</u>	<u>445,046</u>	<u>445,046</u>	<u>379,514</u>	<u>65,532</u>
<u>Total Expenditures before Transfers</u>	<u>2,251,652</u>	<u>2,299,579</u>	<u>1,990,223</u>	<u>309,356</u>
<u>Excess (Deficiency) of Revenue</u>				
<u>Over Expenditures</u>	( 407,467)	( 455,394)	44,449	499,843
<u>Other Financing Sources</u>				
Capital outlay note				
Transfer in (out)	10,000	10,000	10,000	0
<u>Change in Fund Balance</u>	<u>( 397,467)</u>	<u>( 445,394)</u>	<u>54,449</u>	<u>499,843</u>
<u>Budgetary Fund Balance—July 1, 2014</u>	<u>1,388,828</u>	<u>1,388,828</u>	<u>1,388,828</u>	<u>0</u>
<u>Budgetary Fund Balance-June 30, 2015</u>	<u>\$ 991,361</u>	<u>\$ 943,434</u>	<u>\$1,443,277</u>	<u>\$499,843</u>

See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ACTUAL TO BUDGET  
FACILITIES TAX  
YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>		Variance Positive (Negative)
	Original/ <u>Final</u>	<u>Actual</u>	
<b>Resources (Inflows)</b>			
Adequate facilities taxes – motel and hotel	\$ 1,000	\$ 5,297	\$4,297
Interest income	<u>100</u>	<u>82</u>	<u>( 18)</u>
<u>Total Resources</u>	<u>1,000</u>	<u>5,379</u>	<u>4,279</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	(10,000)	10,000	
Excess (deficiency) of resources over charges	<u>( 8,900)</u>	<u>( 4,621)</u>	<u>4,279</u>
Budgetary fund balance – July 1, 2014	58,232	58,232	
Budgetary fund balance – June 30, 2015	<u>\$49,332</u>	<u>\$53,611</u>	<u>\$4,279</u>

See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ACTUAL TO BUDGET  
DRUG FUND  
YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>		<u>Actual</u>	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Resources (Inflows)</b>				
Fines and court costs	\$ 1,700	\$ 1,700	\$ 2,214	\$ 514
DICE seizures	75,000	75,000	26,800	(48,198)
Interest	<u>          </u>	<u>306</u>	<u>1,074</u>	<u>768</u>
<u>Total Resources</u>	<u>76,700</u>	<u>77,006</u>	<u>30,088</u>	<u>(46,916)</u>
<b>Charges to Appropriations (Outflows)</b>				
Salaries	37,116	37,208	26,601	10,607
Payroll taxes	2,093	2,904	2,087	817
Health insurance	7,265	7,339	5,504	1,835
Retirement plan	2,506	2,620	1,854	766
Insurance	2,386	2,386	4,329	( 1,943)
Other	3,482	2,697	1,139	1,558
Fuel	7,800	7,800	3,548	4,252
Repairs and maintenance	5,000	5,000	3,952	1,048
Safety equipment	22,900	22,900	11,889	11,011
K-9 expenses	10,000	10,000	2,596	7,404
Transportation equipment	7,500	7,500	0	7,500
On-line services	1,100	1,100	480	620
Out-of-town expenses	3,000	3,000	0	3,000
Uniforms and laundry	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>1,000</u>
<u>Total Charges to Appropriations</u>	<u>113,148</u>	<u>113,454</u>	<u>63,979</u>	<u>49,475</u>
Excess (deficiency) of resources over charges	( 36,448)	( 36,448)	( 33,889)	2,559
Budgetary fund balance – July 1, 2014	356,441	356,441	356,441	0
Budgetary fund balance – June 30, 2015	<u>\$322,552</u>	<u>\$322,552</u>	<u>\$322,552</u>	<u>\$ 2,559</u>

See accompanying notes and auditor's report.

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Kingston Springs, Tennessee (the "Town") was incorporated on December 14, 1965, under the provisions of the State of Tennessee Code Annotated, Sec. 6-18-101. The City operates under a Commissioner-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire services), streets, social services, public improvements, planning and zoning, and general administrative services. Other services include a sewer system.

The accounting policies of the Town conform to accounting principles generally accepted in the United States applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies.

**The Reporting Entity**

The Town, for financial purposes, includes all of the component units and account groups relevant to the operations of the Town of Kingston Springs. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Kingston Springs.

