

City of Kingsport, Tennessee

*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2003*

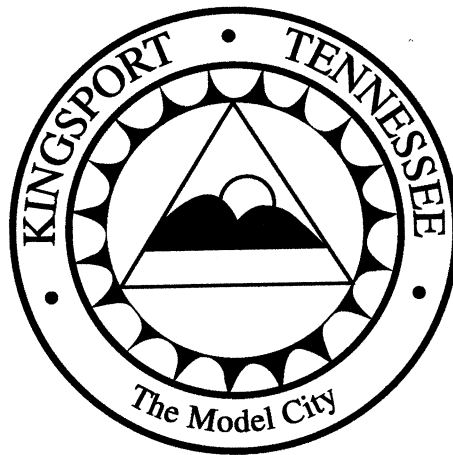


Hot Air Balloon Race
Kingsport's Annual Fun Fest Celebration

Photo courtesy of the
Kingsport Times News

City of Kingsport, Tennessee
Comprehensive Annual Financial Report

June 30, 2003



Prepared By
The Finance Department
James H. Demming, City Recorder

CITY OF KINGSPORT, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2003

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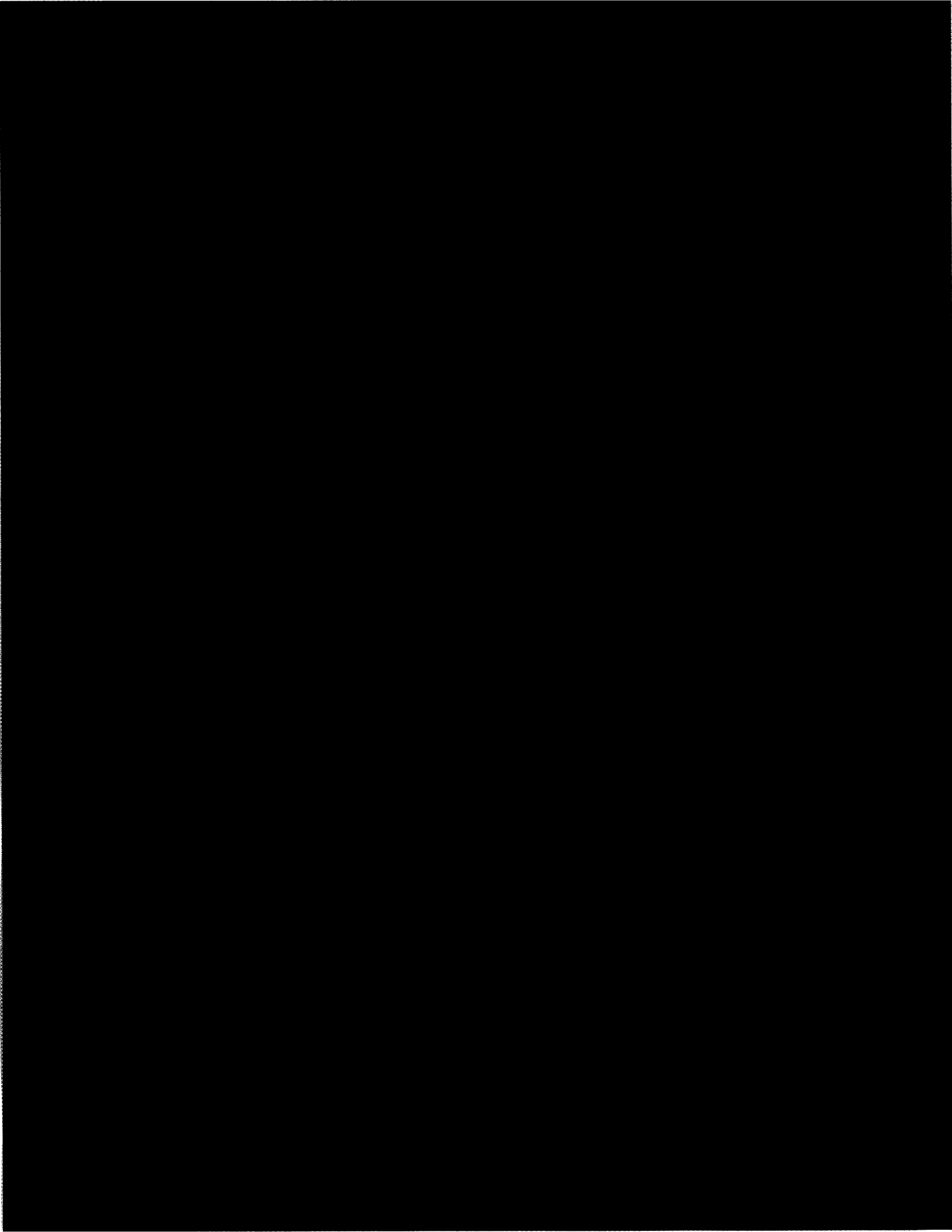
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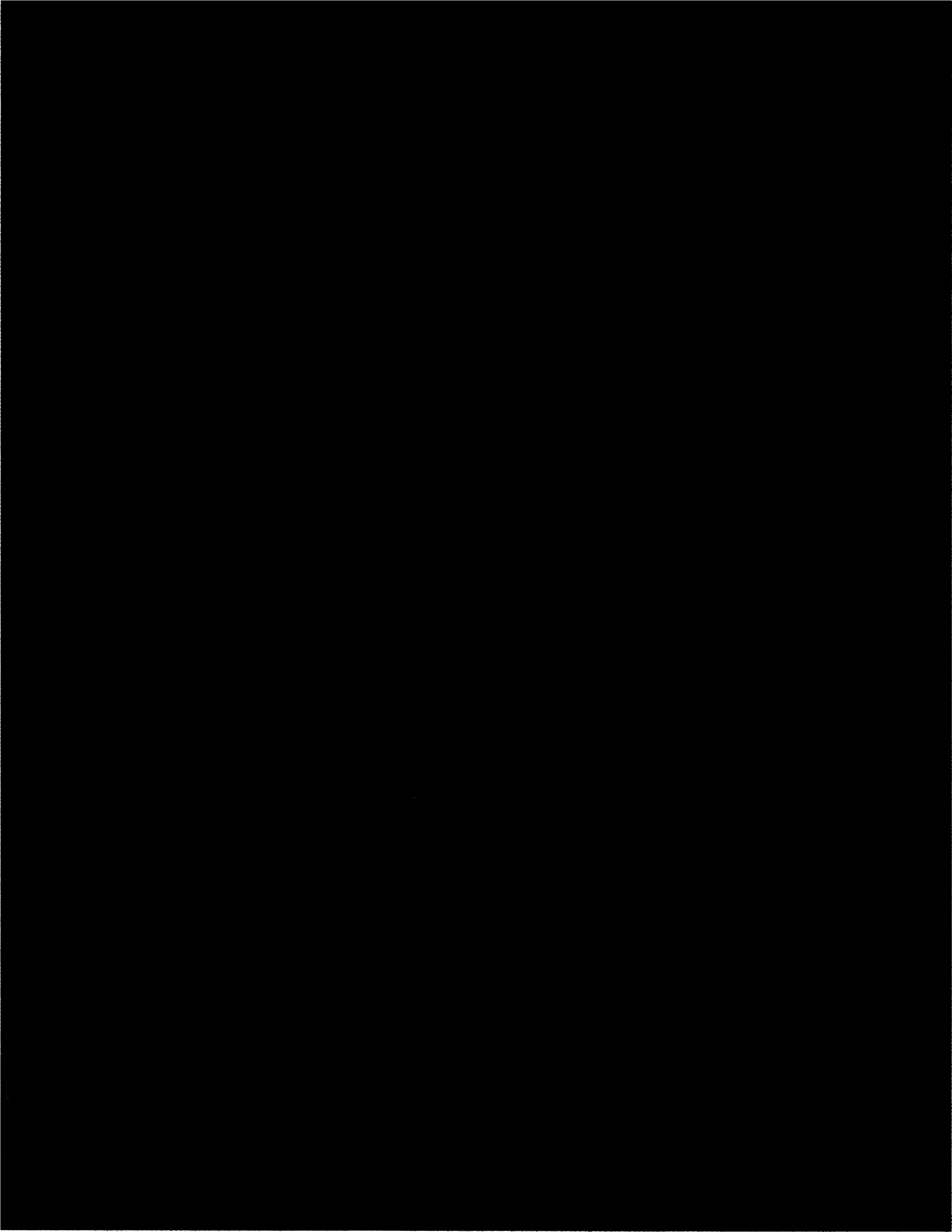
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CITY OF KINGSPORT, TENNESSEE

December 15, 2003

To the Honorable Mayor, Members of the Board of Mayor and Aldermen, and Citizens of the City of Kingsport, Tennessee:

State law requires that all general-purpose local governments publish within twelve months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Kingsport for the fiscal year ended June 30, 2003.

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

The City of Kingsport's financial statements have been audited by Blackburn, Childers & Steagall, PLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Kingsport for the fiscal year ended June 30, 2003 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Kingsport's financial statements for the fiscal year ended June 30, 2003 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Kingsport was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the compliance report section of this CAFR.

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

Profile of the Government

The City of Kingsport was incorporated in 1917 and operates under a council-manager form of government. It is located in the northeast part of the state. The City currently occupies a land area of approximately 44 square miles and serves a population of 44,362. The City is authorized by state statutes to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Board of Mayor and Aldermen.

The City of Kingsport has operated under the council-manager form of government since 1917. Policy-making and legislative authority are vested in the Board of Mayor and Aldermen (BMA) consisting of the mayor and six other members. The BMA is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees, and hiring the City manager. The City's manager is responsible for carrying out the policies and ordinances of the BMA, for overseeing the day-to-day operations of the City and for appointing the heads of various departments. The BMA is elected on a non-partisan basis. Board members serve four-year staggered terms, with an election every two years. The mayor is elected to serve a two-year term.

The City of Kingsport provides a full range of services, including police, fire and rescue, street construction and maintenance, planning and zoning, parks and recreation, cultural events and general administrative services. In addition, water and sewer service, solid waste collection, convention center and golf course are provided under an Enterprise Fund concept with user charges established by the BMA to ensure adequate coverage of operating expenses and payments on outstanding debt. Vehicle maintenance and replacement and self-insurance activities are provided through Internal Service Funds. The City of Kingsport provides water and sewer service outside the city limits.

The annual budget serves as the foundation for the City of Kingsport's financial planning and control. All departments of the City of Kingsport are required to submit requests for appropriation to the City Manager. The City manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the BMA for review by May 15th. The BMA is required to hold two public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Kingsport's fiscal year. The appropriation budget is prepared by fund, function and department. The City manager may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the BMA. Budget-to-actual comparisons are provided in this report. The general fund comparison is presented on pages 27 through 29 as part of the basic financial statements for the City's funds.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Kingsport operates.

Local economy. The City of Kingsport encompasses approximately 44 square miles and has an estimated 2003 population of 44,362. It is located in northeast Tennessee and is part of a metropolitan area known as the Tri-Cities, which includes the Cities of Kingsport, Johnson City and Bristol.

Kingsport's economic strength is based on its role as a regional center for commercial and health care services in eastern Tennessee, as well as its significant industrial base. The City's service area includes southwest Virginia, southeast Kentucky as well as the Tri-Cities area. It is home to Eastman Chemical Company, the State's largest industrial employer. Eastman, AFG Industries and Flour Cities have their world corporate offices in Kingsport. The City has experienced steady overall tax base and population growth resulting from a combination of annexation and commercial development.

The economic base of the City consists of a balance between large manufacturing industries, support industries, service-oriented business and retail. Economic development activities are supported by the City through annual contributions to the Chamber of Commerce's economic development programs, funding for the Kingsport Economic Development Board (KEDB) of the City of Kingsport and the construction of appropriate water, sewer, roadway and drainage infrastructure to developable commercial and industrial properties within the City. The KEDB was organized to acquire and facilitate development of property for the purpose of maintaining and increasing employment opportunities by inducing industrial and commercial businesses to locate to or remain in the City. Through the acquisition of developable properties by the KEDB and the development of these sites, the City is well positioned for future growth.

The City and the private sector via the Chamber of Commerce forged a new economic development partnership in 2000 resulting in a renewed and invigorated effort to diversify the economic base and to position the community to take advantage of the changing economy. Significant increases in public allocations to economic development have resulted in the creation of a full-time office of economic development and the creation of various economic development initiatives.

Weyerhaeuser completed a \$475,000,000 construction project that modernized their plant located in Kingsport. Although there will be no significant impact on employment figures, this investment solidifies their commitment to the Kingsport area.

Cash management policies and practices. The City's investment policy is to minimize market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by Federal Depository Insurance or collateralized. All collateral, on deposit, was held by the financial institution's investment department. The majority of investments held by the government during the fiscal year ended June 30, 2003 are classified in the category of lowest risk as defined by Governmental Accounting Standards Board.

Long-term financial planning. The BMA has adopted multi-year capital improvement and rate stabilization plans for the City's water and sewer utility operations. The plans include annual rate increases to gradually provide funding for capital projects and to reduce the City's reliance on debt. As the outstanding utility debt matures, the savings realized from the declining annual debt service expenditures will be recaptured and utilized for capital needs.

Risk management. The Risk Management Program includes all lines of loss exposure. These exposure areas include: Workers' Compensation, Property Damage, General Liability, Errors and Omission; Crime; Boiler and Machinery; and Accidental Death and Dismemberments. Specific

and aggregate reinsurance is maintained to cover those losses in excess of City Self Insurance reserves. Please see Note 5.A to the financial statements for more information.

Pension and other post employment benefits. The City of Kingsport provides pension benefits for all of its employees through two state-wide plans managed by the Tennessee Consolidated Retirement system. The City of Kingsport also provides post retirement health care benefits for certain retirees and their dependents. Additional information on the City's pension arrangements and post employment benefits can be found in the financial statements.

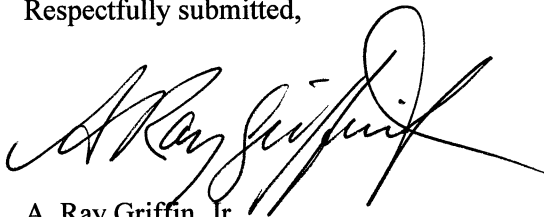
Awards. The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsport for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2002. This was the third consecutive year that the City of Kingsport has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine it's eligibility for another certificate.

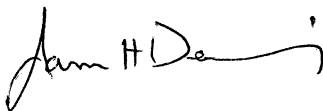
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2002. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgment. The preparation of the CAFR could not have been accomplished without the efforts and dedication of the staff of the Department of Finance. We would like to express our appreciation to the Finance staff and other personnel from various departments, agencies, and authorities that assisted in its preparation. Also, we would like to thank the Board of Mayor and Aldermen for their guidance and support.

Respectfully submitted,



A. Ray Griffin, Jr.
City Manager



James H. Demming
City Recorder/CFO

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kingsport,
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

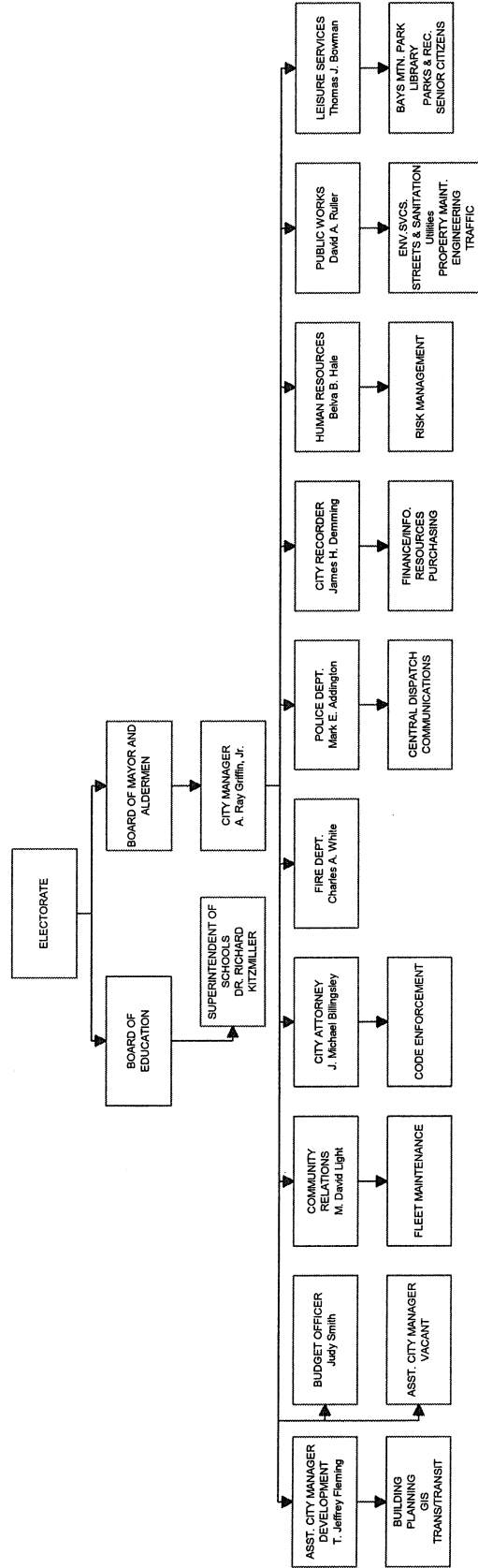
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF KINGSPORT



CITY OF KINGSPORT, TENNESSEE
HISTORY AND ORGANIZATION

The City of Kingsport was incorporated in 1917 and has been operated under the Council-Manager form of government since that time. The Board of Mayor and Aldermen was expanded from five to seven members through a Charter amendment effective May 15, 1973. On the third Tuesday in May of each odd numbered year three members are elected by the qualified voters of the City for a four-year term and the mayor is elected for a two-year term beginning at the first regular meeting of the Board in July following the election. The Board appoints a City Manager who is responsible for the administration of the City according to the Charter and Ordinances in effect. The City Manager appoints various department heads, officials and employees to operate the City except for the Education Department. The Board of Education, consisting of five members with two or three elected by the qualified voters of the City each odd number year, is responsible for the hiring of a Director of Schools and other personnel, formulating policies and operating the school system within the framework of State statutes and the City Charter and Code.

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

CITY OF KINGSPORT, TENNESSEE
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2003

BOARD OF MAYOR AND ALDERMEN

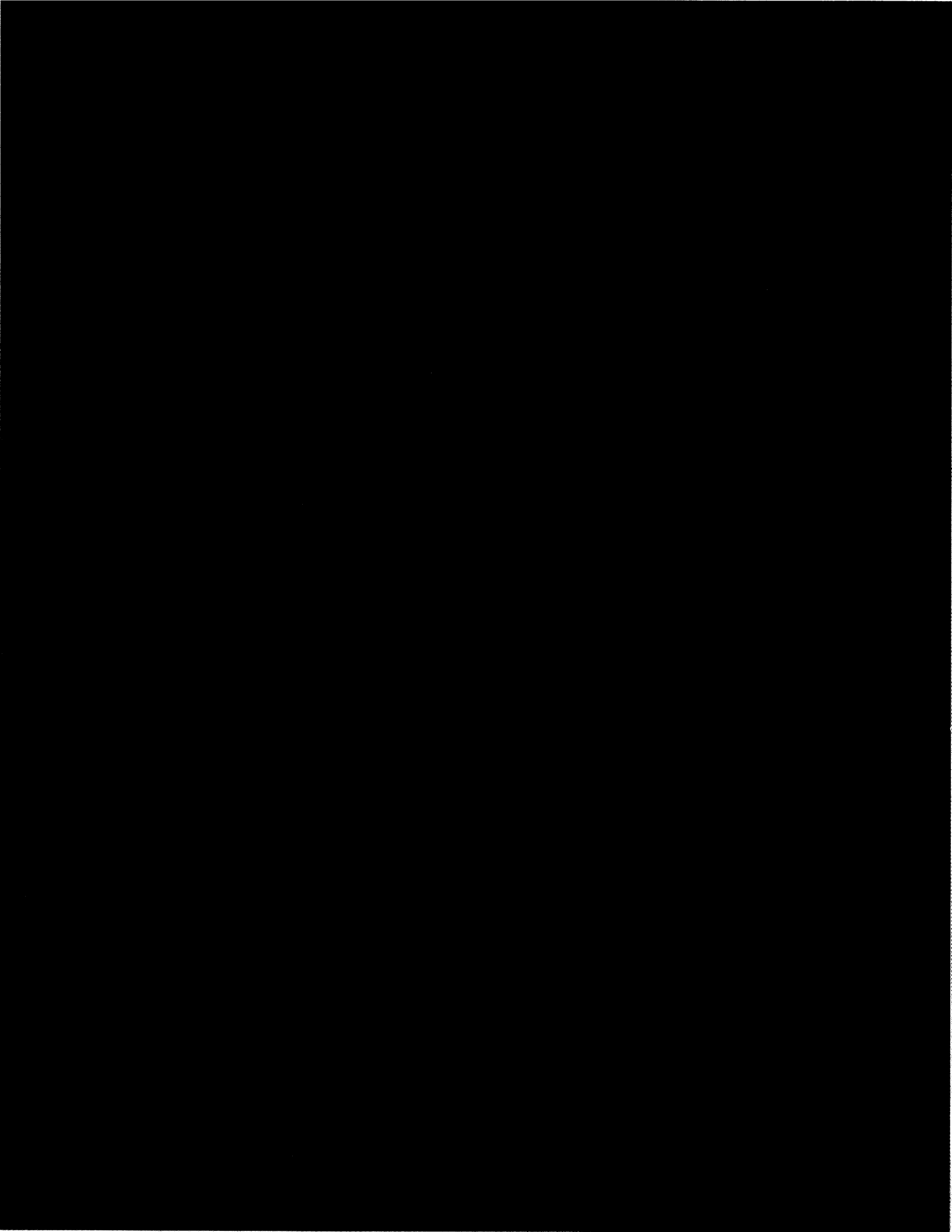
| | |
|---------------------|------------|
| Jeanette D. Blazier | Mayor |
| Larry Munsey | Vice Mayor |
| David Clark | Alderman |
| Roy L. Harmon | Alderman |
| C. Ken Marsh, Jr. | Alderman |
| Gary Mayes | Alderman |
| Mike O'Neill | Alderman |

CHARTER OFFICERS

| | |
|------------------------|---------------------------------------|
| A. Ray Griffin, Jr. | City Manager |
| James H. Demming | City Recorder/Chief Financial Officer |
| Keith E. Smith | City Treasurer |
| J. Michael Billingsley | City Attorney |
| Mark E. Addington | Police Chief |
| J. Robert Boatright | City Judge |
| Dr. Richard Kitzmiller | Superintendent of Schools |

DEPARTMENT HEADS

| | |
|--------------------|--|
| Thomas J. Bowman | Leisure Services Director |
| Charles A. White | Fire Chief |
| David Ruller | Public Works Director |
| T. Jeffrey Fleming | Assistant City Manager for Development |
| Belva Hale | Human Resources Director |
| Judy A. Smith | Budget Director |



CITY OF KINGSPORT, TENNESSEE

BASIC FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION WITH

INDEPENDENT AUDITORS' REPORT

For the Year Ended June 30, 2003

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

American Institute of Certified Public Accountants
Polaris International

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Kingsport
Kingsport, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kingsport, Tennessee (the "City") and the Industrial Development Board, a discretely presented component unit, as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the basic financial statements of the Emergency Communications District, a discretely presented component unit, as of and for the year ended June 30, 2003. Those basic financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the City's financial statements, insofar as it relates to the amounts included for the Emergency Communications District, is based on the report of the other auditors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund, the general purpose school fund and the debt service fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated November 26, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 11 through 20 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements, supplemental information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and are not a required part of the basic financial statements. The combining and individual fund financial statements, schedules of capital assets used in the operation of governmental funds, schedule of operating costs for enterprise funds and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Blackburn, Childers and Steagall, PLLC
BLACKBURN, CHILDERS & STEAGALL, PLC

November 26, 2003

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CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

As management of the City of Kingsport (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 4 of this report. Please note that certain restatement of prior year comparative information has occurred. This restatement resulted from revenue and expense reclassifications and the prior period adjustments discussed in the footnotes of these financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$390,081 (net assets). Of this amount, \$43,405 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$8,302.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$36,321, an increase of \$2,793 in comparison with the prior year. Approximately 75% of this total amount, \$27,341, is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$14,920, or 29% of total general fund expenditures including transfers out.
- The City's total gross debt decreased by \$1,188 (1%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements 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

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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 (e.g., uncollected taxes or earned but unused vacation leave, etc.).

CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

Both of the government-wide financial statements distinguish functions of the City 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 City include general government, public safety, public works, highway transportation planning, economic and physical development, culture and recreation and education. The business-type activities of the City include water, sewer, solid waste, conference center and golf course. The government-wide financial statements can be found on pages 21 and 22 of this report.

Fund financial statements

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

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the citywide 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 City'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 City maintains twenty-three (23) individual government funds. Nineteen (19) of these governmental funds are classified as nonmajor and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the general purpose school fund, the capital project fund, the debt service fund and nonmajor governmental funds, all of which are combined into a single, aggregated presentation. Individual fund data for nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 23-32 of this report.

The City adopts an annual appropriation budget for its general and other major special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

Proprietary funds

The City maintains eight (8) different types of proprietary funds, including enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, solid waste, convention center and golf course activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for vehicle maintenance and replacement and self-insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental 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 water, sewer, solid waste, convention center and golf course activities, which are considered to be major funds of the City. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 33-37 of this report.

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. The notes to the financial statements can be found on pages 38-95 of this report.

Other information

The combining statements referred to earlier in connection with nonmajor governmental funds, budget comparison schedules for funds with legal budgets other than the general fund and other major special revenue funds, and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 96-120 of this report.

Governmental-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceed liabilities by \$390,081 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (87%) reflects its investment in capital assets (e.g. land, buildings, equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's 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.

CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2003

(amounts expressed in thousands)

City of Kingsport's Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Current and other assets | \$ 96,294 | \$ 90,244 | \$ 21,641 | \$ 23,712 | \$ 117,935 | \$ 113,956 |
| Capital assets | <u>287,583</u> | <u>291,504</u> | <u>164,609</u> | <u>157,814</u> | <u>452,192</u> | <u>449,318</u> |
| Total assets | <u>383,877</u> | <u>381,748</u> | <u>186,250</u> | <u>181,526</u> | <u>570,127</u> | <u>563,274</u> |
| Long-term liabilities outstanding | 52,735 | 55,320 | 74,402 | 72,975 | 127,137 | 128,295 |
| Other liabilities | <u>49,321</u> | <u>45,598</u> | <u>3,588</u> | <u>5,932</u> | <u>52,909</u> | <u>51,530</u> |
| Total liabilities | <u>102,056</u> | <u>100,918</u> | <u>77,990</u> | <u>78,907</u> | <u>180,046</u> | <u>179,825</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 235,345 | 234,544 | 103,253 | 98,946 | 338,598 | 333,490 |
| Restricted | 7,010 | 8,981 | 1,068 | 1,046 | 8,078 | 10,027 |
| Unrestricted | <u>39,466</u> | <u>37,305</u> | <u>3,939</u> | <u>2,627</u> | <u>43,405</u> | <u>39,932</u> |
| Total net assets | <u>\$281,821</u> | <u>\$280,830</u> | <u>\$108,260</u> | <u>\$102,619</u> | <u>\$390,081</u> | <u>\$383,449</u> |

A portion of the City's net assets \$8,078 (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$43,405 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets.

The government's net assets increased by \$8,302 during the current fiscal year. About 30% of this increase (\$2,462) was from the governmental activities while the remaining 70% of the increase (\$5,840) was from the business-type activities. The primary reason for this increase is due to the increase in ongoing revenues exceeding similar increases in ongoing expenses.

CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

The following is a summary of financed activities for the City during the fiscal year ended June 30, 2003:

City of Kingsport's Change in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 4,089 | \$ 5,149 | \$ 22,741 | \$ 22,269 | \$ 26,830 | \$ 27,418 |
| Operating Grants & Contributions | 24,420 | 22,876 | - | - | 24,420 | 22,876 |
| Capital Grants & Contributions | 1,629 | 821 | - | 200 | 1,629 | 1,021 |
| General Revenues: | | | | | | |
| Property Taxes | 36,399 | 35,254 | - | - | 36,399 | 35,254 |
| Sales Taxes | 24,133 | 23,874 | - | - | 24,133 | 23,874 |
| Other Taxes & Intergovernmental | 4,013 | 4,115 | - | - | 4,013 | 4,115 |
| Unrestricted Investment Earnings | 673 | 1,118 | 295 | 442 | 968 | 1,560 |
| Grants and Contributions Not Restricted to Specific Programs | 565 | 986 | - | - | 565 | 986 |
| Other | 937 | 641 | 6 | (5) | 943 | 636 |
| Total Revenues | <u>\$ 96,858</u> | <u>\$ 94,834</u> | <u>\$ 23,042</u> | <u>\$ 22,906</u> | <u>\$119,900</u> | <u>\$117,740</u> |
| Expenses: | | | | | | |
| General Government | \$ 5,295 | \$ 5,530 | \$ - | \$ - | \$ 5,295 | \$ 5,530 |
| Public Safety | 13,395 | 12,631 | - | - | 13,395 | 12,631 |
| Public Works | 9,225 | 9,279 | - | - | 9,225 | 9,279 |
| Highway Transportation Planning | 2,366 | 2,034 | - | - | 2,366 | 2,034 |
| Economic and Physical Development | 3,066 | 3,128 | - | - | 3,066 | 3,128 |
| Culture and Recreation | 4,469 | 4,096 | - | - | 4,469 | 4,096 |
| Education | 50,950 | 47,840 | - | - | 50,950 | 47,840 |
| Interest on Long-term Debt | 2,329 | 2,713 | - | - | 2,329 | 2,713 |
| Other | 314 | 234 | - | - | 314 | 234 |
| Water | - | - | 7,503 | 8,216 | 7,503 | 8,216 |
| Sewer | - | - | 6,824 | 8,015 | 6,824 | 8,015 |
| Solid Waste Management | - | - | 2,915 | 2,794 | 2,915 | 2,794 |
| Conference Center | - | - | 1,701 | 2,117 | 1,701 | 2,117 |
| Golf Course | - | - | 1,246 | 1,351 | 1,246 | 1,351 |
| Total Expenses | <u>91,409</u> | <u>87,485</u> | <u>20,189</u> | <u>22,493</u> | <u>111,598</u> | <u>109,978</u> |

CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Increase in net assets before transfers | <u>5,449</u> | <u>7,349</u> | <u>2,853</u> | <u>413</u> | <u>8,302</u> | <u>7,762</u> |
| Transfers | <u>(2,987)</u> | <u>(5,067)</u> | <u>2,987</u> | <u>5,067</u> | <u>-</u> | <u>-</u> |
| Change in net assets | <u>2,462</u> | <u>2,282</u> | <u>5,840</u> | <u>5,480</u> | <u>8,302</u> | <u>7,762</u> |
| Net assets, beginning of period | 280,830 | 278,548 | 102,619 | 97,139 | 383,449 | 375,687 |
| Prior period adjustment | <u>(1,471)</u> | <u>-</u> | <u>(199)</u> | <u>-</u> | <u>(1,670)</u> | <u>-</u> |
| Net assets, beginning of period (restated) | <u>279,359</u> | <u>278,548</u> | <u>102,420</u> | <u>97,139</u> | <u>381,779</u> | <u>375,687</u> |
| Net assets, end of period | <u>\$281,821</u> | <u>\$280,830</u> | <u>\$108,260</u> | <u>\$102,619</u> | <u>\$390,081</u> | <u>\$383,449</u> |

Governmental activities

Governmental activities increased the City's net assets by \$2,462, thereby accounting for 30% of the total growth in the net assets of the City. This increase is primarily due to favorable operating results for the fiscal year. Additional information related to this increase can be found in Note 2 on page 48-50 of this report.

Business-type activities

Business-type activities increased the City's net assets by \$5,840, accounting for 70 percent of the total growth in the City's net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by \$472 over the previous fiscal year while the operating expenses, excluding depreciation, decreased by approximately \$700.
- The City budgeted and achieved an overall increase in net income to provide funds for capital expansion and debt repayments as indicated in the Statement of Cash Flows located on pages 36 and 37 of this report.

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Kingsport's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Kingsport's governmental funds reported combined ending fund balances of \$36,321, an increase of \$2,793 in comparison with the prior year. Approximately 75% of this total amount, \$27,341, constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for spending because it has already been committed to: 1) advances to golf course (\$3,078), 2) liquidate contracts and purchase orders of the prior period (\$5,392) and for a 3) variety of other restricted purposes (\$510).

CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$14,920 while total fund balance reached \$18,298. As a matter of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out.

Unreserved fund balance represents 29% of total general fund expenditures and transfers out, while total fund balance represents 36% of that same amount. The fund balance of the City's General Fund increased by only \$761 as a result of the current fiscal year operations.

The general-purpose school fund has a total fund balance of \$3,289, of which most is unreserved. The net increase in fund balance during the current year in the general-purpose school fund was \$602.

The capital project fund has a total fund balance of \$10,732, of which \$4,056 is encumbered at year-end and \$6,676 is unreserved but designated for approved capital projects. The net increase in this fund balance of \$1,968 was primarily due to the recording of receipts from a short-term note for \$4,000 that was issued just prior to June 30, 2003.

The debt service fund has a total fund balance of \$0. This represents a decrease of \$15 as compared to the previous fiscal year. Debt service expenditures (principal and interest) totalled \$22,069 for fiscal year 2003. This was approximately \$12,700 greater than the debt service expenditures paid in fiscal year 2002. The primary reason for this increase was due to approximately \$12,200 of existing bonds being advanced refunded in fiscal year 2003. Further information on this refunding is contained in the footnotes to these financial statements.

Nonmajor (other) governmental funds have a fund balance of \$4,002. The net decrease in fund balance during the current year in non-major governmental funds was \$538. This net decrease is primarily attributed to a one time \$1,300 transfer out of the regional sales tax revenue fund.

Proprietary funds

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

Unrestricted net assets of the water and sewer funds at the end of the year amounted to \$3,337 and \$3,545, respectively. Other factors concerning the financial position of these funds have already been addressed in the discussion of the City's business-type activities.

CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget represent a \$1,760 increase in appropriations and include the following:

| | |
|-----------------|---|
| \$ 750 | Funding for high school renovation project |
| 425 | Funding for skate park and certain street paving projects |
| 168 | Funding for FY2002 outstanding purchase orders/encumbrances |
| 115 | Funding for Reservoir Road culvert replacement project |
| 96 | Appropriation of state funds for public safety salary supplements |
| 94 | Purchase thermal imaging cameras |
| 57 | City portion of grant agreement for Broad Street project |
| <u>55</u> | Other miscellaneous |
| <u>\$ 1,760</u> | |

Of this increase, approximately \$96 was to be funded out of miscellaneous growth related increases in various revenue sources or one-time receipts or grant activity. The remaining \$1,664 was to be budgeted from available fund balance. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus reducing the need to draw upon existing fund balance.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2003, amounts to \$452,192 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Construction continued and/or began on various utility renovation and expansion projects including the Downtown Water Transmission Line replacement project and sewer system plant and lift station renovation projects. Business-type construction in progress at the close of the fiscal year had reached \$21,807.

- Construction continued and/or began on a variety of general governmental facilities including the Regional Center for Applied Technology facility, renovation of the Dobyns-Bennett High School and various street and bridge improvement projects. Construction in progress at the close of the fiscal year pertaining to these type facilities is \$20,292.

CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

CITY OF KINGSPORT'S CAPITAL ASSETS
(Net of Depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|----------------------------|-------------------|-----------------------------|------------------|-------------------|-------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Land | \$ 10,755 | \$ 10,143 | \$ 4,961 | \$ 4,961 | \$ 15,716 | \$ 15,104 |
| Buildings and systems | 58,852 | 61,734 | 131,053 | 124,946 | 189,905 | 186,680 |
| Improvements other than buildings | 5,926 | 6,223 | 6,157 | 6,473 | 12,083 | 12,696 |
| Machinery and equipment | 11,444 | 10,943 | 631 | 815 | 12,075 | 11,758 |
| Software | 64 | 93 | - | - | 64 | 93 |
| Infrastructure | 180,250 | 184,401 | - | - | 180,250 | 184,401 |
| Construction in progress | <u>20,292</u> | <u>17,967</u> | <u>21,807</u> | <u>20,619</u> | <u>42,099</u> | <u>38,586</u> |
| Total capital assets | <u>\$ 287,583</u> | <u>\$ 291,504</u> | <u>\$164,609</u> | <u>\$157,814</u> | <u>\$ 452,192</u> | <u>\$ 449,318</u> |

Additional information on the City's capital assets can be found in Note 4.C on pages 55-58 of this report.

Long-term debt

At the end of the current fiscal year, the City had total gross debt outstanding of \$127,594. All of this debt is backed by the full faith and credit of the government.

CITY OF KINGSPORT'S OUTSTANDING DEBT
(Gross Amounts)

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------|----------------------------|-------------------|-----------------------------|------------------|------------------|-------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Notes Payable | \$ 4,450 | \$ 554 | \$ 210 | \$ 280 | \$ 4,660 | \$ 834 |
| General obligation bonds | 48,434 | 54,766 | 61,664 | 62,043 | 110,098 | 116,809 |
| Loans from other governments | <u> </u> | <u> </u> | <u>12,836</u> | <u>11,139</u> | <u>12,836</u> | <u>11,139</u> |
| Total long-term debt | <u>\$ 52,884</u> | <u>\$ 55,320</u> | <u>\$ 74,710</u> | <u>\$ 73,462</u> | <u>\$127,594</u> | <u>\$ 128,782</u> |

During the current fiscal year, the City issued general obligation refunding bonds to refinance portions of the City's outstanding Series 1993 and 1997 General Obligation Bonds. The result is expected to be a decrease in future debt service payments of \$370 over the next six years.

The City's total debt decreased by \$1,188 (1%) during the current fiscal year. The City maintains an A1 rating from Moody's Investors Service for its General Obligation debt.

CITY OF KINGSPORT, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

The City is subject to debt limitations imposed by its Charter. The total bonded indebtedness (excluding general obligation debt supported by utility operations and assessments) shall not exceed 20% of the assessed taxable value of property within the City. The current debt limitation for the City of Kingsport is significantly in excess of the outstanding general obligation debt. Additional information on the City's long-term debt can be found in Note 4.E on pages 61-86 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the municipal service area is currently 5.9%, which is an increase of 0.2% from a year ago. This compares to the state's average unemployment rate of 5.3% as of June 30, 2003.
- Inflationary trends in the region are comparable to national indices.
- Housing starts for this fiscal year were 102, compared to the previous year of 85.
- Growth in local sales tax collections is expected to be approximately 1% in FY2004.

Short term interest rates on investments for the City's operating funds declined significantly during fiscal year 2003 with the federal funding rate being reduced from 1.75% to 1.00% by the Federal Reserve Board.

All of these factors were considered in preparing the City's budget for the 2004 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$14,920. The City has appropriated \$1,348 of this amount for spending in the fiscal year 2004 budget. It is intended that use of available fund balance will minimize the need to raise taxes or charges during the fiscal year 2004.

Water, sewer and solid waste rates were increased for the 2004 budget year. The water and sewer rates were increased by an average of 8% and 6% percent respectively for all customers. These rate increases were necessary to fund operations and to finance debt service on the new debt scheduled to be issued during the fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in such. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Kingsport, Finance Department Director, 225 West Center Street, Kingsport, TN 37660.

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CITY OF KINGSPORT, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2003

(amounts expressed in thousands)

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|----------------|------------------------------------|---|
| | Governmental Activities | Business-Type Activities | Total | Industrial Development Board | Emergency Communications District |
| ASSETS: | | | | | |
| Cash in Bank | \$ 778 | 5 | 783 | 507 | 964 |
| Cash with Fiscal Agent | - | 37 | 37 | - | - |
| Equity in Pooled Cash and Investments | 31,201 | 5,217 | 36,418 | - | - |
| Long-Term Certificates of Deposit | 549 | - | 549 | 283 | - |
| Investments | 2,107 | 884 | 2,991 | 21 | - |
| Receivables, net | 27,934 | 3,004 | 30,938 | 36 | 31 |
| Due from Other Governments | 18,151 | 515 | 18,666 | - | 21 |
| Due from Component Unit | 11 | 25 | 36 | - | - |
| Internal Balances | 3,078 | (3,078) | - | - | - |
| Inventories | 347 | 458 | 805 | - | - |
| Prepays | 143 | 20 | 163 | - | 6 |
| Land Held for Sale or Development | - | - | - | 5,802 | - |
| Restricted Assets: | | | | | |
| Cash | 10,244 | 13,884 | 24,128 | - | - |
| Investments | 1,589 | 59 | 1,648 | 201 | - |
| Receivables | - | - | - | 535 | - |
| Capital Assets: | | | | | |
| Land | 10,755 | 4,961 | 15,716 | - | - |
| Buildings and System | 85,458 | 187,800 | 273,258 | - | - |
| Improvements other than Buildings | 9,480 | 7,898 | 17,378 | 71 | - |
| Machinery and Equipment | 27,322 | 3,614 | 30,936 | - | 210 |
| Software | 144 | - | 144 | - | - |
| Infrastructure | 253,981 | - | 253,981 | - | - |
| Construction in Progress | 20,292 | 21,807 | 42,099 | - | - |
| Less: Accumulated Depreciation | (119,849) | (61,471) | (181,320) | (43) | (61) |
| Other Assets, net | 162 | 611 | 773 | - | - |
| Total Assets | 383,877 | 186,250 | 570,127 | 7,413 | 1,171 |
| LIABILITIES: | | | | | |
| Accounts Payable and Other Current Liabilities | 8,802 | 1,296 | 10,098 | 12 | 6 |
| Compensated Absences Payable | 2,121 | 385 | 2,506 | - | - |
| Matured Bonds and Interest Payable | 375 | 68 | 443 | - | - |
| Accrued Interest Payable | - | 783 | 783 | - | - |
| Due to Primary Government | - | - | - | 36 | - |
| Due to Other Governments | 335 | - | 335 | - | - |
| Unearned Revenues | 37,484 | - | 37,484 | - | - |
| Liabilities Payable from Restricted Assets | 59 | 586 | 645 | - | - |
| Arbitrage Rebate Payable | 145 | 470 | 615 | - | - |
| Noncurrent Liabilities: | | | | | |
| Due Within One Year | 11,060 | 9,148 | 20,208 | - | - |
| Due in More Than One Year | 41,675 | 65,254 | 106,929 | - | - |
| Total Liabilities | 102,056 | 77,990 | 180,046 | 48 | 6 |
| NET ASSETS: | | | | | |
| Invested in Capital Assets, Net of Related Debt | 235,345 | 103,253 | 338,598 | 28 | 149 |
| Restricted for: | | | | | |
| Debt Service | - | 73 | 73 | - | - |
| Capital Improvements | 6,722 | 995 | 7,717 | - | - |
| Perpetual Care (nonexpendable) | 154 | - | 154 | - | - |
| Unrestricted | 39,600 | 3,939 | 43,539 | 7,337 | 1,016 |
| Total Net Assets | \$ 281,821 | 108,260 | 390,081 | 7,365 | 1,165 |

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2003
(amounts expressed in thousands)

| Functions/Programs | Program Revenues | | | | | | Net (Expense) Revenue and Changes in Net Assets | | | | | | | |
|--|------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|---|------------------------------|-----------------------------------|-----------------|--------------|----------|--------------|------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units | | | | | | |
| | | | | | Governmental Activities | Business-Type Activities | Total | Industrial Development Board | Emergency Communications District | | | | | |
| Primary Government: | | | | | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | | | | | |
| General Government | 5,295 | 406 | 144 | 991 | (3,754) | - | (3,754) | - | - | - | - | - | - | - |
| Public Safety | 13,395 | 274 | 333 | - | (12,788) | - | (12,788) | - | - | - | - | - | - | - |
| Public Works | 9,225 | - | - | - | (9,225) | - | (9,225) | - | - | - | - | - | - | - |
| Highway Transportation Planning | 2,366 | 49 | 1,833 | 441 | (43) | - | (43) | - | - | - | - | - | - | - |
| Economic and Physical Development | 3,066 | 241 | 597 | - | (2,228) | - | (2,228) | - | - | - | - | - | - | - |
| Culture and Recreation | 4,469 | 519 | 135 | - | (3,815) | - | (3,815) | - | - | - | - | - | - | - |
| Education | 50,950 | 2,600 | 21,378 | 197 | (26,775) | - | (26,775) | - | - | - | - | - | - | - |
| Interest on Long-Term Debt | 2,329 | - | - | - | (2,329) | - | (2,329) | - | - | - | - | - | - | - |
| Other | 314 | - | - | - | (314) | - | (314) | - | - | - | - | - | - | - |
| Total Governmental Activities | 91,409 | 4,089 | 24,420 | 1,629 | (61,271) | - | (61,271) | - | - | (61,271) | - | - | - | - |
| Business-Type Activities: | | | | | | | | | | | | | | |
| Water | 7,503 | 10,708 | - | - | - | 3,205 | 3,205 | - | - | 3,205 | - | - | - | - |
| Sewer | 6,824 | 10,429 | - | - | - | 3,605 | 3,605 | - | - | 3,605 | - | - | - | - |
| Solid Waste Management | 2,915 | 383 | - | - | - | (2,532) | (2,532) | - | - | (2,532) | - | - | - | - |
| MeadowView Conference Resort and Convention Center | 1,701 | 248 | - | - | - | (1,453) | (1,453) | - | - | (1,453) | - | - | - | - |
| Cattails at MeadowView Golf Course | 1,246 | 973 | - | - | - | (273) | (273) | - | - | (273) | - | - | - | - |
| Total Business-Type Activities | 20,189 | 22,741 | - | - | - | 2,552 | 2,552 | - | - | 2,552 | - | - | - | - |
| Total Primary Government | 111,598 | 26,830 | 24,420 | 1,629 | (61,271) | 2,552 | (58,719) | - | - | (58,719) | - | - | - | - |
| Component Units: | | | | | | | | | | | | | | |
| Industrial Development Board | 70 | 2 | - | - | - | - | - | (68) | - | - | - | - | - | 157 |
| Emergency Communications District | 282 | 439 | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Component Units | 352 | 441 | - | - | - | - | - | (68) | - | (68) | - | - | - | 157 |
| General Revenues: | | | | | | | | | | | | | | |
| Property Taxes | | | | | 36,399 | | 36,399 | | | | | | | |
| Sales Taxes | | | | | 24,133 | | 24,133 | | | | | | | |
| Alcoholic Beverage Taxes | | | | | 1,318 | | 1,318 | | | | | | | |
| Occupational Licenses and Business Taxes | | | | | 1,272 | | 1,272 | | | | | | | |
| Hotel/Motel Taxes | | | | | 764 | | 764 | | | | | | | |
| Income Taxes | | | | | 659 | | 659 | | | | | | | |
| Grants and Contributions Not Restricted to Specific Programs | | | | | 565 | | 565 | | | | | | | |
| Unrestricted Investment Earnings | | | | | 673 | 295 | 968 | 16 | | 984 | | | 23 | |
| Gain (Loss) on Disposal of Capital Assets | | | | | 4 | 6 | 10 | | | 10 | | | | |
| Miscellaneous | | | | | 933 | | 933 | | | | | | | |
| Transfers | | | | | (2,987) | 2,987 | - | | | - | | | | |
| Total General Revenues and Transfers | | | | | 63,733 | 3,288 | 67,021 | 16 | - | 67,021 | 16 | - | 23 | - |
| Change in Net Assets | | | | | 2,462 | 5,840 | 8,302 | (52) | - | 8,302 | (52) | - | 180 | - |
| Net Assets - Beginning | | | | | 280,830 | 102,619 | 383,449 | 7,417 | - | 383,449 | 7,417 | - | 985 | - |
| Prior Period Adjustments | | | | | (1,471) | (199) | (1,670) | - | - | (1,670) | - | - | - | - |
| Net Assets - Ending | | | | | 281,821 | 108,260 | 390,081 | 7,365 | - | 390,081 | 7,365 | - | 1,165 | - |

See accompanying notes to the basic financial statements.