The financial statements of the Town include those of separately administered organizations that are controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

Based on the foregoing criteria in GASB pronouncements, there are no component units to be included in the accompanying financial statements.

**Government-wide and Fund Financial Statements**

The government-wide financial statements, the statement of net assets and statement of changes in net assets, report information on all nonfiduciary activities of the Town of Kingston Springs. Governmental activities, which are usually supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on charges for services and fees.

The statement of activities indicates the degree to which direct expenses of each function or segment are offset by program revenues. Direct expenses are expenses that are identifiable with a specific function. Program revenues are: (a) charges to customers and/or applicants who purchase, use or benefit directly from services, goods, or privileges provided by a given function and (b) grants and contributions that are restricted to the operational or capital requirements of a specific function. Such revenues as taxes and other revenue that may not be included in program revenues are reported as general revenues.

Separate financial statements are presented for governmental funds and proprietary funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

**Basis of Accounting and Basis of Presentation and Measurement Focus**

Government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, including the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of the related cash flow. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue when all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

sixty days of the end of the current fiscal year. Expenditures are recorded when a liability is incurred, as in accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded when payment is due.

Property taxes, franchise taxes, and interest associated with the current fiscal year are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. Other revenue items are considered to be measurable and available only when cash is received and is recognized as revenue at that time.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Town also reports the following as major funds:

The "General Fund" is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The "Facilities Tax Fund" accounts for the payment of capital assets purchased as the budget decides annually.

The "State Street Aid Fund" accounts for the repair, maintenance and related expenditures for roads and streets as permitted by state regulations.

The "Drug Fund" accounts for the expenditures from drug related fines and related revenues.

The Town also reports the following major proprietary fund:

The "Sewer Fund" accounts for the activities of the sewer department, which operates and maintains a sewer collection system for residents and businesses on a user charges basis. The activities necessary to provide these services are accounted for in a manner to create a profit or loss similar to comparable private businesses.

The Town has no internal service or fiduciary funds as of and for the year ended June 30, 2015.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow private-sector guidance.

Interfund activity has been eliminated from the government-wide financial statements, except for charges between the Town's sewer function. Elimination of these charges would distort the direct costs and program revenues reported in those functions.

Amounts reported as program revenues include (a) charges to customers and/or applicants for goods, services and privileges provided, (b) operating grants and contributions and capital grants and contributions.

The proprietary fund distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses result from providing services and/or producing and delivering goods in connection with a proprietary fund's operations. The principal operating revenues of the Town's proprietary sewer funds are charges to customers for services. Operating

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

expenses for the proprietary sewer funds include the cost of sales and/or services, general and administrative expenses and depreciation capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Cash and Cash Equivalents**

Cash and cash equivalents are stated at cost and consist principally of demand deposits, short-term certificates of deposits (original maturities of three months or less) and investments in the Local Government Investment Pool of the State of Tennessee.

The Town's budgetary process accounts for transactions using the modified-accrual basis of accounting, which is consistent with the basis used in the governmental fund statements. The government-wide statements are presented using accounting principles generally accepted in the United States of America.

Statutes authorize the Town to invest in (a) U S Government securities and obligations guaranteed by the U S Government, (b) deposit accounts at state and federal chartered banks and savings and loan associations, (c) the Local Government Investment Pool of the State of Tennessee. During the year, the Town invested funds that were not needed immediately in savings accounts and short-term certificates of deposits. Deposits in financial institutions are required by State statute to be secured and collateralized by the financial institutions. The collateral must meet certain requirements and must have a minimum market value of 105% of the value of the deposits balance less the amount insured by federal depository insurance. Collateral requirements are not applicable for financial institutions who participate in the State of Tennessee's collateral pool.

The State of Tennessee Local Government Investment Pool operates in accordance with appropriate state laws. The reported value of the Pool is the same as the fair value of the Pool shares.

**Receivables**

In management's opinion, based on past experience, no provision for an allowance for uncollectible accounts is required for the year ended June 30, 2015. Receivables are written off when they are considered to be uncollectible.

**Prepaid Expenses**

Certain payments to vendors reflect costs which are applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Inventories**

Inventories of materials and supplies of all funds of the Town were deemed to be immaterial and were not inventoried or reflected in the records. Inventory items are recorded as expenditures when purchased.