CITY OF KINGSFORD, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003
(amounts expressed in thousands)

| <u>ASSETS:</u> | General Fund | General Purpose School Fund | Debt Service Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------|---------------|-----------------------------|-------------------|-----------------------|--------------------------|--------------------------|
| Cash in Bank | 7 | - | - | - | 771 | 778 |
| Equity in Pooled Cash and Investments | 13,894 | 6,927 | 375 | 4,553 | 422 | 26,171 |
| Long-Term Certificates of Deposit | - | - | - | - | 199 | 199 |
| Investments | - | - | - | - | 2,107 | 2,107 |
| Taxes Receivable, net | 27,436 | - | - | - | - | 27,436 |
| Accounts Receivable, net | 406 | 20 | - | 11 | 7 | 444 |
| Due from Other Governments | 3,926 | 12,250 | - | 180 | 1,795 | 18,151 |
| Due from Other Funds | 3,773 | 249 | - | - | - | 4,022 |
| Due from Component Unit | 11 | - | - | - | - | 11 |
| Inventories | - | 32 | - | - | 74 | 106 |
| Prepays | 8 | 1 | - | - | - | 9 |
| Cash - Restricted | - | - | - | 5,371 | - | 5,371 |
| Investments - Restricted | - | - | - | 1,163 | - | 1,163 |
| Total Assets | 49,461 | 19,479 | 375 | 11,278 | 5,375 | 85,968 |

LIABILITIES AND FUND BALANCES:

| <u>Liabilities:</u> | General Fund | General Purpose School Fund | Debt Service Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|------------------------------|---------------|-----------------------------|-------------------|-----------------------|--------------------------|--------------------------|
| Accounts Payable | 268 | 296 | - | 487 | 196 | 1,247 |
| Compensated Absences Payable | 1,726 | 315 | - | - | - | 2,041 |
| Other Liabilities | 1,403 | 4,718 | - | - | - | 6,121 |
| Due to Other Governments | 119 | 216 | - | - | - | 335 |
| Due to Other Funds | - | - | - | - | 944 | 944 |
| Deferred Revenue | 27,502 | 10,645 | - | - | 233 | 38,380 |
| Matured Interest Payable | - | - | 375 | - | - | 375 |
| Contracts Payable | - | - | - | 59 | - | 59 |
| Arbitrage Rebate Payable | 145 | - | - | - | - | 145 |
| Total Liabilities | 31,163 | 16,190 | 375 | 546 | 1,373 | 49,647 |

Fund Balances:

| | | | | | | |
|--|------------------|---------------|------------|---------------|--------------|---------------|
| Reserved for: | | | | | | |
| Encumbrances | 271 | 385 | - | 4,056 | 680 | 5,392 |
| Cattails at Meadowview Golf Course Fund | 3,078 | - | - | - | - | 3,078 |
| Industrial Park | 21 | - | - | - | - | 21 |
| Career Ladder | - | 187 | - | - | - | 187 |
| Inventories | - | 32 | - | - | 74 | 106 |
| Prepays | 8 | 1 | - | - | - | 9 |
| Perpetual Care | - | - | - | - | 154 | 154 |
| Projects | - | 15 | - | - | 18 | 33 |
| Unreserved, Reported in: | | | | | | |
| General Fund | 14,920 | - | - | - | - | 14,920 |
| Special Revenue Funds | - | 2,669 | - | - | 3,063 | 5,732 |
| Capital Projects Fund | - | - | - | 6,676 | 13 | 6,689 |
| Total Fund Balances | 18,298 | 3,289 | - | 10,732 | 4,002 | 36,321 |
| Total Liabilities and Fund Balances | \$ 49,461 | 19,479 | 375 | 11,278 | 5,375 | 85,968 |

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2003
(amounts expressed in thousands)

Amounts reported for governmental activities in the statement of net assets are different because:

| | | |
|--|----|-----------------------|
| Total Fund Balances of Governmental Funds | \$ | 36,321 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 281,249 |
| Property tax assessments are reported as revenue in the government-wide statements in the period in which an enforceable legal claim arises against property owners. In governmental funds, these assessments are not available to finance current period expenditures and are reported as deferred revenue until paid by property owners. | | 896 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | 132 |
| Internal service funds are used by management to charge the costs of fleet maintenance and employee insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | | 15,958 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | <u>(52,735)</u> |
| Net Assets of Governmental Activities | \$ | <u><u>281,821</u></u> |

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2003

(amounts expressed in thousands)

| <u>REVENUES:</u> | General Fund | General Purpose School Fund | Debt Service Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------------|---------------|-----------------------------|-------------------|-----------------------|--------------------------|--------------------------|
| Taxes | \$ 28,147 | 16,951 | - | - | - | 45,098 |
| Licenses and Permits | 264 | - | - | - | - | 264 |
| Intergovernmental | 18,010 | 16,877 | - | 936 | 10,195 | 46,018 |
| Charges for Services | 839 | 1,207 | - | - | 1,457 | 3,503 |
| Fines and Forfeitures | 312 | - | - | - | 109 | 421 |
| Investment Earnings | 357 | - | 49 | 30 | 52 | 488 |
| Contributions and Donations | 12 | - | - | 55 | 252 | 319 |
| Miscellaneous | 84 | 192 | - | - | - | 276 |
| Total Revenues | 48,025 | 35,227 | 49 | 1,021 | 12,065 | 96,387 |

EXPENDITURES:

Current:

| | | | | | | |
|-----------------------------------|---------------|---------------|---------------|--------------|--------------|----------------|
| General Government | 5,357 | - | - | - | 169 | 5,526 |
| Public Safety | 12,590 | - | - | - | 44 | 12,634 |
| Public Works | 4,299 | - | - | - | - | 4,299 |
| Highway Transportation Planning | - | - | - | - | 2,366 | 2,366 |
| Economic and Physical Development | 2,282 | - | - | - | 534 | 2,816 |
| Culture and Recreation | 3,253 | - | - | - | 21 | 3,274 |
| Education | - | 41,094 | - | - | 5,724 | 46,818 |
| Miscellaneous | 309 | - | - | - | - | 309 |
| Debt Service: | | | | | | |
| Principal | - | - | 19,770 | - | - | 19,770 |
| Interest | - | - | 2,299 | - | - | 2,299 |
| Bond Issuance Costs | - | - | 123 | - | - | 123 |
| Miscellaneous | - | - | 5 | - | - | 5 |
| Capital Outlay | 125 | 419 | - | 6,554 | 404 | 7,502 |
| Total Expenditures | 28,215 | 41,513 | 22,197 | 6,554 | 9,262 | 107,741 |

Excess (Deficiency) of Revenues
Over (Under) Expenditures

| | | | | | |
|--------|---------|----------|---------|-------|----------|
| 19,810 | (6,286) | (22,148) | (5,533) | 2,803 | (11,354) |
|--------|---------|----------|---------|-------|----------|

OTHER FINANCING SOURCES (USES):

| | | | | | | |
|---|------------------|--------------|---------------|---------------|----------------|---------------|
| Transfer In | 3,340 | 13,128 | 8,978 | 3,501 | 711 | 29,658 |
| Transfers Out | (22,389) | (6,240) | - | - | (4,052) | (32,681) |
| Bond Proceeds | - | - | 13,155 | 4,000 | - | 17,155 |
| Total Other Financing Sources (Uses) | (19,049) | 6,888 | 22,133 | 7,501 | (3,341) | 14,132 |
| Net Change in Fund Balances | 761 | 602 | (15) | 1,968 | (538) | 2,778 |
| Fund Balances, July 1, 2002 | 17,537 | 2,687 | 15 | 8,764 | 4,540 | 33,543 |
| Fund Balances, June 30, 2003 | \$ 18,298 | 3,289 | - | 10,732 | 4,002 | 36,321 |

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2003
 (amounts expressed in thousands)

Amounts reported for governmental activities in the statement of activities are different because:

| | | |
|--|----|----------------------------------|
| Net Change in Fund Balances of Governmental Funds | \$ | 2,778 |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of general fixed assets in the current period exceeded capital outlays.</p> | | (3,082) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | 282 |
| <p>Internal service funds are used by management to charge the costs of fleet maintenance and employee insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p> | | (233) |
| <p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p> | | <hr style="width: 100%;"/> 2,717 |
| Change in Net Assets of Governmental Activities | \$ | <hr style="width: 100%;"/> 2,462 |

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2003

(amounts expressed in thousands)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---------------------------------|-------------------------|---------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES:</u> | | | | |
| Taxes: | | | | |
| General Property Taxes | \$ 23,442 | 24,292 | 25,061 | 769 |
| Gross Receipts Taxes | 2,782 | 2,776 | 3,086 | 310 |
| Licenses and Permits | 264 | 298 | 264 | (34) |
| Intergovernmental: | | | | |
| Federal | 170 | 144 | 145 | 1 |
| State | 3,837 | 3,939 | 4,249 | 310 |
| County | 13,417 | 13,417 | 13,430 | 13 |
| Local | - | 231 | 186 | (45) |
| Charges for Services | 1,157 | 979 | 839 | (140) |
| Fines and Forfeitures | 327 | 327 | 312 | (15) |
| Investment Earnings | 650 | 650 | 357 | (293) |
| Contributions and Donations | - | 13 | 12 | (1) |
| Miscellaneous | 67 | 78 | 84 | 6 |
| Total Revenues | 46,113 | 47,144 | 48,025 | 881 |
| <u>EXPENDITURES:</u> | | | | |
| General Government: | | | | |
| Board of Mayor and Aldermen | 98 | 107 | 106 | 1 |
| Judicial | 25 | 25 | 21 | 4 |
| City Attorney | 382 | 385 | 346 | 39 |
| City Manager | 261 | 298 | 272 | 26 |
| Special Programs | 1,247 | 1,311 | 1,262 | 49 |
| Public Information Office | 127 | 108 | 101 | 7 |
| Personnel | 615 | 666 | 660 | 6 |
| Purchasing | 211 | 212 | 192 | 20 |
| Finance Administration | 1,406 | 1,512 | 1,390 | 122 |
| Information Services | 857 | 799 | 790 | 9 |
| Geographic Information | 230 | 220 | 217 | 3 |
| Total General Government | 5,459 | 5,643 | 5,357 | 286 |
| Public Safety: | | | | |
| Police Administration | 1,417 | 1,217 | 1,191 | 26 |
| Jail Operations | 219 | 207 | 207 | - |
| Training | 62 | 60 | 60 | - |
| Accreditation | 6 | 5 | 5 | - |
| Investigations | 959 | 1,004 | 1,003 | 1 |
| Patrol Division | 3,746 | 3,795 | 3,755 | 40 |
| Animal Control | 119 | 98 | 79 | 19 |
| Central Dispatch | 692 | 718 | 656 | 62 |
| Communications | 183 | 194 | 177 | 17 |
| Fire Control and Prevention | 5,324 | 5,459 | 5,457 | 2 |
| Total Public Safety | 12,727 | 12,757 | 12,590 | 167 |

(Continued)

CITY OF KINGSPORT, TENNESSEE
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|-------------------------|---------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>EXPENDITURES (CONTINUED):</u> | | | | |
| Public Works: | | | | |
| Administration | 353 | 238 | 217 | 21 |
| Street Cleaning | - | 338 | 302 | 36 |
| Street Maintenance | 1,420 | 1,347 | 1,312 | 35 |
| Property Maintenance | 88 | 66 | 65 | 1 |
| Building Maintenance | 1,109 | 1,247 | 1,136 | 111 |
| Grounds Maintenance | 1,069 | 702 | 674 | 28 |
| Parks Maintenance | 197 | 604 | 593 | 11 |
| Total Public Works | <u>4,236</u> | <u>4,542</u> | <u>4,299</u> | <u>243</u> |
| Economic and Physical Development: | | | | |
| Administration | 221 | 166 | 158 | 8 |
| Planning | 346 | 298 | 294 | 4 |
| Metropolitan Planning Office | 135 | 166 | 163 | 3 |
| Transportation | 849 | 674 | 661 | 13 |
| Engineering | 674 | 631 | 615 | 16 |
| Code Enforcement | 402 | 420 | 391 | 29 |
| Total Economic and Physical Development | <u>2,627</u> | <u>2,355</u> | <u>2,282</u> | <u>73</u> |
| Culture and Recreation: | | | | |
| Administration | 245 | 230 | 216 | 14 |
| Parks and Recreation Centers | 202 | 206 | 203 | 3 |
| Swimming Pools | 106 | 98 | 93 | 5 |
| Athletics | 561 | 539 | 505 | 34 |
| Cultural Arts | 217 | 221 | 216 | 5 |
| Allandale | 188 | 201 | 166 | 35 |
| Senior Citizens Center | 345 | 339 | 307 | 32 |
| Bays Mountain Park | 855 | 859 | 793 | 66 |
| Library | 753 | 789 | 754 | 35 |
| Total Culture and Recreation | <u>3,472</u> | <u>3,482</u> | <u>3,253</u> | <u>229</u> |
| Miscellaneous | <u>277</u> | <u>1,671</u> | <u>309</u> | <u>1,362</u> |
| Capital Outlay | <u>196</u> | <u>151</u> | <u>125</u> | <u>26</u> |
| Total Expenditures | <u>28,994</u> | <u>30,601</u> | <u>28,215</u> | <u>2,386</u> |
| Excess of Revenues Over Expenditures | <u>17,119</u> | <u>16,543</u> | <u>19,810</u> | <u>3,267</u> |

(Continued)

CITY OF KINGSPORT, TENNESSEE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2003

(amounts expressed in thousands)

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|--|-------------------------|-----------------|-----------------|-----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| <u>OTHER FINANCING SOURCES (USES):</u> | | | | |
| Transfers In | 5,606 | 6,497 | 3,340 | 3,157 |
| Transfers Out | <u>(22,725)</u> | <u>(23,040)</u> | <u>(22,389)</u> | <u>(651)</u> |
| Total Other Financing Sources (Uses) | <u>(17,119)</u> | <u>(16,543)</u> | <u>(19,049)</u> | <u>2,506</u> |
| Net Change in Fund Balances | - | - | 761 | 761 |
| Fund Balances, July 1, 2002 | <u>17,537</u> | <u>17,537</u> | <u>17,537</u> | <u>-</u> |
| Fund Balances, June 30, 2003 | <u>\$ 17,537</u> | <u>17,537</u> | <u>18,298</u> | <u>761</u> |

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|---------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES:</u> | | | | |
| Taxes: | | | | |
| General Property Taxes | 10,570 | 11,072 | 11,056 | (16) |
| Pick Up Taxes | 85 | 115 | 122 | 7 |
| Clerk and Masters Tax | 140 | 110 | 156 | 46 |
| Business Taxes | - | - | 76 | 76 |
| Local Option Sales Tax | 5,303 | 5,403 | 5,457 | 54 |
| Other Statutory Local Taxes | 115 | 127 | 84 | (43) |
| Intergovernmental: | | | | |
| Federal | 175 | 230 | 226 | (4) |
| State | 16,242 | 16,602 | 16,591 | (11) |
| County | - | 45 | 60 | 15 |
| Charges for Services | 1,199 | 1,231 | 1,207 | (24) |
| Investment Earnings | 175 | - | - | - |
| Miscellaneous | 105 | 174 | 192 | 18 |
| Total Revenues | 34,109 | 35,109 | 35,227 | 118 |
| <u>EXPENDITURES:</u> | | | | |
| Instruction: | | | | |
| Regular | 22,385 | 23,312 | 22,894 | 418 |
| Special Education | 3,385 | 3,400 | 3,399 | 1 |
| Vocational | 839 | 854 | 845 | 9 |
| Adult Education | 189 | 194 | 193 | 1 |
| Total Instruction | 26,798 | 27,760 | 27,331 | 429 |
| Student Support Services: | | | | |
| Attendance | 53 | 43 | 37 | 6 |
| Health Services | 309 | 300 | 300 | - |
| Other | 1,206 | 1,236 | 1,233 | 3 |
| Total Student Support Services | 1,568 | 1,579 | 1,570 | 9 |
| Instructional Staff Support Services: | | | | |
| Regular | 2,053 | 1,905 | 1,881 | 24 |
| Special Education | 298 | 267 | 266 | 1 |
| Vocational | 135 | 121 | 122 | (1) |
| Adult Education | 135 | 134 | 132 | 2 |
| Total Instructional Staff Support Services | 2,621 | 2,427 | 2,401 | 26 |
| General Administrative Support Services: | | | | |
| Board of Education | 740 | 640 | 637 | 3 |
| Office of the Superintendent | 668 | 803 | 806 | (3) |
| Total General Administrative Support Services | 1,408 | 1,443 | 1,443 | - |

(Continued)

CITY OF KINGSPORT, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|-------------------------|----------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>EXPENDITURES (CONTINUED):</u> | | | | |
| School Administrative Support Services | 2,072 | 1,984 | 1,968 | 16 |
| Business Administrative Support Services | 190 | 195 | 185 | 10 |
| Operations and Maintenance Support Services: | | | | |
| Operations | 3,045 | 3,100 | 3,113 | (13) |
| Plant Maintenance | 1,464 | 1,465 | 1,456 | 9 |
| Total Operations and Maintenance Support Services | <u>4,509</u> | <u>4,565</u> | <u>4,569</u> | <u>(4)</u> |
| Student Transportation Support Services | 1,089 | 1,042 | 1,039 | 3 |
| Noninstructional Services: | | | | |
| After School Programs | 51 | 46 | 37 | 9 |
| Community Service | 659 | 608 | 551 | 57 |
| Total Noninstructional Services | <u>710</u> | <u>654</u> | <u>588</u> | <u>66</u> |
| Capital Outlay | 490 | 566 | 419 | 147 |
| Total Expenditures | <u>41,455</u> | <u>42,215</u> | <u>41,513</u> | <u>702</u> |
| Deficiency of Revenues Under Expenditures | <u>(7,346)</u> | <u>(7,106)</u> | <u>(6,286)</u> | <u>820</u> |
| <u>OTHER FINANCING SOURCES (USES):</u> | | | | |
| Transfers In | 14,070 | 13,117 | 13,128 | 11 |
| Transfers Out | <u>(6,724)</u> | <u>(6,011)</u> | <u>(6,240)</u> | <u>(229)</u> |
| Total Other Financing Sources (Uses) | <u>7,346</u> | <u>7,106</u> | <u>6,888</u> | <u>(218)</u> |
| Net Change in Fund Balances | - | - | 602 | 602 |
| Fund Balances, July 1, 2002 | <u>2,687</u> | <u>2,687</u> | <u>2,687</u> | <u>-</u> |
| Fund Balances, June 30, 2003 | <u>\$ 2,687</u> | <u>2,687</u> | <u>3,289</u> | <u>602</u> |

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE

DEBT SERVICE FUND

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

For the Year Ended June 30, 2003

(amounts expressed in thousands)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|------------------|----------|-------------------|---|
| | Original | Final | | |
| <u>REVENUES -</u> | | | | |
| Investment Earnings | \$ 6 | 6 | 49 | 43 |
| Total Revenues | 6 | 6 | 49 | 43 |
| <u>EXPENDITURES:</u> | | | | |
| Principal | 7,706 | 19,744 | 19,770 | (26) |
| Interest | 2,507 | 2,298 | 2,299 | (1) |
| Bond Issuance Costs | - | 127 | 123 | 4 |
| Miscellaneous | 6 | 6 | 5 | 1 |
| Total Expenditures | 10,219 | 22,175 | 22,197 | (22) |
| Excess of Revenues Over Expenditures | (10,213) | (22,169) | (22,148) | 21 |
| <u>OTHER FINANCING SOURCES:</u> | | | | |
| Transfers In | 10,213 | 9,017 | 8,978 | 39 |
| Bond Proceeds | - | 13,152 | 13,155 | (3) |
| Total Other Financing Sources | 10,213 | 22,169 | 22,133 | 36 |
| Net Change in Fund Balance | - | - | (15) | (15) |
| Fund Balance, July 1, 2002 | 15 | 15 | 15 | - |
| Fund Balance, June 30, 2003 | \$ 15 | 15 | - | (15) |

See accompanying notes to the basic financial statements.

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CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2003

(amounts expressed in thousands)

| | Business-Type Activities - Enterprise Funds | | | | | | | Governmental Activities - Internal Service Funds |
|---------------------------------------|---|------------|-----------------------------------|---|--|------------------------------|----------|---|
| | Water Fund | Sewer Fund | Solid Waste Management Fund | Conference Resort and Convention Center Fund | Cattails at MeadowView Golf Course Fund | Total Enterprise Funds | | |
| ASSETS: | | | | | | | | |
| Current Assets: | | | | | | | | |
| Cash in Bank | \$ - | - | - | - | 5 | 5 | - | - |
| Cash with Fiscal Agent | 37 | - | - | - | - | 37 | - | - |
| Equity in Pooled Cash and Investments | 2,896 | 2,101 | 185 | 35 | - | 5,217 | 5,030 | - |
| Long-Term Certificates of Deposit | - | - | - | - | - | - | 350 | - |
| Investments | - | - | - | 877 | 7 | 884 | - | - |
| Receivables, net | 1,493 | 1,476 | 18 | - | 17 | 3,004 | 54 | - |
| Due from Other Governments | - | 505 | 10 | - | - | 515 | - | - |
| Due from Component Unit | 11 | 14 | - | - | - | 25 | - | - |
| Inventories | 396 | - | - | - | 62 | 458 | 241 | - |
| Prepays | 20 | - | - | - | - | 20 | 134 | - |
| Total Current Assets | 4,853 | 4,096 | 213 | 912 | 91 | 10,165 | 5,809 | - |
| Noncurrent Assets: | | | | | | | | |
| Restricted Assets: | | | | | | | | |
| Cash | 2,144 | 11,655 | - | 85 | - | 13,884 | 4,873 | - |
| Investments | 59 | - | - | - | - | 59 | 426 | - |
| Total Restricted Assets | 2,203 | 11,655 | - | 85 | - | 13,943 | 5,299 | - |
| Capital Assets: | | | | | | | | |
| Land | 640 | 516 | 1,308 | 1,515 | 982 | 4,961 | 15 | - |
| Buildings and System | 56,955 | 108,007 | 144 | 21,536 | 1,158 | 187,800 | - | - |
| Improvements other than Buildings | - | - | 1,790 | 137 | 5,971 | 7,898 | - | - |
| Machinery and Equipment | 1,301 | 1,036 | 19 | 852 | 406 | 3,614 | 17,054 | - |
| Construction in Progress | 11,415 | 10,383 | - | 9 | - | 21,807 | - | - |
| Less: Accumulated Depreciation | (23,241) | (32,319) | (651) | (3,647) | (1,613) | (61,471) | (10,735) | - |
| Total Capital Assets | 47,070 | 87,623 | 2,610 | 20,402 | 6,904 | 164,609 | 6,334 | - |
| Other Assets: | | | | | | | | |
| Deposits | - | - | - | - | - | - | 30 | - |
| Unamortized Bond Costs | 186 | 311 | - | 73 | 41 | 611 | - | - |
| Total Other Assets | 186 | 311 | - | 73 | 41 | 611 | 30 | - |
| Total Noncurrent Assets | 49,459 | 99,589 | 2,610 | 20,560 | 6,945 | 179,163 | 11,663 | - |
| Total Assets | 54,312 | 103,685 | 2,823 | 21,472 | 7,036 | 189,328 | 17,472 | - |

(Continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2003

(amounts expressed in thousands)

| | Business-Type Activities - Enterprise Funds | | | | | | | Governmental Activities - Internal Service Funds |
|---|---|---------------|-----------------------------------|---|--|------------------------------|---------------|---|
| | Water Fund | Sewer Fund | Solid Waste Management Fund | Conference Resort and Convention Center Fund | Cattails at MeadowView Golf Course Fund | Total Enterprise Funds | | |
| LIABILITIES: | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Accounts Payable | 469 | 499 | 74 | 1 | 10 | 1,053 | 429 | |
| Due to Other Funds | - | - | - | - | 3,078 | 3,078 | - | |
| Compensated Absences Payable | 192 | 120 | 73 | - | - | 385 | 80 | |
| Retainages Payable | 387 | 199 | - | - | - | 586 | - | |
| Arbitrage Rebate Payable | 172 | 298 | - | - | - | 470 | - | |
| Matured Bonds Payable | 35 | - | - | - | - | 35 | - | |
| Matured Interest Payable | 33 | - | - | - | - | 33 | - | |
| Accrued Interest Payable | 224 | 432 | - | 127 | - | 783 | - | |
| General Obligation Bonds - Current | 2,514 | 3,805 | - | 1,750 | 391 | 8,460 | - | |
| State Revolving Loan - Current | - | 688 | - | - | - | 688 | - | |
| Other Payables | 243 | - | - | - | - | 243 | 1,005 | |
| Total Current Liabilities | 4,269 | 6,041 | 147 | 1,878 | 3,479 | 15,814 | 1,005 | 1,514 |
| Noncurrent Liabilities: | | | | | | | | |
| General Obligation Bonds Payable | 15,174 | 26,080 | - | 7,510 | 4,132 | 52,896 | - | |
| (Net of Deferred Refunding Cost) | 1,881 | 10,267 | - | - | - | 12,148 | - | |
| State Revolving Loan Payable | 210 | - | - | - | - | 210 | - | |
| Consolidated Utility Acquisition Payable | 17,265 | 36,347 | - | 7,510 | 4,132 | 65,254 | - | |
| Total Noncurrent Liabilities | 21,534 | 42,388 | 147 | 9,388 | 7,611 | 81,068 | 1,514 | 1,514 |
| NET ASSETS: | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 29,382 | 57,738 | 2,610 | 11,142 | 2,381 | 103,253 | 6,334 | |
| Restricted for Debt Service | 59 | 14 | - | - | - | 73 | - | |
| Restricted for Capital Improvements | - | - | - | 976 | 19 | 995 | - | |
| Unrestricted | 3,337 | 3,545 | 66 | (34) | (2,975) | 3,939 | 9,624 | |
| Total Net Assets | 32,778 | 61,297 | 2,676 | 12,084 | (575) | 108,260 | 15,958 | 15,958 |

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | Business-Type Activities - Enterprise Funds | | | | | | | Governmental Activities - Internal Service Funds |
|---|---|----------------|-----------------------------------|---|--|------------------------------|---------------|---|
| | Water Fund | Sewer Fund | Solid Waste Management Fund | Conference Resort and Convention Center Fund | Cattails at MeadowView Golf Course Fund | Total Enterprise Funds | | |
| OPERATING REVENUES: | | | | | | | | |
| Charges and Fees | \$ 10,460 | 10,256 | 383 | 248 | 973 | 22,320 | 7,284 | |
| Penalties and Fines | 245 | 173 | - | - | - | 418 | - | |
| Miscellaneous | 3 | - | - | - | - | 3 | - | |
| Total Operating Revenues | 10,708 | 10,429 | 383 | 248 | 973 | 22,741 | 7,284 | |
| OPERATING EXPENSES: | | | | | | | | |
| Operating Costs | 5,753 | 3,017 | 2,785 | 585 | 872 | 13,012 | 6,604 | |
| Depreciation | 1,324 | 2,548 | 130 | 670 | 280 | 4,952 | 1,137 | |
| Total Operating Expenses | 7,077 | 5,565 | 2,915 | 1,255 | 1,152 | 17,964 | 7,741 | |
| Operating Income (Loss) | 3,631 | 4,864 | (2,532) | (1,007) | (179) | 4,777 | (457) | |
| NONOPERATING REVENUES (EXPENSES): | | | | | | | | |
| Investment Earnings | 88 | 189 | 3 | 13 | 2 | 295 | 185 | |
| Interest Expense | (398) | (1,211) | - | (428) | (89) | (2,126) | - | |
| Gain (Loss) on Disposal of Capital Assets | - | - | - | 2 | 4 | 6 | 4 | |
| Amortization Expense | (25) | (45) | - | (18) | (5) | (93) | - | |
| Other | (3) | (3) | - | - | - | (6) | - | |
| Total Nonoperating Revenues (Expenses) | (338) | (1,070) | 3 | (431) | (88) | (1,924) | 189 | |
| Income (Loss) Before Contributions and Transfers | 3,293 | 3,794 | (2,529) | (1,438) | (267) | 2,853 | (268) | |
| Transfers In | - | - | 2,535 | 2,548 | - | 5,083 | 35 | |
| Transfers Out | (1,217) | (780) | - | (99) | - | (2,096) | - | |
| Change in Net Assets | 2,076 | 3,014 | 6 | 1,011 | (267) | 5,840 | (233) | |
| Net Assets, July 1, 2002 | 30,663 | 58,283 | 2,670 | 11,325 | (322) | 102,619 | 16,191 | |
| Prior Period Adjustments - Miscellaneous Expense Adjustments | 39 | - | - | (252) | 14 | (199) | - | |
| Net Assets, June 30, 2003 | \$ 32,778 | 61,297 | 2,676 | 12,084 | (575) | 108,260 | 15,958 | |

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | Business-Type Activities - Enterprise Funds | | | | | | | Governmental Activities - Internal Service Funds |
|--|---|------------|-----------------------------------|---|--|------------------------------|---------|---|
| | Water Fund | Sewer Fund | Solid Waste Management Fund | MeadowView Conference Resort and Convention Center Fund | Cattails at MeadowView Golf Course Fund | Total Enterprise Funds | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | | | |
| Receipts from Customers and Users | \$ 11,220 | 11,273 | 398 | 248 | 991 | 24,130 | 7,283 | |
| Payments to Suppliers | (2,190) | (1,846) | (1,453) | (677) | (435) | (6,601) | (4,306) | |
| Payments to Employees | (3,004) | (1,226) | (1,315) | - | (155) | (5,700) | (1,064) | |
| Net Cash Provided (Used) by Operating Activities | 6,026 | 8,201 | (2,370) | (429) | 401 | 11,829 | 1,913 | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | | | | |
| Transfers to Other Funds | (1,217) | (780) | - | (99) | - | (2,096) | - | |
| Advances from Other Funds | - | - | 2,535 | 2,548 | - | 5,083 | - | |
| Net Cash Provided (Used) by Noncapital Financing Activities | (1,217) | (780) | 2,535 | 2,449 | - | 2,987 | - | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | | | |
| Proceeds from Capital Debt | 3,081 | 7,044 | - | - | - | 10,125 | - | |
| Acquisition and Construction of Capital Assets | (6,711) | (5,173) | - | (19) | - | (11,903) | (1,372) | |
| Principal Paid on Capital Debt | (2,508) | (4,161) | - | (1,700) | (371) | (8,740) | - | |
| Interest Paid on Capital Debt | (401) | (1,187) | - | (436) | (89) | (2,113) | - | |
| Proceeds from Sales of Capital Assets | 1 | - | - | - | 4 | 5 | 7 | |
| Bond Issue Costs Paid | (31) | (61) | - | - | - | (92) | - | |
| Fiscal Agent Fees Paid | (3) | (4) | - | - | - | (7) | - | |
| Net Cash Used by Capital and Related Financing Activities | (6,572) | (3,542) | - | (2,155) | (456) | (12,725) | (1,365) | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | | | |
| Proceeds from Sales and Maturities of Investments | 5 | - | - | 75 | 78 | 158 | 1,191 | |
| Purchase of Investments | - | - | - | (156) | (20) | (176) | (1,151) | |
| Interest Received | 88 | 189 | 3 | 13 | 2 | 295 | 185 | |
| Net Cash Provided (Used) by Investing Activities | 93 | 189 | 3 | (68) | 60 | 277 | 225 | |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,670) | 4,068 | 168 | (203) | 5 | 2,368 | 773 | |
| Cash and Cash Equivalents, July 1, 2002 | 6,747 | 9,688 | 17 | 323 | - | 16,775 | 9,130 | |
| Cash and Cash Equivalents, June 30, 2003 | \$ 5,077 | 13,756 | 185 | 120 | 5 | 19,143 | 9,903 | |

(Continued)

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities - Internal Service Funds |
|----|---|------------|-----------------------------------|---|--|------------------------------|---|
| | Water Fund | Sewer Fund | Solid Waste Management Fund | Conference Resort and Convention Center Fund | Cattails at MeadowView Golf Course Fund | Total Enterprise Funds | |
| \$ | 3,631 | 4,864 | (2,532) | (1,007) | (179) | 4,777 | (457) |
| | 1,324 | 2,548 | 130 | 670 | 280 | 4,952 | 1,137 |
| | 18 | (6) | 25 | - | 18 | 55 | (48) |
| | 494 | 850 | (10) | - | - | 1,334 | - |
| | 24 | - | - | - | (8) | 16 | (2) |
| | (15) | - | - | - | - | (15) | (24) |
| | 279 | (17) | 6 | (29) | (42) | 197 | 369 |
| | - | - | - | - | 332 | 332 | - |
| | 23 | 6 | 11 | - | - | 40 | 11 |
| | 232 | (44) | - | (63) | - | 125 | - |
| | 16 | - | - | - | - | 16 | 927 |
| \$ | 6,026 | 8,201 | (2,370) | (429) | 401 | 11,829 | 1,913 |

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

| | |
|--|--|
| Operating Income (Loss) | |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation | |
| (Increase) Decrease in Assets: | |
| Receivables | |
| Due from Other Governments | |
| Inventories | |
| Prepays | |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | |
| Due to Other Funds | |
| Compensated Absences Payable | |
| Retainages Payable | |
| Other Payables | |

Net Cash Provided (Used) by Operating Activities

RECONCILIATION OF CASH AND CASH EQUIVALENTS
FROM STATEMENT OF CASH FLOWS TO
STATEMENT OF NET ASSETS:

| | |
|--|--|
| Cash in Bank | |
| Cash with Fiscal Agent | |
| Equity in Pooled Cash and Investments | |
| Restricted Assets - Cash | |
| Cash and Cash Equivalents, June 30, 2003 | |

| | | | | | | | |
|----|-------|--------|-----|-----|---|--------|-------|
| \$ | - | - | - | - | 5 | 5 | - |
| | 37 | - | - | - | - | 37 | - |
| | 2,896 | 2,101 | 185 | 35 | - | 5,217 | 5,030 |
| | 2,144 | 11,655 | - | 85 | - | 13,884 | 4,873 |
| \$ | 5,077 | 13,756 | 185 | 120 | 5 | 19,143 | 9,903 |

See accompanying notes to the basic financial statements.

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CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Kingsport, Tennessee (the City) was incorporated in 1917 and operates under a Council-Manager form of government. The City is an industrial community in the foothills of the Appalachian Mountains. Along with two other comparably-sized cities within a 20-mile radius, the City is part of a 12 county area in northeast Tennessee and southwest Virginia known as the Tri-Cities Tennessee/Virginia region.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the 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 City has elected not to follow subsequent private-sector guidance. The Governmental Accounting and Financial Reporting Standards, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

Effective July 1, 2001, the City adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. Accordingly, retroactive reporting of infrastructure amounts is reflected in these financial statements.

A. Reporting entity

The City is a Tennessee municipal corporation governed by an elected mayor and six aldermen (Board of Mayor and Aldermen) (BMA). The accompanying financial statements present the City (primary government) and its component units, entities for which the City is considered to be financially accountable. The City is financially accountable if it appoints a voting majority of the organization’s governing body and (1) it is able to impose its will on the organization or (2) there is a potential for the entity to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Discretely presented component units are reported in separate columns in the government-wide financial statements (see note below for description) to emphasize that those entities are legally separate from the City.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Reporting entity (continued)

Discretely Presented Component Units

Proprietary Fund Type

The Industrial Development Board of the City of Kingsport, Tennessee (IDBK) – The IDBK was incorporated on February 11, 1986, under the provisions of the State of Tennessee constitution and general statutes. The purpose of the IDBK is to finance, acquire, own, lease, and/or dispose of properties to maintain and increase employment opportunities in the City. The IDBK consists of nine members, all of whom are appointed by the City's BMA. Separately issued financial statements of the IDBK are not available.

Emergency Communications District of the City of Kingsport, Tennessee (ECD) – The ECD was created by referendum on January 11, 1994, the results of which were certified on January 20, 1994. The purpose of the ECD is to oversee the operations of the 911 emergency telephone service. Their Board consists of nine members, all of whom are appointed by the City's BMA. Separately issued financial statements may be requested from the ECD administrative offices.

Emergency Communications District of the City of Kingsport
200 Shelby Street
Kingsport, Tennessee 37660

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are various charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Government-wide and fund financial statements (continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for local revenues, 120 days for state-shared revenues, and 365 days for grant revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In general, taxes, licenses, federal and state grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Business taxes are not considered measurable and therefore are not susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *general fund* is the government'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 *general purpose school fund* accounts for transactions of the City School System. The major sources of funding are state-shared revenues and local property and sales taxes.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The *capital projects fund* accounts for financial resources used for the acquisition or construction of major capital facilities related to the general operation of the City (excluding capital improvements financed by enterprise funds).

The *debt service fund* accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt other than that payable from enterprise funds.

The City reports the following nonmajor governmental funds:

The *Purvis soccer building fund* accounts for funds donated to the City for the construction of a building at Indian Highland Park to provide dressing rooms, storage space and public restrooms to be used by the Dobyms-Bennett High School boys and girls soccer program.

The *school food and nutrition services fund* accounts for the activities of the City School System cafeterias.

The *special school project fund* accounts for the activities of various grant funded school projects.

The *public law 93-380 fund* accounts for the activities of providing specific academic programs in compliance with federal grant entitlements.

The *Palmer Center fund* accounts for a contribution from the heirs of the late Mary L. Robinson estate, for the support of educational and other services provided to physically challenged children by the Palmer Center.

The *special revenue general projects fund* accounts for federal and state grants matched with local revenues to fund general government programs or non-capital improvement projects.

The *community development fund* accounts for the activities funded by community block grant entitlements from the United States Department of Housing and Urban Development.

The *urban mass transportation administration fund* accounts for the activities funded by federal and state grants for support of local government transportation programs.

The *state street aid fund* accounts for the activities funded by state gasoline taxes.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The *drug fund* accounts for the activities of drug investigations and enforcement.

The *criminal forfeiture fund* accounts for the activities related to seized property and money with the exception of those related to drug activities. In addition, this fund accounts for funds received from the United States Department of Justice under the Equitable Sharing of Federally Forfeited Property program.

The *regional sales tax revenue fund* accounts for the proceeds from a \$.0025 local sales tax previously approved by local referendum. These funds are earmarked for the retirement of debt issued to fund construction of the Meadowview Conference Resort and Convention Center and to support the operations of the facility.

The *public library commission fund* accounts for contributions from patrons, civic organizations, private corporations and other supporters of the Kingsport Public Library.

The *Bays Mountain fund* accounts for contributions from individuals, civic organizations and private corporations for the support and continued development of the Bays Mountain Park.

The *Steadman cemetery fund* accounts for a contribution from the heirs of Bonnie M. Steadman to provide for the maintenance of the Steadman family cemetery.

The *senior citizens advisory board fund* accounts for revenues earned from various programs and events conducted by participating senior citizens and contributions from individuals, civic organizations and private corporations.

The *local law enforcement fund* accounts for direct federal grant funds received from the United States Department of Justice that are used for the purchase of equipment utilized in law enforcement.

The *industrial development project fund* accounts for the expenditure of funds appropriated from the Industrial Development Reserve or other sources for the purpose of industrial site acquisitions, capital improvements and lump sum disbursement to the IDBK, for the purposes specified by the BMA.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's production, storage and transportation of potable water.

The *sewer fund* accounts for the activities of the City's collection, transportation, treatment and disposal of wastewater.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The *solid waste management fund* accounts for the activities of the City's collection of residential garbage, refuse collection and recycling activities.

The *Meadowview Conference Resort and Convention Center fund* accounts for the activities of the City's outsourced operation (through Marriott) of the convention center.

The *Cattails at Meadowview Golf Course fund* accounts for the activities of the City's outsourced operation (through Marriott Golf) of the 18-hole championship golf course.

Additionally, the City reports the following fund types:

Internal service funds account for risk management, self-insured health insurance and fleet management services provided to other departments or agencies of the government on a cost reimbursement basis.

The *permanent fund* accounts for nonexpendable assets left to the City by the late Harvey Brooks, consisting of his home (Allandale Mansion) and other tangible and intangible assets. The fund's earnings are used for the maintenance and operation of the estate.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of all of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity (police, fire, public works, etc.).

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, liabilities and net assets or equity

1. Deposits and investments

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

State statutes impose various restrictions on the City's, IDBK's, and ECD's deposits and investments, including repurchase agreements. These restrictions are summarized as follows:

DEPOSITS - All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits.

INVESTMENTS - State statutes authorize the City to invest in treasury bonds, notes or bills of the United States of America; nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States of America or any of its agencies; Certificates of Deposit and other evidences of deposit at State and Federal chartered banks and Savings and Loan Associations; obligations of the United States of America or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the State of Tennessee Local Government Investment Pool (LGIP); obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

Specifically, the LGIP was established under Tennessee Code Annotated Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invests in time deposits, such as Certificates of Deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. The longest maturity held within the LGIP as of June 30, 2002 was 13 months and by law the LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares.

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. In general, cash overdrafts are reflected in the financial statements as due to other funds. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

Investments for the City, as well as for its component units, are reported at fair value based on quoted market prices.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, liabilities and net assets or equity (continued)

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable and trade receivables allowance accounts are based on prior years' collection experience.

All property values are assessed on January 1 of each year. Property taxes receivable are recorded at this lien date. All real and personal property taxes are due and payable on the levy date of November 1 of each year, at which time the receivable is recognized as revenue. All unpaid property taxes become delinquent on December 1 (30 days from date of levy). A penalty of 2% is imposed on unpaid property taxes as of December 1. A penalty of 2% is imposed for the next month and an additional penalty of 1% is imposed for each month thereafter until paid, or the property is sold as authorized by law.

3. *Inventories and prepaid items*

All inventories are valued at cost utilizing the weighted average method of valuation. Inventories of governmental and proprietary funds are recorded as expenditures or expenses when consumed rather than when purchased.