**Restricted Assets**

Certain assets, such as the drug special revenue fund, and state street funds are classified as restricted assets because their use is limited by applicable regulations.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure (roads, bridges, sidewalks and similar assets) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial and individual cost of \$5,000 or more and an estimated useful life of two years or more. Assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation.

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

The cost of normal repairs and maintenance that do not add to the value of the asset or substantially extend the life of the asset are not capitalized, but are charged to expense.

Capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. During the year, the business-type activities had no construction that required interest to be capitalized.

Property, plant and equipment is depreciated using the straight-line method over the estimated useful lives, as follows:

Buildings	40	years
Improvements other than buildings	40	years
Utility plant in service	40-50	years
Machinery and equipment and vehicles	5-10	years
Streets infrastructure	60	years

**Long-Term Obligations**

In the government-wide financial statements, proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable government activities, business-type activities or proprietary fund type statement of assets.

Bond issue costs were reported as deferred charges and amortized over the term of the related debt. Issue costs are currently reported as current year costs.

The face amount of debt issued is reported as other financing sources. Debt issuance costs, whether withheld from the actual debt proceeds received or not withheld, are reported as debt service expenditures in the year of issue.

**Fund Balances**

Governmental funds, in the fund financial statements, report reservations of fund balances for amounts that are not available for appropriation and/or legally restricted by outside third-parties for specific purposes.

**Estimates**

Estimates and assumptions are used in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and reported revenue and expenses. Actual results could differ from these reported amounts.

**Change in Accounting Principles**

For the year ended June 30, 2014, the Town implemented GASB Statement No. 63, Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position. The adoption of this Statement resulted in the establishment of categories outside of assets and liabilities that are titled deferred outflows and deferred inflows of resources. The Statement also retitled Net Assets as Net Position.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an increase to net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time. These items are amounts in the government funds that were measurable at year-end but were not available to finance expendables for the current year. This includes unavailable revenues from property taxes.

**NOTE 2 – REVENUE RECOGNITION - PROPERTY TAXES**

The Town’s charter requires property taxes to be levied on October 1 and become due and payable on October 1. Taxes not paid by March 1 of the following year become delinquent and penalty and interest begins to accumulate on that date. Property taxes are recognized as revenue when they become measurable and available. Property taxes collected within sixty days after year end are considered to be measurable and available and are recognized as revenue at year end; taxes not collected within sixty days after year end are reported as deferred revenue.

	Tax <u>Rate</u>	<u>Assessment</u>	<u>Levy</u>	Balance <u>6-30-14</u>	Taxes <u>Levied</u>	<u>Collections</u>	Balance <u>6-30-15</u>
2005	.58	49,736,933	288,464	279			279
2006	.58	64,380,230	502,150	1,452			1,452
2007	.78	65,736,321	512,761	146			146
2008	.78	66,177,268	516,188	1,237		318	919
2009	.78	67,491,324	531,296	1,734		820	914
2010	.80	66,183,604	542,700	2,240		1,175	1,065
2011	.82	66,797,285	562,024	9,131		6,868	2,263
2012	.84	64,446,891	573,615	20,819		17,254	3,565
2013	.89	66,131,565	589,848	43,934		17,274	26,660
2014	.91	66,129,121	601,775	601,775		569,447	32,328
2015	.91	66,500,000	605,150		<u>605,150</u>		<u>605,150</u>
				<u>\$682,747</u>	<u>\$605,150</u>	<u>\$613,156</u>	<u>\$674,741</u>

Delinquent taxes of 2013 and older have been filed with the Cheatham County Clerk and Master.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

The Town’s cash and cash equivalents at June 30, 2015, were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public fund accounts for the Town. The amount of collateral required to secure these public deposits must be equal to at least 105% of the average daily balance of public funds held. Collateral securities required to be pledged by the participating bank to protect their public funds accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be collateralized and insured for purpose of credit risk disclosure.