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

4. *Restricted assets*

Certain cash and investment balances of the City are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by certain agreements and contracts with third parties. Restricted cash includes sinking fund accounts established to meet the requirements of certain bonds issues, escrow for construction contractors established to fund retainages of outstanding construction projects upon their completion, and working capital for outsourced operations of City facilities. Restricted investments include borrowed funds obligated for construction projects that have not been completed at the end of the fiscal year.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, liabilities and net assets or equity (continued)

5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5 and an estimated useful life in excess of two years for property, plant and equipment and assets with an initial, individual cost of more than \$100 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for 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 assets constructed. The total interest expense incurred by the water fund and sewer fund during the current fiscal year was \$898 and \$1,786, respectively. Of these amounts, \$500 and \$575, respectively, were included as part of the cost of capital assets under construction in each of these funds in connection with water and sewer line replacement and extension construction projects.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---|--------------|
| Roads and bridges | 50 |
| Buildings and building improvements | 30 |
| Golf course improvements | 15 |
| Landfill improvements | 25 |
| Utility lines | 45 |
| Machinery, equipment and heavy vehicles | 10 |
| Automobiles | 5 |

6. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation days and sick leave benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental and proprietary funds.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, liabilities and net assets or equity (continued)

It is also the City's policy to permit employees from certain departments of the City to accumulate earned but unused compensation time (comp time) for excess hours worked in lieu of overtime payments. All comp time is accrued when incurred in the government-wide financial statements. A liability for these amounts has been recorded in the governmental funds.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$281,249 difference are as follows:

| | |
|---|-------------------|
| Governmental funds capital assets | \$ 390,363 |
| Less: accumulated depreciation | <u>(109,114)</u> |
| Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | \$ <u>281,249</u> |

Another element of that reconciliation explains that “other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.” The details of this \$132 difference are as follows:

| | |
|--|---------------|
| Deferred bond issuance costs | \$ 157 |
| Less: accumulated amortization | <u>(25)</u> |
| Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | \$ <u>132</u> |

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$52,735 difference are as follows:

| | |
|--|------------------|
| Bonds payable | \$ 48,285 |
| Notes payable | <u>4,450</u> |
| Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | \$ <u>52,735</u> |

CITY OF KINGSPORT, TENNESSEE
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2003
 (amounts expressed in thousands)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED):

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of general fixed assets in the current period exceeded capital outlays.” The details of this \$(3,082) difference are as follows:

| | |
|--|-------------------|
| Capital outlay | \$ 7,502 |
| Depreciation expense | <u>(10,584)</u> |
| | |
| Net adjustment to reduce <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | \$ <u>(3,082)</u> |

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$282 difference are as follows:

| | |
|--|---------------|
| Deferred property taxes as of June 30, 2003 | \$ 896 |
| Prior years’ property taxes collected during current year | <u>(614)</u> |
| | |
| Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | \$ <u>282</u> |

Another element of that reconciliation states that “the net revenue of certain activities of internal service funds is reported with governmental activities.” The details of this \$(233) difference are as follows:

| | |
|--|-----------------|
| Investment earnings | \$ 185 |
| Gain on disposals of capital assets | 4 |
| Transfers in | 35 |
| Operating expenses | <u>(457)</u> |
| | |
| Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | \$ <u>(233)</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED):

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$2,717 difference are as follows:

| | |
|---|-----------------|
| Principal repayments | \$ 19,770 |
| Issuance of general obligation bonds | (17,155) |
| Bond issuance costs, net of amortization | <u>102</u> |
| Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets governmental activities</i> | \$ <u>2,717</u> |

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

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

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

The City Manager has the authority to transfer the unused portion of any item or appropriation within the same department and to transfer funds from the vehicle repair and maintenance account of one department to the vehicle repair and maintenance account of another department. Any revisions that alter the total expenditures of any fund must be approved by the BMA. Expenditures may not exceed appropriations at the fund level. Supplemental appropriations may be authorized by the BMA through the adoption of appropriate ordinances during the year.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED):

A. Budgetary information (continued)

Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund, certain special revenue funds, debt service fund, proprietary funds and the permanent fund. Budgets for the remaining special revenue funds and capital projects funds are made on a project basis, spanning more than one fiscal year. Budgetary control is exercised at the departmental level or by project.

Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. Encumbrance reservations are presented in the general, general purpose school, capital projects, state street aid, urban mass transportation administration, community development, drug, local law enforcement, public law 93-380, and special school project funds.

B. Excess of expenditures over appropriations

For the year ended June 30, 2003, expenditures exceeded appropriations in the following nonmajor governmental funds:

| | <u>Amount</u> |
|------------------------------------|---------------|
| school food and nutrition services | \$ 60 |
| public library commission | 4 |

These overexpenditures were funded by greater than anticipated revenues in the case of the school food and nutrition services and by available fund balance in the case of the public library commission.

C. Deficit fund equity

The special revenue general projects fund and Cattails at Meadowview Golf Course fund had deficit fund balances of \$(5) and \$(575), respectively as of June 30, 2003. Both funds incurred expenses that were not planned. The City plans to transfer funds from other funds to cover the expenditures.

4. DETAILED NOTES ON ALL FUNDS:

A. Deposits and investments

At year end, the City's carrying amount of deposits was \$59,928 and the bank balance was \$61,468. Of the bank balance, \$500 was covered by federal depository insurance with the remaining balance of \$60,968 being collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the City's name.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

The carrying amount of deposits for the IDBK, a discretely presented component unit, was \$790 and the bank balance was \$766. Of the bank balance, \$100 was covered by federal depository insurance or by collateral held by the entity's agent in the IDBK's name. Of the remaining balance, \$286 was covered by the Securities Investor Protection Corporation, and \$380 was collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the IDBK's name.

The carrying amount of deposits for the ECD, also a discretely presented component unit, was \$964 and the bank balance was \$966. Of the bank balance, \$300 was covered by federal depository insurance or by collateral held by the entity's agent in the ECD's name. Of the remaining balance, \$666 was collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the ECD's name.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

At year end, the City's investment balances were as follows:

| | Category | | | Reported Amount | Fair Value |
|-----------------|--------------|----------|----------|--------------------|---------------|
| | 1 | 2 | 3 | | |
| Corporate Stock | \$ <u>13</u> | - | - | <u>13</u> | <u>13</u> |
| Total | \$ <u>13</u> | <u>-</u> | <u>-</u> | 13 | 13 |

Investments not subject to categorization:

| | | |
|-------------------------|-----------------|--------------|
| State of Tennessee LGIP | <u>6,615</u> | <u>6,615</u> |
| Total Investments | \$ <u>6,628</u> | <u>6,628</u> |

At year end, the IDBK's investment balances were as follows:

| | Category | | | Reported Amount | Fair Value |
|----------------------------|--------------|----------|----------|--------------------|---------------|
| | 1 | 2 | 3 | | |
| U.S. Government Securities | \$ <u>21</u> | - | - | <u>21</u> | <u>21</u> |
| Total Investments | \$ <u>21</u> | <u>-</u> | <u>-</u> | <u>21</u> | <u>21</u> |

The City does not have a policy for determining which investments will be recorded at amortized cost. No investments are recorded at amortized cost at June 30, 2003.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. Receivables

Receivables as of June 30, 2003 for the City's individual major funds and nonmajor, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General</u> | <u>Purpose School</u> | <u>Capital Projects</u> | <u>Water</u> | <u>Sewer</u> | <u>Solid Waste Management</u> | <u>Cattails at Meadowview Golf Course</u> | <u>Internal Service Funds</u> | <u>Nonmajor and Other Funds</u> | <u>Total Primary Government</u> | <u>Component Units</u> |
|-------------------------------------|------------------|-----------------------|-------------------------|--------------|--------------|-------------------------------|---|-------------------------------|---------------------------------|---------------------------------|------------------------|
| Receivables | | | | | | | | | | | |
| Taxes | \$ 27,844 | - | - | - | - | - | - | - | - | 27,844 | - |
| Accounts | 426 | 43 | 11 | 1,602 | 1,766 | 54 | 17 | 54 | 7 | 3,980 | 67 |
| Intergovernmental | <u>3,926</u> | <u>12,250</u> | <u>180</u> | - | <u>505</u> | <u>10</u> | - | - | <u>1,795</u> | <u>18,666</u> | <u>21</u> |
| Gross receivables | 32,196 | 12,293 | 191 | 1,602 | 2,272 | 65 | 17 | 54 | 1,802 | 50,490 | 88 |
| Less: allowances for uncollectibles | <u>(417)</u> | <u>(23)</u> | <u>(-)</u> | <u>(98)</u> | <u>(276)</u> | <u>(36)</u> | <u>(-)</u> | <u>(-)</u> | <u>(-)</u> | <u>(850)</u> | <u>(-)</u> |
| Net total receivables | \$ <u>31,779</u> | <u>12,270</u> | <u>191</u> | <u>1,504</u> | <u>1,995</u> | <u>28</u> | <u>17</u> | <u>54</u> | <u>1,802</u> | <u>49,640</u> | <u>88</u> |

Revenues of the general, general purpose school, water, sewer and solid waste management funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

| | |
|---|---------------|
| Uncollectibles related to property taxes | \$ 61 |
| Uncollectibles related to water sales | 7 |
| Uncollectibles related to sewer charges | 15 |
| Uncollectibles related to solid waste charges | <u>27</u> |
| Total uncollectibles of the current fiscal year | <u>\$ 110</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. Receivables (continued)

Governmental funds report *deferred revenue* in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

| | <u>Unavailable</u> | <u>Unearned</u> |
|--|--------------------|-----------------|
| Property taxes receivable (general fund) | \$ 26,388 | 26,388 |
| Delinquent property taxes receivable (general fund) | 896 | - |
| Other taxes receivable (general fund) | 218 | 218 |
| Property taxes receivable (general purpose school fund) | 10,641 | 10,641 |
| Grant drawdowns receivable (general purpose school fund) | 4 | 4 |
| Grant drawdowns prior to meeting all eligibility requirements (public law 93-830 fund) | - | 233 |
| | <u>\$ 38,147</u> | <u>37,484</u> |
| Total deferred / unearned revenue for governmental funds | | |

Property taxes which are delinquent at year end are earned but not available. The tax year 2003 property taxes are unearned and unavailable, but are recorded as receivable on the levy date, as described in Note 1.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets

Capital asset activity for the year ended June 30, 2003 was as follows:

Primary government

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Adjustments</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|--------------------|---------------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 10,143 | - | - | 612 | 10,755 |
| Construction in Progress | 17,967 | 6,312 | (3,987) | - | 20,292 |
| Total capital assets, not being depreciated | <u>28,110</u> | <u>6,312</u> | <u>(3,987)</u> | <u>612</u> | <u>31,047</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 83,703 | 3,022 | - | (1,267) | 85,458 |
| Improvements other than buildings | 9,138 | 342 | - | - | 9,480 |
| Equipment | 25,657 | 1,633 | (315) | 347 | 27,322 |
| Software | 144 | - | - | - | 144 |
| Infrastructure | 253,357 | 624 | - | - | 253,981 |
| Total capital assets, being depreciated | <u>371,999</u> | <u>5,621</u> | <u>(315)</u> | <u>(920)</u> | <u>376,385</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (21,969) | (4,637) | - | - | (26,606) |
| Improvements other than buildings | (2,915) | (639) | - | - | (3,554) |
| Equipment | (14,714) | (1,459) | 295 | - | (15,878) |
| Software | (51) | (29) | - | - | (80) |
| Infrastructure | (68,956) | (4,775) | - | - | (73,731) |
| Total accumulated depreciation | <u>(108,605)</u> | <u>(11,539)</u> | <u>295</u> | <u>-</u> | <u>(119,849)</u> |
| Total capital assets, being depreciated, net | <u>263,394</u> | <u>(5,918)</u> | <u>(20)</u> | <u>(920)</u> | <u>256,536</u> |
| Governmental activities capital assets, net | <u>\$ 291,504</u> | <u>394</u> | <u>(4,007)</u> | <u>(308)</u> | <u>287,583</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets (continued)

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Adjustments</u> | <u>Ending</u> <u>Balance</u> |
|---|------------------------------------|------------------|------------------|--------------------|---------------------------------|
| Business-type activities: | | | | | |
| Capital assets, not being depreciated | | | | | |
| <i>Water</i> | | | | | |
| Land | \$ 640 | - | - | - | 640 |
| Construction in Progress | 5,762 | 6,871 | (1,218) | - | 11,415 |
| <i>Sewer</i> | | | | | |
| Land | 516 | - | - | - | 516 |
| Construction in Progress | 14,857 | 4,547 | (9,021) | - | 10,383 |
| <i>Solid waste management</i> | | | | | |
| Land | 1,308 | - | - | - | 1,308 |
| <i>Meadowview Conference Resort and Convention Center</i> | | | | | |
| Land | 1,515 | - | - | - | 1,515 |
| Construction in Progress | - | 9 | - | - | 9 |
| <i>Cattails at Meadowview Golf Course</i> | | | | | |
| Land | <u>982</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>982</u> |
| Total capital assets, not being depreciated | <u>25,580</u> | <u>11,427</u> | <u>(10,239)</u> | <u>-</u> | <u>26,768</u> |
| Capital assets, being depreciated | | | | | |
| <i>Water</i> | | | | | |
| Buildings and system | 55,856 | 1,099 | - | - | 56,955 |
| Equipment and machinery | 1,321 | 8 | (28) | - | 1,301 |
| <i>Sewer</i> | | | | | |
| Buildings and system | 98,402 | 9,605 | - | - | 108,007 |
| Equipment and machinery | 995 | 41 | - | - | 1,036 |
| <i>Solid waste management</i> | | | | | |
| Buildings and system | 144 | - | - | - | 144 |
| Improvements other than Buildings | 1,790 | - | - | - | 1,790 |
| Equipment and machinery | 19 | - | - | - | 19 |
| <i>Meadowview Conference Resort and Convention Center</i> | | | | | |
| Buildings | 21,788 | - | - | (252) | 21,536 |
| Improvements other than Buildings | 95 | 42 | - | - | 137 |
| Equipment | 852 | - | - | - | 852 |
| <i>Cattails at Meadowview Golf Course</i> | | | | | |
| Buildings | 1,158 | - | - | - | 1,158 |
| Improvements other than Buildings | 5,958 | - | - | 13 | 5,971 |
| Equipment | <u>400</u> | <u>18</u> | <u>(12)</u> | <u>-</u> | <u>406</u> |
| Total capital assets, being depreciated | <u>188,778</u> | <u>10,813</u> | <u>(40)</u> | <u>(239)</u> | <u>199,312</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets (continued)

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Adjustments</u> | <u>Ending</u> <u>Balance</u> |
|---|------------------------------------|------------------|------------------|--------------------|---------------------------------|
| Less accumulated depreciation for: | | | | | |
| <i>Water</i> | | | | | |
| Buildings and system | (20,943) | (1,277) | - | - | (22,220) |
| Equipment and machinery | (1,001) | (47) | 27 | - | (1,021) |
| <i>Sewer</i> | | | | | |
| Buildings and system | (28,898) | (2,510) | - | - | (31,408) |
| Equipment and machinery | (873) | (38) | - | - | (911) |
| <i>Solid waste management</i> | | | | | |
| Buildings and system | (44) | (3) | - | - | (47) |
| Improvements other than Buildings | (462) | (125) | - | - | (587) |
| Equipment and machinery | (15) | (2) | - | - | (17) |
| <i>Meadowview Conference Resort</i> <i>and Convention Center</i> | | | | | |
| Buildings | (2,400) | (527) | - | - | (2,927) |
| Improvements other than Buildings | (38) | (12) | - | - | (50) |
| Equipment | (539) | (131) | - | - | (670) |
| <i>Cattails at Meadowview Golf Course</i> | | | | | |
| Buildings | (117) | (28) | - | - | (145) |
| Improvements other than Buildings | (870) | (221) | - | (13) | (1,104) |
| Equipment | (344) | (31) | 11 | - | (364) |
| Total accumulated depreciation | <u>(56,544)</u> | <u>(4,952)</u> | <u>38</u> | <u>(13)</u> | <u>(61,471)</u> |
| Total capital assets, being depreciated, net | <u>132,234</u> | <u>5,861</u> | <u>(2)</u> | <u>(252)</u> | <u>137,841</u> |
| Business-type activities capital assets, net | <u>\$ 157,814</u> | <u>17,288</u> | <u>(10,241)</u> | <u>(252)</u> | <u>164,609</u> |

Adjustments were primarily to record assets previously disposed of or which had not been previously recorded.

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--|------------------|
| Governmental activities: | |
| General government | \$ 275 |
| Economic and Physical Development | 250 |
| Public safety | 761 |
| Public Works | 4,926 |
| Culture and recreation | 1,195 |
| Education | <u>4,132</u> |
| Total depreciation expense – governmental activities | <u>\$ 11,539</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets (continued)

| | |
|---|---------------------|
| Business-type activities: | |
| Water | \$ 1,324 |
| Sewer | 2,548 |
| Solid waste management | 130 |
| Meadowview Conference Resort and Convention Center | 670 |
| Cattails at Meadowview Golf Course | <u>280</u> |
| Total depreciation expense – business-type activities | <u>\$ 4,952</u> |

Construction commitments

The City has active construction projects as of June 30, 2003. The governmental projects of the City are reflected in the capital projects fund and the City has provided funding for the future commitments in the amount of \$6,534 through bonded debt and local funding. In the proprietary funds, funding for construction projects has been provided and is in segregated deposit and investment accounts totaling \$13,200. Except for projects which are shared with counties or the State of Tennessee, the City could terminate any project at their discretion.

Discretely presented component units

Activity for the IDBK for the year ended June 30, 2003, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets, being depreciated: | | | | |
| Signs | \$ 31 | 20 | - | 51 |
| Improvements other than Buildings | <u>20</u> | <u>-</u> | <u>-</u> | <u>20</u> |
| Total capital assets, being depreciated | <u>51</u> | <u>20</u> | <u>-</u> | <u>71</u> |
| Less accumulated depreciation for: | | | | |
| Signs | (20) | (3) | - | (23) |
| Improvements other than Buildings | <u>(19)</u> | <u>(1)</u> | <u>-</u> | <u>(20)</u> |
| Total accumulated depreciation | <u>(39)</u> | <u>(4)</u> | <u>-</u> | <u>(43)</u> |
| Total capital assets being depreciated, net | <u>12</u> | <u>16</u> | <u>-</u> | <u>28</u> |
| IDBK capital assets, net | <u>\$ 12</u> | <u>16</u> | <u>=</u> | <u>28</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets (continued)

Activity for the ECD for the year ended June 30, 2003, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets, being depreciated: | | | | |
| Equipment | \$ <u>147</u> | <u>63</u> | - | <u>210</u> |
| Total capital assets, being depreciated | <u>147</u> | <u>63</u> | - | <u>210</u> |
| Less accumulated depreciation for: | | | | |
| Equipment | <u>(41)</u> | <u>(20)</u> | - | <u>(61)</u> |
| Total accumulated depreciation | <u>(41)</u> | <u>(20)</u> | - | <u>(61)</u> |
| Total capital assets being depreciated, net | <u>106</u> | <u>43</u> | - | <u>149</u> |
| ECD capital assets, net | \$ <u>106</u> | <u>43</u> | - | <u>149</u> |

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2003, is as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------------|---|-----------------|
| general (major) | community development (nonmajor) | \$ 179 |
| | special revenue general projects (nonmajor) | 17 |
| | criminal forfeiture (nonmajor) | 23 |
| | Cattails at Meadowview Golf Course (major) | 3,078 |
| | urban mass transportation administration (nonmajor) | 90 |
| | state street aid (nonmajor) | 31 |
| | regional sales tax (nonmajor) | 355 |
| General purpose school (major) | school food and nutrition services (nonmajor) | 70 |
| | school local projects (nonmajor) | <u>179</u> |
| Total | | <u>\$ 4,022</u> |

Due to/from primary government and component units:

| <u>Receivable Entity</u> | <u>Payable Entity</u> | <u>Amount</u> |
|-----------------------------------|-----------------------|---------------|
| Primary government – General Fund | Component unit - IDBK | \$ 11 |
| Primary government – Sewer Fund | Component unit - IDBK | 14 |
| Primary government – Water Fund | Component unit - IDBK | <u>11</u> |
| Total | | <u>\$ 36</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Interfund receivables, payables, and transfers (continued)

Interfund transfers:

| Transfer Out: | Transfer in: | | | | | | | | | | Total | |
|---|-----------------------------|---|-----------------------|----------------------------|-----------------------------|--|------------------------|-----------------------|--------------|-------------------|-------|----------------------------------|
| | General Purpose School Fund | Urban Mass Transportation Administration Fund | State Street Aid Fund | Local Law Enforcement Fund | Solid Waste Management Fund | Meadowview Conference Resort and Convention Center | Fleet Maintenance Fund | Capital Projects Fund | General Fund | Debt Service Fund | | Special Revenue General Projects |
| General Fund | \$ 13,123 | 131 | 543 | 1 | 2,535 | - | - | 2,809 | 25 | 3,185 | 37 | 22,389 |
| General Purpose School Fund | - | - | - | - | - | - | - | 447 | - | 5,793 | - | 6,240 |
| Urban Mass Transportation Administration Fund | - | - | - | - | - | - | 51 | 245 | - | - | - | 296 |
| Regional Sales Tax Revenue Fund | - | - | - | - | - | 2,449 | - | - | 1,300 | - | - | 3,749 |
| Special School Project Fund | 5 | - | - | - | - | - | - | - | - | - | - | 5 |
| Criminal Forfeiture Fund | - | - | - | 25 | - | - | - | - | - | - | - | 25 |
| Drug Fund | - | - | - | 29 | - | - | - | - | - | - | - | 29 |
| Allandale Fund | - | - | - | - | - | - | - | - | 2 | - | - | 2 |
| Fleet Maintenance Fund | - | - | - | - | - | - | - | - | 31 | - | - | 31 |
| Water Fund | - | - | - | - | - | - | 15 | - | 1,202 | - | - | 1,217 |
| Sewer Fund | - | - | - | - | - | - | - | - | 780 | - | - | 780 |
| Totals | \$ 13,128 | 131 | 543 | 55 | 2,535 | 2,449 | 66 | 3,501 | 3,340 | 8,978 | 37 | 34,763 |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt

In prior years, the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in an escrow account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2003, the following bonds outstanding are considered to be defeased:

| <u>Date of Refunding</u> | | <u>Amount</u> | <u>Issues Refunded</u> |
|--------------------------|--|------------------|------------------------|
| 11/01/98 | General Obligation | \$ 13,745 | 1991, 1992, 1994 |
| 11/01/98 | Sewer System Revenue | 4,505 | 1992, 1992, 1994 |
| 11/01/98 | Water System Revenue | 1,950 | 1991, 1994 |
| 11/01/98 | Taxable Industrial Park General Obligation | 620 | 1989 |
| 04/01/99 | General Obligation | 2,410 | 1991, 1992, 1994 |
| 04/01/02 | Convention Center General Obligation | 9,280 | 1992 |
| 08/28/02 | General Obligation | <u>7,010</u> | 1993, 1997 |
| | Total | \$ <u>39,520</u> | |

Governmental Activities:

Notes Payable:

General obligation notes currently outstanding and the funds from which they will be paid are as follows:

| <u>General Fund:</u> | <u>Date Issued</u> | <u>Amount Issued</u> | <u>Interest Rate</u> | <u>Outstanding June 30, 2003</u> |
|----------------------|--------------------|----------------------|----------------------|----------------------------------|
| Capital Outlay Note | 8/1/00 | 279 | 5.2827 to 5.3316% | \$ 140 |
| Capital Outlay Note | 5/1/03 | 4,000 | 1.7500% | <u>4,000</u> \$ <u>4,140</u> |

Capital Outlay Note payable issued August 1, 2000 debt service requirements to maturity are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|------------------|-----------------|--------------|
| 2004 | \$ 70 | 7 | 77 |
| 2005 | <u>70</u> | <u>4</u> | <u>74</u> |
| | \$ <u>140</u> | <u>11</u> | <u>151</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt

Notes Payable (continued):

Capital Outlay Note payable issued May 1, 2003 debt service requirements to maturity are as follows:

| Fiscal Year <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|--------------|
| 2004 | \$ <u>4,000</u> | <u>41</u> | <u>4,041</u> |
| | \$ <u>4,000</u> | <u>41</u> | <u>4,041</u> |

The City also issued a Note Payable with the State of Tennessee as a Loan for Qualified Zone Academy Projects. This note was issued in November 1999 for \$414 with a maturity date of November 11, 2011. Annual principal payments are \$34 and the interest is variable. As of June 30, 2003, \$310 is outstanding.

Bonds Payable:

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The general obligation bonds issued for business-type activities have been reflected in the appropriate enterprise fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding and to be repaid by governmental activities are as follows:

| <u>Debt Service Fund</u> | <u>Interest Payable Dates</u> | <u>Issue Date</u> | <u>Amount Authorized and Issued</u> | <u>Interest Rates</u> | <u>Outstanding June 30, 2003</u> |
|-----------------------------------|---------------------------------------|-----------------------|---|---------------------------|--------------------------------------|
| 1993 Public Improvement Refunding | 8/1,2/1 | 04/01/93 | 21,688 | 4.620%-5.125% | \$ 3,644 |
| 1997 Public Improvement | 1/7,7/1 | 02/01/97 | 13,450 | 4.150%-5.200% | 4,455 |
| 1998 Taxable Industrial Park | 3/1,9/1 | 11/01/98 | 1,635 | 5.160%-5.680% | 625 |
| 1998 General Obligation Refunding | 3/1,9/1 | 11/01/98 | 14,700 | 4.000%-5.000% | 14,165 |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

| <u>Debt Service Fund</u> | <u>Interest Payable Dates</u> | <u>Issue Date</u> | <u>Amount Authorized and Issued</u> | <u>Interest Rates</u> | <u>Outstanding June 30, 2003</u> |
|---|---------------------------------------|-----------------------|---|---------------------------|--------------------------------------|
| 1999 General Obligation Refunding and Improvement Bonds | 3/1,9/1 | 04/01/99 | 5,975 | 4.000%-4.500% | 4,965 |
| 1999 General Obligation Refunding and Improvement Bonds | 3/1,9/1 | 04/01/99 | 9,560 | 4.000% | 2,420 |
| 1999 General Obligation Bonds | 3/1,9/1 | 10/01/99 | 2,035 | 4.600%-5.500% | 1,735 |
| 2000 General Obligation Bonds | 3/1, 9/1 | 11/21/00 | 1,630 | 4.450%-5.100% | 1,455 |
| 2001 General Obligation Bonds | 4/1, 10/1 | 11/06/01 | 2,620 | 2.300%-4.650% | 2,470 |
| 2002A General Obligation Refunding Bonds | 1/1, 7/1 | 08/28/02 | 12,500 | 4.000%-4.500% | <u>12,500</u> |
| Total General Obligation Bonds | | | | | \$ <u>48,434</u> |

General Obligation Public Improvement Refunding Bonds issued April 1, 1993, debt service requirements to maturity are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|------------------|-----------------|--------------|
| 2004 | \$ 1,936 | 136 | 2,072 |
| 2005 | <u>1,708</u> | <u>44</u> | <u>1,752</u> |
| | <u>\$ 3,644</u> | <u>180</u> | <u>3,824</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

General Obligation Public Improvement Bonds issued February 1, 1997, debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2004 | \$ 1,035 | 196 | 1,231 |
| 2005 | 1,085 | 144 | 1,229 |
| 2006 | 1,140 | 88 | 1,228 |
| 2007 | <u>1,195</u> | <u>30</u> | <u>1,225</u> |
| | <u>\$ 4,455</u> | <u>458</u> | <u>4,913</u> |

Taxable Industrial Park Bonds issued November 1, 1998, debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2004 | \$ 300 | 27 | 327 |
| 2005 | <u>325</u> | <u>9</u> | <u>334</u> |
| | <u>\$ 625</u> | <u>36</u> | <u>661</u> |

General Obligation Refunding Bonds issued November 1, 1998, debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|---------------|
| 2004 | \$ 545 | 646 | 1,191 |
| 2005 | 3,420 | 558 | 3,978 |
| 2006 | 5,725 | 353 | 6,078 |
| 2007 | 2,810 | 154 | 2,964 |
| 2008 | <u>1,665</u> | <u>42</u> | <u>1,707</u> |
| | <u>\$ 14,165</u> | <u>1,753</u> | <u>15,918</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2003
 (amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

General Obligation Refunding and Improvement Bonds dated April 1, 1999, debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|------------------|-----------------|--------------|
| 2004 | \$ 365 | 213 | 578 |
| 2005 | 380 | 198 | 578 |
| 2006 | 395 | 183 | 578 |
| 2007 | 410 | 167 | 577 |
| 2008 | 430 | 150 | 580 |
| 2009 | 445 | 133 | 578 |
| 2010 | 465 | 114 | 579 |
| 2011 | 485 | 93 | 578 |
| 2012 | 505 | 72 | 577 |
| 2013 | 530 | 49 | 579 |
| 2014 | <u>555</u> | <u>24</u> | <u>579</u> |
| | <u>\$ 4,965</u> | <u>1,396</u> | <u>6,361</u> |

General Obligation Refunding and Improvement Bonds dated April 1, 1999, debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|------------------|-----------------|--------------|
| 2004 | \$ <u>2,420</u> | <u>97</u> | <u>2,517</u> |
| | <u>\$ 2,420</u> | <u>97</u> | <u>2,517</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
 (amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

General Obligation Bonds issued October 1, 1999 debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2004 | \$ 110 | 88 | 198 |
| 2005 | 115 | 83 | 198 |
| 2006 | 120 | 78 | 198 |
| 2007 | 125 | 72 | 197 |
| 2008 | 130 | 66 | 196 |
| 2009 | 135 | 60 | 195 |
| 2010 | 145 | 53 | 198 |
| 2011 | 150 | 46 | 196 |
| 2012 | 160 | 38 | 198 |
| 2013 | 170 | 30 | 200 |
| 2014 | 175 | 20 | 195 |
| 2015 | <u>200</u> | <u>11</u> | <u>211</u> |
| | \$ <u>1,735</u> | <u>645</u> | <u>2,380</u> |

General Obligation Bonds issued November 21, 2000, debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2004 | \$ 95 | 71 | 166 |
| 2005 | 95 | 66 | 161 |
| 2006 | 100 | 62 | 162 |
| 2007 | 105 | 57 | 162 |
| 2008 | 110 | 52 | 162 |
| 2009 | 115 | 47 | 162 |
| 2010 | 125 | 42 | 167 |
| 2011 | 130 | 36 | 166 |
| 2012 | 135 | 29 | 164 |
| 2013 | 140 | 23 | 163 |
| 2014 | 150 | 16 | 166 |
| 2015 | <u>155</u> | <u>8</u> | <u>163</u> |
| | \$ <u>1,455</u> | <u>509</u> | <u>1,964</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
 (amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

General Obligation Bonds issued November 6, 2001, debt service requirements to maturity are as follows:

| Fiscal Year <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|--------------|
| 2004 | \$ 150 | 98 | 248 |
| 2005 | 155 | 94 | 249 |
| 2006 | 160 | 88 | 248 |
| 2007 | 175 | 82 | 257 |
| 2008 | 175 | 75 | 250 |
| 2009 | 180 | 68 | 248 |
| 2010 | 185 | 61 | 246 |
| 2011 | 195 | 53 | 248 |
| 2012 | 200 | 46 | 246 |
| 2013 | 210 | 38 | 248 |
| 2014 | 220 | 29 | 249 |
| 2015 | 225 | 20 | 245 |
| 2016 | <u>240</u> | <u>10</u> | <u>250</u> |
| | \$ <u>2,470</u> | <u>762</u> | <u>3,232</u> |

General Obligation Bonds issued August 28, 2002, debt service requirements to maturity are as follows:

| Fiscal Year <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|---------------|
| 2004 | \$ - | 528 | 528 |
| 2005 | - | 527 | 527 |
| 2006 | - | 528 | 528 |
| 2007 | 2,500 | 478 | 2,978 |
| 2008 | 4,500 | 337 | 4,837 |
| 2009 | <u>5,500</u> | <u>124</u> | <u>5,624</u> |
| | \$ <u>12,500</u> | <u>2,522</u> | <u>15,022</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

Total annual debt service requirements for General Obligation Bonds are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|------------------|--------------|---------------|
| 2004 | \$ 6,956 | 2,100 | 9,056 |
| 2005 | 7,283 | 1,723 | 9,006 |
| 2006 | 7,640 | 1,380 | 9,020 |
| 2007 | 7,320 | 1,040 | 8,360 |
| 2008 | 7,010 | 722 | 7,732 |
| Next Five Years | 10,305 | 1,255 | 11,560 |
| Next Five Years | <u>1,920</u> | <u>138</u> | <u>2,058</u> |
| | <u>\$ 48,434</u> | <u>8,358</u> | <u>56,792</u> |

Business Activities:

Bonds and notes issued for the acquisition of facilities for the enterprise funds and to be paid from enterprise funds are recorded in the applicable enterprise fund. Bonds of utility districts acquired by the City are reported in the appropriate fund. Maturities on July 1 are considered as maturing on the preceding June 30th.

Notes Payable:

General obligation notes currently outstanding and the funds from which they will be paid are as follows:

| | Date Issued | Amount Issued | Interest Rate | Outstanding June 30, 2003 |
|-----------------------------------|----------------|------------------|------------------|------------------------------|
| <u>Water Fund:</u> | | | | |
| Note Payable – Colonial Heights | | | | |
| Customers | 9/23/85 | 3,000 | - | \$ 210 |
| State Revolving Loan – DWF#98-009 | 3/25/98 | 2,000 | 3.675% | 1,881 |
| <u>Sewer Fund:</u> | | | | |
| State Revolving Loan – SRF#96-088 | 3/28/96 | 6,600 | 4.067% | 5,953 |
| State Revolving Loan – SRF#98-119 | 2/28/99 | 2,419 | 3.50% | 2,152 |
| State Revolving Loan – SRF#99-123 | 6/28/99 | 2,781 | 3.50% | 2,508 |
| State Revolving Loan – SRF#00-140 | 7/1/00 | 1,220 | 4.21% | <u>342</u> |
| Total | | | | <u>\$ 13,046</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Notes Payable (continued):

Note payable to City of Johnson City, Tennessee for Colonial Heights customers issued September 23, 1985, debt service requirements to maturity are as follows:

| Fiscal Year <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|--------------|
| 2004 | \$ 70 | - | 70 |
| 2005 | 70 | - | 70 |
| 2006 | <u>70</u> | <u>-</u> | <u>70</u> |
| | <u>\$ 210</u> | <u>-</u> | <u>210</u> |

The City has entered into agreements for revolving credit lines with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide 15 year financing for the following projects:

A \$2,000 line to provide for water system improvements, consisting of the replacement of water lines along Sevier Avenue.

| Fiscal Year <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|--------------|
| 2004 | \$ 102 | 67 | 169 |
| 2005 | 105 | 64 | 169 |
| 2006 | 109 | 60 | 169 |
| 2007 | 113 | 56 | 169 |
| 2008 | 118 | 51 | 169 |
| 2009 | 122 | 47 | 169 |
| 2010 | 127 | 42 | 169 |
| 2011 | 131 | 38 | 169 |
| 2012 | 136 | 33 | 169 |
| 2013 | 141 | 28 | 169 |
| 2014 | 147 | 22 | 169 |
| 2015 | 152 | 17 | 169 |
| 2016 | 158 | 11 | 169 |
| 2017 | 164 | 5 | 169 |
| 2018 | <u>56</u> | <u>1</u> | <u>57</u> |
| | <u>\$ 1,881</u> | <u>542</u> | <u>2,423</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Notes Payable (continued):

A \$6,600 line to provide for all or a portion of a wastewater facility project including various sewer improvements to correct the inflow/infiltration problems as required by an agreed order entered on May 18, 1995, with the Tennessee Water Quality Control Board.

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2004 | \$ 352 | 236 | 588 |
| 2005 | 366 | 221 | 587 |
| 2006 | 382 | 206 | 588 |
| 2007 | 397 | 190 | 587 |
| 2008 | 414 | 173 | 587 |
| 2009 | 431 | 156 | 587 |
| 2010 | 449 | 139 | 588 |
| 2011 | 468 | 120 | 588 |
| 2012 | 486 | 101 | 587 |
| 2013 | 507 | 80 | 587 |
| 2014 | 528 | 59 | 587 |
| 2015 | 550 | 37 | 587 |
| 2016 | 573 | 15 | 588 |
| 2017 | <u>50</u> | <u>2</u> | <u>52</u> |
| | <u>\$ 5,953</u> | <u>1,735</u> | <u>7,688</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Notes Payable (continued):

A \$2,419 line to provide for the repair and replacement of sewer lines throughout the Mad Branch sewer shed and along Sevier Avenue.

| Fiscal Year Ending June 30 | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|------------------|-----------------|--------------|
| 2004 | \$ 115 | 75 | 190 |
| 2005 | 118 | 70 | 188 |
| 2006 | 122 | 66 | 188 |
| 2007 | 127 | 62 | 189 |
| 2008 | 131 | 57 | 188 |
| 2009 | 136 | 52 | 188 |
| 2010 | 141 | 48 | 189 |
| 2011 | 146 | 42 | 188 |
| 2012 | 151 | 37 | 188 |
| 2013 | 157 | 32 | 189 |
| 2014 | 162 | 26 | 188 |
| 2015 | 168 | 20 | 188 |
| 2016 | 174 | 14 | 188 |
| 2017 | 181 | 8 | 189 |
| 2018 | <u>123</u> | <u>2</u> | <u>125</u> |
| | <u>\$ 2,152</u> | <u>611</u> | <u>2,763</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Notes Payable (continued):

A \$2,781 line to provide for sewer improvements.

| Fiscal Year <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|--------------|
| 2004 | \$ 119 | 87 | 206 |
| 2005 | 133 | 83 | 216 |
| 2006 | 138 | 78 | 216 |
| 2007 | 143 | 73 | 216 |
| 2008 | 148 | 68 | 216 |
| 2009 | 153 | 63 | 216 |
| 2010 | 159 | 57 | 216 |
| 2011 | 165 | 51 | 216 |
| 2012 | 171 | 45 | 216 |
| 2013 | 177 | 39 | 216 |
| 2014 | 184 | 32 | 216 |
| 2015 | 189 | 27 | 216 |
| 2016 | 196 | 20 | 216 |
| 2017 | 204 | 12 | 216 |
| 2018 | 212 | 4 | 216 |
| 2019 | <u>17</u> | <u>1</u> | <u>18</u> |
| | <u>\$ 2,508</u> | <u>740</u> | <u>3,248</u> |

In addition to the above loans, the City has one revolving credit line which is still being drawn against for projects which are not yet complete. At current, the City is making interest payments only. Principal payments will begin upon substantial completion of the projects.

A \$1,220 line to provide for the sanitary sewer system was approved at 4.24%.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Notes Payable (continued):

Total annual debt service requirements to maturity for enterprise fund long-term debt notes payable are as follows:

| Fiscal Year Ending June 30 | Principal | Interest ¹ | Total |
|-------------------------------|------------------|-----------------------|---------------|
| 2004 | \$ 758 | 465 | 1,223 |
| 2005 | 792 | 438 | 1,230 |
| 2006 | 821 | 410 | 1,231 |
| 2007 | 780 | 381 | 1,161 |
| 2008 | 811 | 349 | 1,160 |
| Next Five Years | 4,554 | 1,250 | 5,804 |
| Next Five Years | 4,172 | 334 | 4,506 |
| Thereafter | <u>358</u> | <u>1</u> | <u>359</u> |
| | <u>\$ 13,046</u> | <u>3,628</u> | <u>16,674</u> |

¹The interest calculation for the State Revolving Loan is based on the outstanding balance at year end for the item listed above. It is unknown at this time when the city will begin principal payments. Therefore, the entire \$342 is included in the "thereafter" information.

Bonds Payable:

General obligation bonds to be repaid from enterprise funds currently outstanding and the funds from which they will be paid are as follows:

| | Interest Payable Dates | Issue Date | Amount Authorized and Issued | Interest Rates | Outstanding June 30, 2003 |
|---|------------------------------|---------------|---------------------------------------|-------------------|------------------------------|
| <u>MeadowView Conference</u> | | | | | |
| <u>Resort and Convention</u> | | | | | |
| <u>Center Fund:</u> | | | | | |
| 2002 General Obligation Refunding Bond | 4/1,10/1 | 4/25/02 | 9,585 | 3.50%-5.00% | <u>9,440</u> |
| Total MeadowView Conference Resort and Convention Center Fund (before deferred debt refunding costs \$180) | | | | | <u>\$ 9,440</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

| | <u>Interest Payable Dates</u> | <u>Issue Date</u> | <u>Amount Authorized and Issued</u> | <u>Interest Rates</u> | <u>Outstanding June 30, 2003</u> |
|---|-------------------------------|-------------------|-------------------------------------|-----------------------|----------------------------------|
| <u>Cattails at MeadowView Golf Course Fund:</u> | | | | | |
| 1995 Golf Course-TMBF | Monthly | 5/22/95 | 4,750 | Variable | \$ 3,138 |
| 1998 Golf Course-TMBF | Monthly | 1998 | 1,450 | Variable | <u>1,385</u> |
| Total Cattails at MeadowView Golf Course Fund | | | | | <u>\$ 4,523</u> |
| <u>Water Fund:</u> | | | | | |
| 1965 Waterworks | 11/1,5/1 | 05/22/65 | 275 | 4.30%-5.00% | \$ 15 |
| 1978 Waterworks | 1/1,7/1 | 04/06/78 | 450 | 5.00% | 255 |
| 1993 Water System Improvement Refunding | 8/1,2/1 | 04/01/93 | 8,272 | 4.40%-5.125% | 1,586 |
| 1994 Water System Improvement | 12/1,6/1 | 12/01/93 | 1,710 | 5.80%-6.20% | 340 |
| 1997 Water System Improvement | 1/1,7/1 | 02/01/97 | 1,710 | 4.00%-5.20% | 1,220 |
| 1998 Water Refunding | 3/1,9/1 | 11/01/98 | 2,145 | 4.00%-4.125% | 2,020 |
| 1999 Water Refunding and Improvement | 3/1,9/1 | 04/1/99 | 2,820 | 4.00%-4.65% | 2,340 |
| 1999 Water System Improvement | 3/1,9/1 | 10/1/99 | 6,120 | 4.60%-5.50% | 5,210 |
| 2001 Water System Improvement | 4/1,10/1 | 11/6/01 | 2,140 | 2.30%-4.65% | 2,015 |
| 2002 Water and Sewer Revenue and Tax Bonds | 6/1,12/1 | 12/12/02 | 2,725 | 3.00%-4.35% | <u>2,725</u> |
| Total Water Fund (before deferred debt refunding costs of \$67) | | | | | <u>\$17,726</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

| | <u>Interest Payable Dates</u> | <u>Issue Date</u> | <u>Amount Authorized and Issued</u> | <u>Interest Rates</u> | <u>Outstanding June 30, 2003</u> |
|--|---------------------------------------|-----------------------|---|---------------------------|--------------------------------------|
| <u>Sewer Fund:</u> | | | | | |
| 1992 Sewer System Improvement | 3/1,9/1 | 9/1/92 | 4,800 | 4.90%-5.90% | \$ 370 |
| 1993 Sewer System Improvement Refunding | 8/1,2/1 | 4/1/93 | 10,250 | 4.40%-5.125% | 1,780 |
| 1994 Sewer System Improvement | 12/1,6/1 | 12/1/93 | 4,225 | 5.70%-6.30% | 600 |
| 1997 Sewer System Improvement | 1/1,7/1 | 2/1/97 | 3,815 | 4.00%-5.20% | 2,735 |
| 1998 Sewer Refunding | 3/1,9/1 | 11/1/98 | 4,880 | 4.00%-5.00% | 4,675 |
| 1999 Sewer Refunding | 3/1,9/1 | 4/1/99 | 3,155 | 4.00%-4.65% | 2,620 |
| 1999 Sewer System Improvement | 3/1,9/1 | 10/1/99 | 10,245 | 4.60%-5.50% | 8,725 |
| 2000 Sewer System Improvement | 3/1,9/1 | 11/21/00 | 635 | 4.45%-5.10% | 565 |
| 2001 Sewer System Improvement | 4/1,10/1 | 11/6/01 | 2,790 | 2.30%-4.65% | 2,630 |
| 2002 Water and Sewer Revenue and Tax Bonds | 6/1,12/1 | 12/12/02 | 5,275 | 3.00%-4.35% | <u>5,275</u> |
| Total Sewer Fund (before deferred debt refunding costs of \$184) | | | | | \$ <u>29,975</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
 (amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

MeadowView Conference Resort and Convention Center Bonds issued April 25, 2002, debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|---------------|
| 2004 | \$ 1,750 | 350 | 2,100 |
| 2005 | 1,810 | 287 | 2,097 |
| 2006 | 1,880 | 218 | 2,098 |
| 2007 | 1,955 | 141 | 2,096 |
| 2008 | <u>2,045</u> | <u>51</u> | <u>2,096</u> |
| | \$ <u>9,440</u> | <u>1,047</u> | <u>10,487</u> |

Payments on the Cattails at MeadowView Golf Course TMBF bonds issued in 1995 totaling \$4,750 and in 1998 totaling \$1,450 are made to the State monthly. These bonds mature in 2011 and 2017, respectively.