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

A reconciliation of cash and cash equivalents as shown on the combined statement of position sheet is as follows:

Carrying amount of deposits	\$2,656,428
Cash on hand	<u>500</u>
<u>Total</u>	<u>\$2,656,928</u>
Cash and cash equivalents	\$2,283,441
Cash and cash equivalents – restricted	<u>373,487</u>
<u>Total</u>	<u>\$2,656,928</u>

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 – CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>			
<u>Capital assets not being depreciated</u>			
Land	\$ 226,790	\$	\$ 226,790
<u>Total assets not being depreciated</u>	<u>226,790</u>		<u>226,790</u>
<u>Capital assets being depreciated</u>			
Buildings and improvements	729,282	27,225	756,507
Improvements other than buildings	417,436		417,436
Machinery and equipment	1,922,290	31,172	1,953,462
Infrastructure	<u>9,492,573</u>		<u>9,492,573</u>
<u>Total assets being depreciated</u>	<u>12,561,581</u>	<u>58,397</u>	<u>12,619,978</u>
<u>Less accumulated depreciation for:</u>			
Buildings and improvements	( 216,884)	( 26,853)	( 243,737)
Improvements other than buildings	( 124,972)	( 13,554)	( 138,526)
Machinery and equipment	( 1,695,102)	( 90,392)	( 1,785,494)
Infrastructure	<u>( 2,801,569)</u>	<u>(166,982)</u>	<u>( 2,968,551)</u>
<u>Total accumulated depreciation</u>	<u>( 4,838,527)</u>	<u>(297,781)</u>	<u>( 5,136,308)</u>
 Governmental activities capital assets, net	 <u>\$ 7,949,844</u>	 <u>\$(239,384)</u>	 <u>\$ 7,710,460</u>
 Depreciation expense was charged to function/ programs as of June 30, 2015, as follows:			
Governmental activities:			
General government		\$ 11,018	
Public safety		90,228	
Roads and streets		163,779	
Parks and recreation		<u>32,756</u>	
<u>Total depreciation expense-governmental activities</u>		<u>\$ 297,781</u>	
 <b>Business-type Activities</b>			
<u>Capital assets not being depreciated</u>			
Land	\$ 48,432	\$	\$ 48,432
<u>Capital assets being depreciated</u>			
Utility plant in service	4,065,137		4,065,137
Machinery and equipment	<u>114,319</u>		<u>114,319</u>
<u>Total assets being depreciated</u>	<u>4,179,456</u>		<u>4,179,456</u>
<u>Less accumulated depreciation for:</u>			
Utility plant	( 2,185,629)	( 98,184)	( 2,283,813)
Machinery and equipment	<u>( 109,525)</u>	<u>( 4,794)</u>	<u>( 114,319)</u>
<u>Total accumulated depreciation</u>	<u>( 2,295,154)</u>	<u>(102,978)</u>	<u>( 2,398,132)</u>
 Business-type activities capital assets, net	 <u>\$ 1,932,734</u>	 <u>\$(102,978)</u>	 <u>\$ 1,829,756</u>

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 5 – LONG-TERM LIABILITIES**

Changes in Long-Term Liabilities

The changes in long-term liabilities, during the year ended June 30, 2015 were as follows:

<u>Fund</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
GENERAL	\$2,700,000 Tennessee Municipal Bond Loan due in annual installments through May 25, 2017, with interest at variable rates	\$226,000	\$11,483	\$237,483
	\$1,310,000 Tennessee Municipal Bond Fund due in varying annual installments through May 25, 2020 with interest at variable rates.	98,000	10,684	108,684
	\$325,000 Tennessee Municipal Bond Loan due in annual installments through March 1, 2024, with interest at 3.35% per annum	24,000	9,347	33,347
	Total	<u>\$348,000</u>	<u>\$31,514</u>	<u>\$379,514</u>
SEWER	\$259,984 Refunding Capital Outlay Note – Series 2014 – dated March 24, 2014 – due in annual installments through August 1, 2019 with interest at 2.68% per annum	<u>\$ 42,984</u>	<u>\$ 6,968</u>	<u>\$ 49,952</u>

Future maturities of long-term liabilities:

GENERAL FUND

	<u>\$2,700,000 Bond Loan</u>			<u>\$1,310,000 Bond Loan</u>			<u>\$325,000 Bond Loan</u>	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
FY 2016	\$238,000	\$24,400	FY 2016	\$102,000	\$22,080	FY 2016	\$ 25,000	\$ 8,543
FY 2017	<u>250,000</u>	<u>12,500</u>	FY 2017	106,000	18,000	FY 2017	26,000	7,705
	<u>\$488,000</u>	<u>\$36,900</u>	FY 2018	110,000	13,760	FY 2018	27,000	6,835
			FY 2019	115,000	9,360	FY 2019	27,000	5,929
			FY 2020	<u>119,000</u>	<u>4,760</u>	FY 2020	28,000	5,025
				<u>\$552,000</u>	<u>\$67,960</u>	FY 2021	29,000	4,087
						FY 2022	30,000	3,115
						FY 2023	31,000	2,110
						FY 2024	<u>32,000</u>	<u>1,072</u>
							<u>\$255,000</u>	<u>\$44,421</u>