The interest rate on the Tennessee Municipal Bond Fund Golf Course Bonds is variable monthly based upon the current rate determined by the remarketing agent plus 1.25% not to exceed the maximum amount allowed by law. Due to this, the principal debt service requirement to maturity for both of these bonds is as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>TMBF Series</u> | | <u>Total</u> |
|---|--------------------|--------------|--------------|
| | <u>1998</u> | <u>1995</u> | |
| 2004 | \$ 68 | 323 | 391 |
| 2005 | 72 | 341 | 413 |
| 2006 | 76 | 360 | 436 |
| 2007 | 80 | 379 | 459 |
| 2008 | 85 | 400 | 485 |
| 2009 | 89 | 421 | 510 |
| 2010 | 94 | 445 | 539 |
| 2011 | 99 | 469 | 568 |
| 2012 | 105 | - | 105 |
| 2013 | 110 | - | 110 |
| 2014 | 117 | - | 117 |
| 2015 | 123 | - | 123 |
| 2016 | 130 | - | 130 |
| 2017 | <u>137</u> | <u>-</u> | <u>137</u> |
| | \$ <u>1,385</u> | <u>3,138</u> | <u>4,523</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

Tri-County Utility District Bonds issued May 1965 debt service requirements to maturity are as follows:

| Fiscal Year <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|--------------|
| 2004 | \$ <u>15</u> | <u>1</u> | <u>16</u> |
| | \$ <u>15</u> | <u>1</u> | <u>16</u> |

Note: The City assumed the operation and all related assets and liabilities of the Tri-County Utility District on May 1, 1977.

Fall Branch Utility District Bonds issued April 6, 1978, debt service requirements to maturity are as follows:

| Fiscal Year <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|--------------|
| 2004 | \$ 15 | 12 | 27 |
| 2005 | 15 | 12 | 27 |
| 2006 | 15 | 11 | 26 |
| 2007 | 15 | 10 | 25 |
| 2008 | 15 | 9 | 24 |
| 2009 | 20 | 9 | 29 |
| 2010 | 20 | 8 | 28 |
| 2011 | 20 | 7 | 27 |
| 2012 | 20 | 5 | 25 |
| 2013 | 20 | 4 | 24 |
| 2014 | 25 | 3 | 28 |
| 2015 | 25 | 2 | 27 |
| 2016 | <u>30</u> | <u>1</u> | <u>31</u> |
| | \$ <u>255</u> | <u>93</u> | <u>348</u> |

Note: The City assumed the operation and all related assets and liabilities of the Fall Branch Utility District on April 16, 1990.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

Water System Improvement Refunding Bonds issued April 1, 1993, debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2004 | \$ 874 | 58 | 932 |
| 2005 | <u>712</u> | <u>19</u> | <u>731</u> |
| | \$ <u>1,586</u> | <u>77</u> | <u>1,663</u> |

Water System Improvement Bonds issued December 1, 1993, debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2004 | \$ <u>340</u> | <u>10</u> | <u>350</u> |
| | \$ <u>340</u> | <u>10</u> | <u>350</u> |

Water System Improvement Bonds issued February 1, 1997, debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2004 | \$ 110 | 62 | 172 |
| 2005 | 115 | 56 | 171 |
| 2006 | 120 | 50 | 170 |
| 2007 | 130 | 44 | 174 |
| 2008 | 135 | 38 | 173 |
| 2009 | 140 | 31 | 171 |
| 2010 | 150 | 24 | 174 |
| 2011 | 155 | 17 | 172 |
| 2012 | <u>165</u> | <u>9</u> | <u>174</u> |
| | \$ <u>1,220</u> | <u>331</u> | <u>1,551</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

Water Revenue and Tax Refunding Bonds, Series 1998, issued November 1, 1998, debt service requirements to maturity are as follows:

| Fiscal Year <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|--------------|
| 2004 | \$ 310 | 76 | 386 |
| 2005 | 675 | 56 | 731 |
| 2006 | 705 | 28 | 733 |
| 2007 | <u>330</u> | <u>7</u> | <u>337</u> |
| | <u>\$ 2,020</u> | <u>167</u> | <u>2,187</u> |

Water Fund portion of General Obligation Refunding and Improvement Bonds, Series 1999, issued April 1, 1999 debt service requirements to maturity are as follows:

| Fiscal Year <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|--------------|
| 2004 | \$ 170 | 100 | 270 |
| 2005 | 180 | 94 | 274 |
| 2006 | 185 | 86 | 271 |
| 2007 | 195 | 79 | 274 |
| 2008 | 200 | 71 | 271 |
| 2009 | 210 | 63 | 273 |
| 2010 | 220 | 54 | 274 |
| 2011 | 230 | 44 | 274 |
| 2012 | 240 | 34 | 274 |
| 2013 | 250 | 23 | 273 |
| 2014 | <u>260</u> | <u>11</u> | <u>271</u> |
| | <u>\$ 2,340</u> | <u>659</u> | <u>2,999</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

1999 Water System Improvement Bonds, Series 1999 issued October 1, 1999, debt service requirements to maturity are as follows:

| Fiscal Year <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|--------------|
| 2004 | \$ 330 | 265 | 595 |
| 2005 | 345 | 249 | 594 |
| 2006 | 360 | 233 | 593 |
| 2007 | 375 | 217 | 592 |
| 2008 | 395 | 199 | 594 |
| 2009 | 415 | 179 | 594 |
| 2010 | 435 | 158 | 593 |
| 2011 | 460 | 136 | 596 |
| 2012 | 485 | 113 | 598 |
| 2013 | 510 | 87 | 597 |
| 2014 | 535 | 60 | 595 |
| 2015 | <u>565</u> | <u>31</u> | <u>596</u> |
| | <u>\$ 5,210</u> | <u>1,927</u> | <u>7,137</u> |

2002 Water System Improvement Bonds, Series 2001 issued November 6, 2001, debt service requirements to maturity are as follows:

| Fiscal Year <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|--------------|
| 2004 | \$ 125 | 80 | 205 |
| 2005 | 130 | 76 | 206 |
| 2006 | 130 | 71 | 201 |
| 2007 | 140 | 67 | 207 |
| 2008 | 140 | 61 | 201 |
| 2009 | 145 | 55 | 200 |
| 2010 | 150 | 50 | 200 |
| 2011 | 160 | 44 | 204 |
| 2012 | 165 | 37 | 202 |
| 2013 | 170 | 31 | 201 |
| 2014 | 180 | 24 | 204 |
| 2015 | 185 | 16 | 201 |
| 2016 | <u>195</u> | <u>8</u> | <u>203</u> |
| | <u>\$ 2,015</u> | <u>620</u> | <u>2,635</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

Water and Sewer Revenue and Tax Bonds, Series 2002 issued December 12, 2002, debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|-----------------|------------|--------------|
| 2004 | \$ 155 | 103 | 258 |
| 2005 | 160 | 97 | 257 |
| 2006 | 165 | 92 | 257 |
| 2007 | 170 | 87 | 257 |
| 2008 | 175 | 82 | 257 |
| 2009 | 180 | 76 | 256 |
| 2010 | 195 | 70 | 265 |
| 2011 | 200 | 62 | 262 |
| 2012 | 205 | 54 | 259 |
| 2013 | 210 | 46 | 256 |
| 2014 | 215 | 38 | 253 |
| 2015 | 220 | 29 | 249 |
| 2016 | 235 | 20 | 255 |
| 2017 | 240 | 10 | 250 |
| | <u>\$ 2,725</u> | <u>866</u> | <u>3,591</u> |

Sewer System Improvement Bonds issued September 1, 1992, debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|---------------|-----------|------------|
| 2004 | \$ 370 | 10 | 380 |
| | <u>\$ 370</u> | <u>10</u> | <u>380</u> |

Sewer System Improvement Refunding Bonds issued April 1, 1993, debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|-----------------|-----------|--------------|
| 2004 | \$ 1,115 | 62 | 1,177 |
| 2005 | 665 | 17 | 682 |
| | <u>\$ 1,780</u> | <u>79</u> | <u>1,859</u> |

CITY OF KINGSPORT, TENNESSEE
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2003
 (amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

Sewer System Improvement Bonds issued December 1, 1993, debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|---------------|-----------|------------|
| 2004 | \$ <u>600</u> | <u>18</u> | <u>618</u> |
| | \$ <u>600</u> | <u>18</u> | <u>618</u> |

Sewer System Improvement Bonds issued February 1, 1997, debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|-----------------|------------|--------------|
| 2004 | \$ 245 | 138 | 383 |
| 2005 | 260 | 126 | 386 |
| 2006 | 270 | 113 | 383 |
| 2007 | 285 | 99 | 384 |
| 2008 | 300 | 85 | 385 |
| 2009 | 315 | 70 | 385 |
| 2010 | 335 | 55 | 390 |
| 2011 | 355 | 38 | 393 |
| 2012 | <u>370</u> | <u>19</u> | <u>389</u> |
| | \$ <u>2,735</u> | <u>743</u> | <u>3,478</u> |

Sewer Revenue and Tax Refunding Bonds Series 1998 issued November 1, 1998, debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|-----------------|------------|--------------|
| 2004 | \$ 235 | 204 | 439 |
| 2005 | 1,265 | 168 | 1,433 |
| 2006 | 1,325 | 109 | 1,434 |
| 2007 | 1,385 | 51 | 1,436 |
| 2008 | <u>465</u> | <u>10</u> | <u>475</u> |
| | \$ <u>4,675</u> | <u>542</u> | <u>5,217</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

The Sewer portion of the General Obligation Bonds, Series 1999 issued April 1, 1999, debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2004 | \$ 195 | 112 | 307 |
| 2005 | 200 | 105 | 305 |
| 2006 | 210 | 97 | 307 |
| 2007 | 215 | 88 | 303 |
| 2008 | 225 | 79 | 304 |
| 2009 | 235 | 70 | 305 |
| 2010 | 245 | 60 | 305 |
| 2011 | 255 | 49 | 304 |
| 2012 | 265 | 38 | 303 |
| 2013 | 280 | 26 | 306 |
| 2014 | <u>295</u> | <u>13</u> | <u>308</u> |
| | \$ <u>2,620</u> | <u>737</u> | <u>3,357</u> |

The Sewer portion of the General Obligation Bonds, Series 1999 issued October 1, 1999, debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|---------------|
| 2004 | \$ 550 | 444 | 994 |
| 2005 | 575 | 418 | 993 |
| 2006 | 605 | 391 | 996 |
| 2007 | 635 | 363 | 998 |
| 2008 | 665 | 332 | 997 |
| 2009 | 695 | 300 | 995 |
| 2010 | 730 | 265 | 995 |
| 2011 | 770 | 228 | 998 |
| 2012 | 810 | 188 | 998 |
| 2013 | 850 | 146 | 996 |
| 2014 | 895 | 100 | 995 |
| 2015 | <u>945</u> | <u>52</u> | <u>997</u> |
| | \$ <u>8,725</u> | <u>3,227</u> | <u>11,952</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

The Sewer portion of the General Obligation Bonds, Series 2000 issued November 21, 2000, debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2004 | \$ 35 | 27 | 62 |
| 2005 | 40 | 26 | 66 |
| 2006 | 40 | 24 | 64 |
| 2007 | 40 | 22 | 62 |
| 2008 | 45 | 20 | 65 |
| 2009 | 45 | 18 | 63 |
| 2010 | 45 | 16 | 61 |
| 2011 | 50 | 14 | 64 |
| 2012 | 50 | 11 | 61 |
| 2013 | 55 | 9 | 64 |
| 2014 | 60 | 6 | 66 |
| 2015 | <u>60</u> | <u>3</u> | <u>63</u> |
| | <u>\$ 565</u> | <u>196</u> | <u>761</u> |

Sewer System Improvement Bonds, Series 2001 issued November 6, 2001, debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2004 | \$ 160 | 105 | 265 |
| 2005 | 165 | 100 | 265 |
| 2006 | 170 | 94 | 264 |
| 2007 | 185 | 87 | 272 |
| 2008 | 185 | 80 | 265 |
| 2009 | 190 | 72 | 262 |
| 2010 | 200 | 65 | 265 |
| 2011 | 205 | 57 | 262 |
| 2012 | 215 | 49 | 264 |
| 2013 | 220 | 40 | 260 |
| 2014 | 230 | 31 | 261 |
| 2015 | 240 | 22 | 262 |
| 2016 | <u>265</u> | <u>12</u> | <u>277</u> |
| | <u>\$ 2,630</u> | <u>814</u> | <u>3,444</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Bonds Payable (continued):

Water and Sewer Revenue and Tax Bonds, Series 2002 issued December 12, 2002, debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2004 | \$ 300 | 200 | 500 |
| 2005 | 315 | 188 | 503 |
| 2006 | 320 | 178 | 498 |
| 2007 | 330 | 169 | 499 |
| 2008 | 340 | 158 | 498 |
| 2009 | 350 | 147 | 497 |
| 2010 | 365 | 135 | 500 |
| 2011 | 380 | 121 | 501 |
| 2012 | 395 | 106 | 501 |
| 2013 | 405 | 90 | 495 |
| 2014 | 420 | 74 | 494 |
| 2015 | 430 | 57 | 487 |
| 2016 | 455 | 40 | 495 |
| 2017 | <u>470</u> | <u>20</u> | <u>490</u> |
| | <u>\$ 5,275</u> | <u>1,683</u> | <u>6,958</u> |

Total annual debt service requirements for enterprise fund revenue bonds, excluding the interest requirements on the TML bonds totaling \$4,523 are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|---------------|
| 2003 | \$ 8,390 | 2,775 | 11,165 |
| 2004 | 8,040 | 2,435 | 10,475 |
| 2005 | 6,936 | 2,155 | 9,091 |
| 2006 | 6,844 | 1,910 | 8,754 |
| 2007 | 5,815 | 1,675 | 7,490 |
| Next Five Years | 17,457 | 5,369 | 22,826 |
| Next Five Years | <u>8,182</u> | <u>683</u> | <u>8,865</u> |
| | <u>\$ 61,664</u> | <u>17,002</u> | <u>78,666</u> |

The total on the balance sheet has been reduced by deferred debt refunding costs of \$251.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term debt (continued)

Advance and Current Refundings

The City issued \$12,500 of Series 2002A General Obligation Refunding Bonds to provide resources that were placed in an irrevocable trust for the purpose of generating resources for the future debt service payments of \$7,010 on the City's outstanding Series 1993 and 1997 General Obligation Bonds. As a result, the refunded bonds are considered to be defeased. The reacquisition price exceeded the net carrying amount of the old debt by \$305. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt which is the same as the life of the new debt issued in the basic financials. This advance refunding was undertaken to reduce the total debt service payments over the next six years by \$370 and resulted in an economic gain of \$298.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2003, was as follows:

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending</u> <u>Balance</u> | <u>Due within</u> <u>One Year</u> |
|---|------------------------------------|------------------|-------------------|---------------------------------|--------------------------------------|
| Governmental activities: | | | | | |
| General Obligation Debt | \$ 54,766 | 12,500 | 18,832 | 48,434 | 6,956 |
| Capital Outlay Note | - | 4,000 | - | 4,000 | 4,000 |
| Capital Outlay Note | 209 | - | 69 | 140 | 70 |
| Notes Payable-State | <u>345</u> | <u>-</u> | <u>35</u> | <u>310</u> | <u>34</u> |
| Totals | <u>\$ 55,320</u> | <u>16,500</u> | <u>18,936</u> | <u>52,884</u> | <u>11,060</u> |
| Business-type activities: | | | | | |
| General Obligation Debt | \$ 62,043 | - | 8,379 | 53,664 | 7,935 |
| Water and Sewer Tax Revenue Bonds | - | 8,000 | - | 8,000 | 455 |
| Less: deferred amounts for refunding | <u>(487)</u> | <u>-</u> | <u>(179)</u> | <u>(308)</u> | <u>-</u> |
| Total Bonds Payable | 61,556 | 8,000 | 8,200 | 61,356 | 8,390 |
| State Revolving Notes | 11,139 | 2,031 | 334 | 12,836 | 688 |
| Consolidated Utility Payable | <u>280</u> | <u>-</u> | <u>70</u> | <u>210</u> | <u>70</u> |
| Totals | <u>\$ 72,975</u> | <u>10,031</u> | <u>8,604</u> | <u>74,402</u> | <u>9,148</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Closure and postclosure costs

The City operates a demolition landfill with a remaining life of approximately 70 years. Upon closure, federal and state laws require the landfill to be monitored for two years at the City's expense. Based upon information received from the State of Tennessee, the expected postclosure costs are immaterial to the solid waste management fund and therefore have not been recorded. The demolition landfill does not fall under the same monitoring guidelines as a sanitation landfill.

5. OTHER INFORMATION:

A. Risk management

The City carries insurance coverage through the Tennessee Municipal League (TML) Risk Management Pool for general liability, automobile, and errors and omissions coverage. Although TML is a risk management pool and the policy contains an assessment clause, no assessment has been levied during the time the City has participated in this program. The City's workers' compensation coverage is self-funded and administered by Tri-State Claims Service. The City carries a specific excess workers' compensation reinsurance agreement through Midwest Employers Casualty Company. The City carries additional coverage for public officials and other employees through U.S. Fidelity and Guaranty Company and property insurance through Cincinnati Insurance Company, Allianz, and Commercial Union. There has been no significant reduction in insurance coverage from the prior year, and the City has not had any settlements in the last three years, which were not covered by insurance. For the period July 1, 2002 to July 1, 2003 policy period, the City received a rebate from TML of \$96.

In addition to the above insurance, the City provides medical insurance to current employees and post-employment health care benefits through the State of Tennessee through December 31, 2002. Effective January 1, 2003 medical insurance was provided through a self funded health insurance plan for City employees. School system employee's benefits continued to be provided through the State of Tennessee. The State funds this health insurance program and charges member municipalities and counties a specified premium amount per employee. Participants pay premiums as determined by the City based on the State's specified premium amount. The State carries stop-loss insurance based on all member municipalities and counties as a whole.

A reconciliation of workers' compensation claims for the past two years are as follows:

| | <u>Year Ended</u> <u>June 30, 2003</u> | <u>Year Ended</u> <u>June 30, 2002</u> |
|---------------------------|---|---|
| Claims Accrued, Beginning | \$ 78 | 48 |
| Claims Incurred | 544 | 488 |
| Claims Paid | <u>(517)</u> | <u>(458)</u> |
| Claims Accrued, Ending | \$ <u>105</u> | <u>78</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

5. OTHER INFORMATION (CONTINUED):

A. Risk management (continued)

The City's estimate of claims accrued at year-end is based on actual claims paid during July, multiplied by a factor of three, which is used as the estimate for August and September.

B. Prior period adjustments

| | |
|---|-----------|
| <u>Government-wide governmental activities:</u> | |
| Fixed assets and depreciation expense | \$(1,471) |
| <u>Water fund:</u> | |
| Construction project expense | 39 |
| <u>Meadowview Conference Resort and Convention Center fund:</u> | |
| Reimbursement of construction costs | (252) |
| <u>Cattails at Meadowview Golf Course fund:</u> | |
| Legal fees | 14 |

The fixed assets and depreciation expense of government-wide governmental activities were adjusted in the current year in the amount of \$(1,471) for internal service fund depreciation expense and adjustments resulting from the closure of certain long-term construction projects.

The water fund was adjusted in the current year in the amount of \$39 for a construction project expense that was recorded twice in fiscal year 2002.

The Meadowview Conference Resort and Convention Center fund was adjusted in the current year in the amount of \$(252) for a reimbursement of construction costs that were not appropriately recorded as revenue in the year received.

The Cattails at Meadowview Golf Course fund was adjusted in the current year in the amount of \$14 for legal fees that were not appropriately expensed in the year incurred.

C. Subsequent Events

In December 2003, the City sold \$7,950 of General Obligation Bonds, Series 2003, for the purpose of (a) financing certain public works projects, consisting of school improvements within the City and the construction and improvement of recreational facilities within the City, including additional ball fields, the acquisition of all other property real and personal, connected with such work, and to pay legal fiscal, administrative and engineering costs, (b) prepaying the outstanding principal of, and paying interest on, that certain \$4,000 General Obligation Capital Outlay Note, Series 2003, dated May 1, 2003, the proceeds of which were used for the purpose of financing the construction and improvement of recreational facilities within the City, and (c) paying costs incident to the issuance and sale of the General Obligation Bonds.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

5. OTHER INFORMATION (CONTINUED):

C. Subsequent Events (continued)

The City also sold \$5,900 of Water and Sewer System Revenue and Tax Bonds, Series 2003, for the purpose of financing the costs of public works projects, consisting of the construction, erection, repair, improvement, and extension of the water and sewer systems of the City, the acquisition of all property, real and personal, connected with such work, and to pay legal, administrative, and engineering costs, and to pay costs incident to the issuance and sale of the Water and Sewer Bonds.

D. Contingencies

Primary government

The City has recorded an arbitrage rebate liability in the water fund, sewer fund and general fund. The bonds, through 2000, have been independently reviewed and it has been determined that no arbitrage rebate liability exists for those years. At June 30, 2003 the water fund and sewer fund had arbitrage rebate liabilities recorded of \$172 and \$298, respectively. These arbitrage rebate liabilities are not directly related to any bond issue however, are recorded in anticipation of future liabilities. At June 30, 2003 the general fund has an arbitrage rebate liability of \$145 recorded. This is an estimation of the amount that will be due for the 1997, March 1999 and October 2000 issues.

The City attorney advises that there are no known cases pending against the City, which would not be covered by insurance. The City has entered into several construction contracts in the various funds, which were not completed at year-end. To account for these liabilities, the City reserves a portion of fund balance in the appropriate governmental fund. In the proprietary funds, the City internally designates a portion of retained earnings.

The City received an "Agreed Order & Assessment" from the State of Tennessee dated May 18, 1995, concerning the inflow and infiltration systems of the City's sewer system. The City must be in full compliance by 2011. The estimated total cost of the project is \$25,000. Currently, the City has a strict schedule for the project to be completed in phases. Each phase has a deadline that the City must meet to avoid a \$20 fine. Thus far, all deadlines have been met. The City is funding the project with a State Revolving Loan, which is recorded in the sewer fund.

Discretely presented component units

The IDBK is contingently liable to the City for \$3,417. The liability is contingent upon sales of land in the Northeast Tennessee Business Park as stated in Resolutions No. 91-111 and 90-86. There is no stated maturity date and the City has no collateral in the land.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

5. OTHER INFORMATION (CONTINUED):

D. Contingencies (continued)

Discretely presented component units (continued)

The IDBK issued \$6,140 Multifamily Housing Revenue Bonds, Series 2003A and \$100 Multifamily Housing Revenue Bonds, Series 2003B. The bond proceeds were disbursed directly to a non-profit organization (NPO) which will use the funds to finance the acquisition and rehabilitation of a 257-unit multifamily housing project located in Kingsport, Tennessee. The bonds are secured by assignment of the revenue from the project, in accordance with an agreement between the IDBK and the NPO, which was created for the specific purpose of acquiring the operating the aforementioned project. The said project and related liability are on the NPO's books. The NPO is responsible for making the bond payments. However, in the event that the NPO defaulted, the IDBK would have to pay off the bonds if they wanted to retain the project. As of June 30, 2003, \$6,240 was outstanding on these bonds.