SEWER FUND

\$259,984 refunding Capital Outlay Loan

	<u>Principal</u>	<u>Interest</u>
FY 2016	\$ 45,000	\$ 5,816
FY 2017	47,000	4,610
FY 2018	50,000	3,350
FY 2019	52,000	2,010
FY 2020	<u>23,000</u>	<u>616</u>
	<u>\$217,000</u>	<u>\$16,402</u>

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 6 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town maintains insurance coverage through the Tennessee Municipal League Risk Management Pool, covering each of those risk of loss. The TML Pool is a cooperative risk sharing arrangement between local government agencies that works in many ways like a traditional insurer. The Town pays a premium, receives coverage, and can make claims against the coverage. The Town meets the TML's guidelines and complies with its rules and regulations, including loss control requirements as well as its underwriting standards. Rates of the TML Pool are actuarially projected to provide adequate funding to cover loss reserves and expenses, as well as building contingency reserves. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three years.

**NOTE 7 – FUND BALANCE**

In accordance with GASB 54, the governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories of fund balance are as follow:

*Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action, either ordinance or resolutions, of the Board of Mayor and Commissioners level of decision-making authority, are reported as committed fund balance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – Amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance. The Board of Major and Commissioners have authorized the City Manager to assign fund balance up to certain amounts.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, if expenditures incurred for specific purposes have exceeded the amounts restricted, committed, or assigned to those purposes, those amounts are reported as a negative unassigned fund balance.

The Town's practice is to expend any available restricted, committed or assigned resources, in that order, prior to expending unassigned resources.

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8 – LITIGATION**

The Town, from time to time, is involved in various lawsuits arising in the ordinary course of its business. The Town maintains insurance coverage to minimize the risk of loss from threatened or pending litigation. It is management's opinion that any pending or threatened litigation will have no significant effect on the Town's results of operations.

The Town's management and their attorneys are not aware of any pending or threatened actions that would have a material adverse effect on the Town's accompanying financial statements.

**NOTE 9 – UTILITY RATES AND METERED CUSTOMERS**

Utility rates and metered customers at June 30, 2015 were:

Current Sewer Rates

Base Rate	
First 1,400 gallons	\$25.50
Over 1,401 gallons – per thousand gallons	8.25

Number of Metered Customers

Residential and commercial at June 30, 2015	752
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**NOTE 10 – GENERAL INFORMATION ABOUT THE PENSION PLAN**

**Plan description**

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

**Benefits provided**

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

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

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Employees covered by benefit terms**

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

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>13</u>
	<u>25</u>

**Contributions**

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Kingston Springs makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Kingston Springs were \$41,335 based on a rate of 7.25 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Kingston Springs' state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

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

**Actuarial assumptions**

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

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

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

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

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

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

**Discount rate**

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

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Changes in the Net Pension Liability (Asset)**

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balance at 6/30/13</b>	<u>\$1,070,671</u>	<u>\$ 998,250</u>	<u>\$ 72,421</u>
<b>Changes for the year:</b>			
Service cost	55,079		55,079
Interest	84,275		84,275
Differences between expected and actual experience	( 168,585)		(168,585)
Contributions - employer		42,693	( 42,693)
Contributions - employees		29,443	( 29,443)
Net investment income		170,607	(170,607)
Benefit payments, including refunds of employee contributions	( 4,157)	( 4,157)	
Administrative expense	<u>                    </u>	<u>( 571)</u>	<u>571</u>
Net changes	<u>( 33,388)</u>	<u>238,015</u>	<u>(271,403)</u>
 Balance at 6/30/14	 <u>\$1,037,283</u>	 <u>\$1,236,265</u>	 <u>\$(198,982)</u>

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

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

	Liability 1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Kingston Springs' net pension liability (asset)	\$(33,696)	\$(198,982)	\$(334,688)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension income**

For the year ended June 30, 2015, Kingston Springs recognized pension income of \$4,289.

**Deferred outflows of resources and deferred inflows of resources**

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

**TOWN OF KINGSTON SPRINGS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$	\$149,853
Net difference between projected and actual earnings on pension plan investments		74,568
Contributions subsequent to the measurement date of June 30, 2014	<u>41,335</u>	<u>(not applicable)</u>
<u>Total</u>	<u>\$41,335</u>	<u>\$224,421</u>

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

Year Ended June 30:	
2016	\$(37,374)
2017	(37,374)
2018	(37,374)
2019	(37,374)
2020	(18,732)
Thereafter	(56,196)

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

**Payable to the Pension Plan**

At June 30, 2015, Kingston Springs reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015. Payment due was made before June 30, 2015.

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Schedules of Required Supplementary Information**

**Schedule of Changes in Kingston Springs' Net Pension Liability (Asset) and  
Related Ratios Based on Participation in the  
Public Employee Pension Plan of TCRS  
Last Fiscal Year ending June 30**

	<u>2014</u>
<u>Total pension liability</u>	
Service cost	\$ 55,079
Interest	84,275
Changes in benefit terms	0
Differences between actual & expected experience	( 168,585)
Change of assumptions	0
Benefit payments, including refunds of employee contributions	<u>( 4,157)</u>
Net change in total pension liability	( 33,388)
Total pension liability-beginning	<u>1,070,671</u>
Total pension liability-ending (a)	<u><u>\$1,037,283</u></u>
 <u>Plan fiduciary net position</u>	
Contributions-employer	\$ 42,693
Contributions-employee	29,443
Net investment income	170,607
Benefit payments, including refunds of employee contributions	( 4,157)
Administrative expense	<u>( 571)</u>
Net change in plan fiduciary net position	238,015
Plan fiduciary net position-beginning	<u>998,250</u>
Plan fiduciary net position-ending (b)	<u><u>\$1,236,265</u></u>
 Net Pension Liability (asset)-ending (a) - (b)	 <u><u>\$ ( 198,982)</u></u>
 Plan fiduciary net position as a percentage of total pension liability	 119.18%
 Covered-employee payroll	 \$ 588,864
 Net pension liability (asset) as a percentage of covered-employee payroll	 33.79%

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

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Schedule of Kingston Springs' Contributions  
Based on Participation in the Public Employee Pension Plan of TCRS  
Last Fiscal Year ending June 30**

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 42,693	\$ 41,335
Contributions in relation to the actuarially determined contribution	<u>42,693</u>	<u>41,335</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$588,864	\$570,212
Contributions as a percentage covered- employee payroll	7.25%	<u>7.25%</u>

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

**Notes to Schedule**

**Valuation date**

Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

**Methods and assumptions used to determine contribution rates**

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

**NOTE 11 – RESTATEMENT – PENSION REPORTING**

The Town implemented GASB Statement 68 relating to the accounting and financial reporting for pension plans, and as a result, the government-wide financial statements have been restated.

**PARSONS AND ASSOCIATES**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

December 10, 2015

Board of Mayor and Aldermen  
Town of Kingston Springs, Tennessee  
Kingston Springs, Tennessee

We have audited the financial statements of the government activities and each major fund, and business-type activities of Town of Kingston Springs, Tennessee as of and for the year ended June 30, 2015, and have issued our report thereon dated December 10, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Town of Kingston Springs, Tennessee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Kingston Springs, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Kingston Springs, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weakness. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies (Finding No. 2005.1).

### **Compliance and Other Matters**

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

### **Town of Kingston Springs, Tennessee's Response to Findings**

Town of Kingston Springs, Tennessee's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Town of Kingston Springs, Tennessee's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Mayor and Aldermen, others within the Town, and Tennessee Comptroller of the Treasury, and is not intended to be and should not be used by anyone other than those specified parties.

### **Purpose of this Report**

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

*Parsons and Associates*

Parsons and Associates

**TOWN OF KINGSTON SPRINGS, TENNESSEE  
FINDINGS AND DISPOSITION  
YEAR ENDED JUNE 30, 2015**

**FINDING No. 2005.1:** Is a disclosed but uncorrected finding from prior years. The Town of Kingston Springs, Tennessee's lack of personnel does not allow the segregation of procedures for desired internal control purposes. Therefore, the cross-checking or review of transactions cannot be done to detect errors in transactions in a timely manner.

**RECOMMENDATION:** We recommend that procedures be reviewed periodically to ascertain whether the then-existing procedures could be changed to improve the internal controls.

**RESPONSE:** The management of the Town of Kingston Springs, Tennessee is aware that the lack of personnel creates a lack of desired internal control. However, the cost of paying additional personnel would be prohibitive at this time and the benefits derived from such additional costs could not be justified.