E. Post-employment health care benefits

The BMA has provided for post-employment health care benefits. All employees (including schools) who retire before the age of 65 receive the same health care benefits, at the same cost as current active employees. Currently, the City pays 70% of the lowest premium and the retiree is responsible for the remaining 30%. For employees that retire after attaining the age of 65, the City and Schools purchase a Medicare supplement at no cost to the retiree. All terminated employees, other than retirees, are eligible to continue coverage at their cost under COBRA regulations, which is administered through the State of Tennessee health plan (through December 31, 2003) and after January 1, 2003 through John Deere as part of the City's change to self-insurance. As of June 30, 2003, there were approximately 420 retirees. For the year ended June 30, 2003, approximately \$520 was paid for post-retirement benefits by the City. The City funds the plan on a pay-as-you-go basis. The School retirees are covered under the State of Tennessee Local Education Health Insurance Plan with a portion of the premium reimbursed by the State.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

5. OTHER INFORMATION (CONTINUED):

F. Pension plan

Plan description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding policy

The City has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.00% of annual covered payroll.

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2003 was 11.45% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

5. OTHER INFORMATION (CONTINUED):

F. Pension plan (continued)

Annual pension cost

For the year ending June 30, 2003, the City's annual pension cost of \$3,247 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2001 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.50% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.00 % annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2001 was 14 years.

Trend Information

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-----------------------------------|--|--|---------------------------------------|
| June 30, 2003 | \$3,247 | 100.00% | \$ - |
| June 30, 2002 | 2,424 | 100.00% | - |
| June 30, 2001 | 2,332 | 100.00% | - |

Required supplementary information

Schedule of Funding Progress for Kingsport

| | (a) | (b) | (b) - (a) | (a/b) | (c) | ((b-a)/c) |
|---|--|--|------------------------------------|-------------------------|----------------------------|---|
| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a % of Covered Payroll</u> |
| July 01, 2001 | \$ 91,035 | 101,307 | 10,272 | 89.86% | 26,519 | 38.73% |
| July 01, 1999 | 80,976 | 86,815 | 5,839 | 93.27% | 25,256 | 23.12% |
| June 30, 1997 | 69,883 | 69,883 | - | 100.00% | 23,145 | 0.0% |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

5. OTHER INFORMATION (CONTINUED):

F. Pension plan (continued)

Plan description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding policy

Most teachers are required by state statute to contribute 5.00% of salary to the plan. The employer contribution rate for City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2003 was 3.40% of annual covered payroll. The employer contribution requirement for City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2003, 2002, and 2001 were, \$813, \$862, \$814, respectively, equal to the required contributions for each year.

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
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5. OTHER INFORMATION (CONTINUED):

G. Joint Ventures:

Tri-Cities Airport

Tri-Cities Airport (the Airport) is jointly governed by representatives of Johnson City; Kingsport; Bristol, Tennessee; Bristol, Virginia and Washington and Sullivan Counties, Tennessee. The City initially contributed 20 percent of the start-up costs of the Airport in 1934 and has not contributed further since 1967. The City is represented by two of the Airport's twelve commissioners. The Airport prepares its own separate financial statements. The participating governments do not record any balances for the Airport. If the Airport ceased operations, disposition of its net assets would be controlled by the Federal Aviation Administration. The City would not be guaranteed a return of its initial investments or subsequent retained earnings.

Complete financial statements for the individual joint venture may be obtained at the administrative offices of:

Tri-Cities Airport Commission
P.O. Box 1055
Blountville, TN 37617

Audited information as of June 30, 2003 is presented below:

| | <u>Tri-Cities Airport Commission</u> |
|-----------------------|--|
| Operating Revenues | \$ 5,232 |
| Operating Expenses | (4,784) |
| Depreciation | (2,137) |
| Amortization | (6) |
| Other Income | 287 |
| Capital Contributions | <u>2,175</u> |
| Change in Net Assets | 767 |
| Net Assets, July 1 | <u>35,899</u> |
| Net Assets, June 30 | \$ <u>36,666</u> |
| | |
| Total Assets | \$ 43,772 |
| Total Liabilities | <u>(7,106)</u> |
| Total Net Assets | \$ <u>36,666</u> |

CITY OF KINGSPORT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

5. OTHER INFORMATION (CONTINUED):

G. Joint Ventures (continued)

Phipps Bend Joint Venture

The IDBK entered into a joint venture with the Hawkins County Industrial Development Board (HCIDB) to purchase and develop land known as Phipps Bend for industrial purposes.

According to the Joint Venture Agreement, HCIDB shall have an 80% interest and IDBK shall have a 20% interest in the profit and losses of the Joint Venture. However, each Venturer shall have an equal 50% right to control, manage, operate and otherwise deal with the Joint Venture in all matters and respects. A separate capital account is maintained for each Venturer. No Venturer shall withdraw any part of its original or additional capital account without the express written agreement of both parties respectively. IDBK's investment in the Phipps Bend Joint Venture is valued as follows:

| | |
|--|---------------|
| Note Receivable from Phipps Bend Venture | \$ 535 |
| 20% interest in capital of Phipps Bend Joint Venture | <u>201</u> |
| Total Investment | \$ <u>736</u> |

H. Economic dependency

A material portion of the City's property tax revenue is derived from one taxpayer, the loss of which would have a material effect on the City. During the tax years ended December 31, 2002 and 2001, the taxes assessed on the above mentioned taxpayer accounted for approximately 30% and 27%, respectively, of total property taxes assessed.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2003
 (amounts expressed in thousands)

| | Special Revenue Funds | | | | | | | Total Special Revenue Funds | Capital Project Industrial Development Fund | Permanent Fund Allandale Trust Fund | Total Nonmajor Governmental Funds |
|---------------------------------------|----------------------------------|---|---------------------------|-------------------------|----------------------------------|--------------------|--------------------------------------|--------------------------------------|---|---|--|
| | Community Development Fund | Special Revenue General Projects Fund | Public Safety Funds | Transportation Funds | Culture & Recreation Funds | Education Funds | Total Special Revenue Funds | | | | |
| ASSETS: | | | | | | | | | | | |
| Cash in Bank | - | - | 7 | - | - | 755 | 762 | - | 9 | 771 | |
| Equity in Pooled Cash and Investments | - | - | 268 | - | - | 141 | 409 | 13 | - | 422 | |
| Long-Term Certificates of Deposit | - | - | - | - | - | 199 | 199 | - | - | 199 | |
| Investments | - | - | 169 | - | 1,738 | 55 | 1,962 | - | 145 | 2,107 | |
| Accounts Receivable, net | - | 3 | - | 4 | - | - | 7 | - | - | 7 | |
| Due from Other Governments | 207 | 9 | - | 417 | 472 | 690 | 1,795 | - | - | 1,795 | |
| Inventories | - | - | - | - | - | 74 | 74 | - | - | 74 | |
| Total Assets | 207 | 12 | 444 | 421 | 2,210 | 1,914 | 5,208 | 13 | 154 | 5,375 | |

LIABILITIES AND FUND BALANCES:

| | | | | | | | | | | | |
|-------------------------------------|--------|-----|-----|-------|-------|-------|-------|----|-----|-------|--|
| Liabilities: | | | | | | | | | | | |
| Accounts Payable | 19 | - | - | 149 | 2 | 26 | 196 | - | - | 196 | |
| Due to Other Funds | 179 | 17 | 23 | 121 | 355 | 249 | 944 | - | - | 944 | |
| Deferred Revenue | - | - | - | - | - | 233 | 233 | - | - | 233 | |
| Total Liabilities | 198 | 17 | 23 | 270 | 357 | 508 | 1,373 | - | - | 1,373 | |
| Fund Balances: | | | | | | | | | | | |
| Reserved for Encumbrances | - | - | 165 | 357 | - | 158 | 680 | - | - | 680 | |
| Reserved for Inventories | - | - | - | - | - | 74 | 74 | - | - | 74 | |
| Reserved for Perpetual Care | - | - | - | - | - | (33) | - | - | 154 | 154 | |
| Reserved for Projects | - | - | 51 | - | - | 1,207 | 18 | - | - | 18 | |
| Unreserved, Undesignated | 9 | (5) | 205 | (206) | 1,853 | 1,207 | 3,063 | 13 | - | 3,076 | |
| Total Fund Balances | 9 | (5) | 421 | 151 | 1,853 | 1,406 | 3,835 | 13 | 154 | 4,002 | |
| Total Liabilities and Fund Balances | \$ 207 | 12 | 444 | 421 | 2,210 | 1,914 | 5,208 | 13 | 154 | 5,375 | |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | Special Revenue Funds | | | | | | | Total Special Revenue Funds | Capital Project | Permanent Fund | Total Nonmajor Governmental Funds |
|--|----------------------------------|---|---------------------------|-------------------------|----------------------------------|--------------------|--------------------------------------|--------------------------------------|--------------------|-------------------|--|
| | Community Development Fund | Special Revenue General Projects Fund | Public Safety Funds | Transportation Funds | Culture & Recreation Funds | Education Funds | Total Special Revenue Funds | | | | |
| REVENUES: | | | | | | | | | | | |
| Federal Government | \$ 519 | 132 | 69 | 441 | - | 3,931 | 5,092 | - | - | 5,092 | |
| State Government | 43 | - | - | 1,570 | 2,860 | 630 | 5,103 | - | - | 5,103 | |
| Charges for Services | - | - | - | 49 | 15 | 1,393 | 1,457 | - | - | 1,457 | |
| Fines and Forfeitures | - | - | 109 | - | - | - | 109 | - | - | 109 | |
| Investment Earnings | - | - | 3 | - | 33 | 14 | 50 | - | 2 | 52 | |
| Contributions and Donations | - | 10 | - | - | 24 | 218 | 252 | - | - | 252 | |
| Total Revenues | 562 | 142 | 181 | 2,060 | 2,932 | 6,186 | 12,063 | - | 2 | 12,065 | |
| EXPENDITURES: | | | | | | | | | | | |
| General and Administrative | - | 166 | 3 | - | - | - | 169 | - | - | 169 | |
| School Food Service | - | - | - | - | - | 2,445 | 2,445 | - | - | 2,445 | |
| School Federal Projects | - | - | - | - | - | 2,538 | 2,538 | - | - | 2,538 | |
| Economic and Physical Development | 534 | - | - | - | - | - | 534 | - | - | 534 | |
| Public Safety | - | - | 44 | - | - | - | 44 | - | - | 44 | |
| Highway Transportation Planning | - | - | - | 2,366 | - | - | 2,366 | - | - | 2,366 | |
| Culture and Recreation | - | - | - | - | 21 | - | 21 | - | - | 21 | |
| Education | - | - | - | - | - | 741 | 741 | - | - | 741 | |
| Capital Outlay | 30 | - | 130 | 38 | - | 206 | 404 | - | - | 404 | |
| Total Expenditures | 564 | 166 | 177 | 2,404 | 21 | 5,930 | 9,262 | - | - | 9,262 | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (2) | (24) | 4 | (344) | 2,911 | 256 | 2,801 | - | 2 | 2,803 | |
| OTHER FINANCING SOURCES (USES) - | | | | | | | | | | | |
| Operating Transfers | - | 37 | - | 378 | (3,749) | (5) | (3,339) | - | (2) | (3,341) | |
| Net Change in Fund Balances | (2) | 13 | 4 | 34 | (838) | 251 | (538) | - | - | (538) | |
| Fund Balances, July 1, 2002 | 11 | (18) | 417 | 117 | 2,691 | 1,155 | 4,373 | 13 | 154 | 4,540 | |
| Fund Balances, June 30, 2003 | \$ 9 | (5) | 421 | 151 | 1,853 | 1,406 | 3,835 | 13 | 154 | 4,002 | |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - PUBLIC SAFETY

June 30, 2003

(amounts expressed in thousands)

| | <u>Criminal Forfeiture Fund</u> | <u>Drug Fund</u> | <u>Local Law Enforcement Fund</u> | <u>Total Public Safety Funds</u> |
|---------------------------------------|---|----------------------|---|--|
| <u>ASSETS:</u> | | | | |
| Cash in Bank | - | 7 | - | 7 |
| Equity in Pooled Cash and Investments | - | 207 | 61 | 268 |
| Investments | 26 | - | 143 | 169 |
| Total Assets | <u>26</u> | <u>214</u> | <u>204</u> | <u>444</u> |

LIABILITIES AND FUND BALANCES:

| | | | | |
|-------------------------------------|--------------|------------|------------|------------|
| <u>Liabilities:</u> | | | | |
| Due to Other Funds | 23 | - | - | 23 |
| Total Liabilities | <u>23</u> | <u>-</u> | <u>-</u> | <u>23</u> |
| <u>Fund Balances:</u> | | | | |
| Reserved for Encumbrances | - | 9 | 156 | 165 |
| Reserved for Projects | 3 | - | 48 | 51 |
| Unreserved, Undesignated | - | 205 | - | 205 |
| Total Fund Balances | <u>3</u> | <u>214</u> | <u>204</u> | <u>421</u> |
| Total Liabilities and Fund Balances | <u>\$ 26</u> | <u>214</u> | <u>204</u> | <u>444</u> |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - PUBLIC SAFETY

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | <u>Criminal Forfeiture Fund</u> | <u>Drug Fund</u> | <u>Local Law Enforcement Fund</u> | <u>Total Public Safety Funds</u> |
|---|---|----------------------|---|--|
| <u>REVENUES:</u> | | | | |
| Federal Government | \$ - | - | 69 | 69 |
| Fines and Forfeitures | - | 109 | - | 109 |
| Investment Earnings | 1 | - | 2 | 3 |
| <u>Total Revenues</u> | <u>1</u> | <u>109</u> | <u>71</u> | <u>181</u> |
| <u>EXPENDITURES:</u> | | | | |
| General and Administrative | - | 3 | - | 3 |
| Public Safety | - | 44 | - | 44 |
| Capital Outlay | - | 77 | 53 | 130 |
| <u>Total Expenditures</u> | <u>-</u> | <u>124</u> | <u>53</u> | <u>177</u> |
| Excess of Revenues Over Expenditures | 1 | (15) | 18 | 4 |
| <u>OTHER FINANCING SOURCES (USES) -</u> | | | | |
| Operating Transfers | (25) | (29) | 54 | - |
| Net Change in Fund Balances | (24) | (44) | 72 | 4 |
| Fund Balance, July 1, 2002 | 27 | 258 | 132 | 417 |
| Fund Balance, June 30, 2003 | <u>\$ 3</u> | <u>214</u> | <u>204</u> | <u>421</u> |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - TRANSPORTATION

June 30, 2003

(amounts expressed in thousands)

| | Urban Mass Transportation Administration Fund | State Street Aid Fund | Total Transportation Funds |
|----------------------------|--|--------------------------|----------------------------------|
| ASSETS: | | | |
| Accounts Receivable, net | \$ 4 | - | 4 |
| Due from Other Governments | 197 | 220 | 417 |
| Total Assets | <u>201</u> | <u>220</u> | <u>421</u> |

LIABILITIES AND FUND BALANCES:

| | | | |
|-------------------------------------|---------------|------------|------------|
| Accounts Payable | 6 | 143 | 149 |
| Due to Other Funds | 90 | 31 | 121 |
| Total Liabilities | <u>96</u> | <u>174</u> | <u>270</u> |
| Fund Balances: | | | |
| Reserved for Encumbrances | 260 | 97 | 357 |
| Unreserved, Undesignated | (155) | (51) | (206) |
| Total Fund Balances | <u>105</u> | <u>46</u> | <u>151</u> |
| Total Liabilities and Fund Balances | <u>\$ 201</u> | <u>220</u> | <u>421</u> |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - TRANSPORTATION

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | <u>Urban Mass Transportation Administration Fund</u> | <u>State Street Aid Fund</u> | <u>Total Transportation Funds</u> |
|---|--|----------------------------------|---|
| <u>REVENUES:</u> | | | |
| Federal Government | 441 | - | 441 |
| State Government | 314 | 1,256 | 1,570 |
| Charges for Services | 49 | - | 49 |
| | | | |
| Total Revenues | 804 | 1,256 | 2,060 |
| | | | |
| <u>EXPENDITURES:</u> | | | |
| Highway Transportation Planning | 578 | 1,788 | 2,366 |
| Capital Outlay | 27 | 11 | 38 |
| | | | |
| Total Expenditures | 605 | 1,799 | 2,404 |
| | | | |
| Deficiency of Revenues Under Expenditures | 199 | (543) | (344) |
| | | | |
| <u>OTHER FINANCING SOURCES -</u> | | | |
| Operating Transfers | (165) | 543 | 378 |
| | | | |
| Net Change in Fund Balances | 34 | - | 34 |
| | | | |
| Fund Balance, July 1, 2002 | 71 | 46 | 117 |
| | | | |
| Fund Balance, June 30, 2003 | \$ 105 | 46 | 151 |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CULTURE AND RECREATION
 June 30, 2003

(amounts expressed in thousands)

| | Regional Sales Tax Revenue Fund | Steadman Cemetery Trust Fund | Public Library Commission Fund | Bays Mountain Fund | Senior Citizens Advisory Board Fund | Total Culture & Recreation Funds |
|----------------------------|--|---------------------------------------|---|--------------------------|--|---|
| <u>ASSETS:</u> | | | | | | |
| Investments | \$ 1,614 | 16 | 15 | 83 | 10 | 1,738 |
| Due from Other Governments | 472 | - | - | - | - | 472 |
| Total Assets | <u>2,086</u> | <u>16</u> | <u>15</u> | <u>83</u> | <u>10</u> | <u>2,210</u> |

LIABILITIES AND FUND BALANCES:

| | | | | | | |
|-------------------------------------|-----------------|-----------|-----------|-----------|-----------|--------------|
| <u>Liabilities:</u> | | | | | | |
| Accounts Payable | - | - | - | - | 2 | 2 |
| Due to Other Funds | 355 | - | - | - | - | 355 |
| Total Liabilities | <u>355</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2</u> | <u>357</u> |
| <u>Fund Balances -</u> | | | | | | |
| Unreserved, Undesignated | 1,731 | 16 | 15 | 83 | 8 | 1,853 |
| Total Fund Balances | <u>1,731</u> | <u>16</u> | <u>15</u> | <u>83</u> | <u>8</u> | <u>1,853</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,086</u> | <u>16</u> | <u>15</u> | <u>83</u> | <u>10</u> | <u>2,210</u> |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CULTURE AND RECREATION

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | Regional Sales Tax Revenue Fund | Steadman Cemetery Trust Fund | Public Library Commission Fund | Bays Mountain Fund | Senior Citizens Advisory Board Fund | Total Culture & Recreation Funds |
|--|--|---------------------------------------|---|--------------------------|--|---|
| <u>REVENUES:</u> | | | | | | |
| State Government | \$ 2,860 | - | - | - | - | 2,860 |
| Charges for Services | - | - | - | - | 15 | 15 |
| Investment Earnings | 32 | - | - | 1 | - | 33 |
| Contributions and Donations | - | - | - | 22 | 2 | 24 |
| Total Revenues | <u>2,892</u> | <u>-</u> | <u>-</u> | <u>23</u> | <u>17</u> | <u>2,932</u> |
| <u>EXPENDITURES -</u> | | | | | | |
| Culture and Recreation | - | - | 4 | 5 | 12 | 21 |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>4</u> | <u>5</u> | <u>12</u> | <u>21</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,892 | - | (4) | 18 | 5 | 2,911 |
| <u>OTHER FINANCING USES -</u> | | | | | | |
| Operating Transfers | (3,749) | - | - | - | - | (3,749) |
| Net Change in Fund Balances | (857) | - | (4) | 18 | 5 | (838) |
| Fund Balance, July 1, 2002 | <u>2,588</u> | <u>16</u> | <u>19</u> | <u>65</u> | <u>3</u> | <u>2,691</u> |
| Fund Balance, June 30, 2003 | <u>\$ 1,731</u> | <u>16</u> | <u>15</u> | <u>83</u> | <u>8</u> | <u>1,853</u> |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EDUCATION

June 30, 2003

(amounts expressed in thousands)

| ASSETS: | School Food & Nutrition Services | Special School Projects Fund | Public Law 93-380 Fund | Purvis Soccer Building Fund | Palmer Center Fund | Total Education Funds |
|---------------------------------------|--|------------------------------------|------------------------------|-----------------------------------|--------------------------|-----------------------------|
| Cash in Bank | \$ 755 | - | - | - | - | 755 |
| Equity in Pooled Cash and Investments | - | - | 3 | 138 | - | 141 |
| Long-Term Certificates of Deposit | 199 | - | - | - | - | 199 |
| Investments | - | - | - | - | 55 | 55 |
| Due from Other Governments | 132 | 200 | 358 | - | - | 690 |
| Inventories | 74 | - | - | - | - | 74 |
| Total Assets | <u>1,160</u> | <u>200</u> | <u>361</u> | <u>138</u> | <u>55</u> | <u>1,914</u> |

LIABILITIES AND FUND BALANCES:

| Liabilities: | Accounts Payable | Due to Other Funds | Deferred Revenue | Total Liabilities | Fund Balances: | Reserved for Encumbrances | Reserved for Inventories | Reserved for Projects | Unreserved, Undesignated | Total Fund Balances | Total Liabilities and Fund Balances |
|-------------------------------------|------------------|--------------------|------------------|-------------------|----------------|---------------------------|--------------------------|-----------------------|--------------------------|---------------------|-------------------------------------|
| Accounts Payable | 2 | 12 | - | - | - | - | - | - | - | - | - |
| Due to Other Funds | 70 | 179 | - | - | - | - | - | - | - | - | - |
| Deferred Revenue | - | - | 233 | - | - | - | - | - | - | - | - |
| Total Liabilities | <u>72</u> | <u>191</u> | <u>233</u> | <u>508</u> | - | - | - | - | - | - | - |
| Fund Balances: | - | - | - | - | - | - | - | - | - | - | - |
| Reserved for Encumbrances | - | - | - | - | - | 116 | - | - | - | 158 | - |
| Reserved for Inventories | 74 | - | - | - | - | - | - | - | - | 74 | - |
| Reserved for Projects | - | - | - | - | - | - | (33) | - | - | (33) | - |
| Unreserved, Undesignated | 1,014 | - | - | - | - | - | - | - | 138 | 1,207 | - |
| Total Fund Balances | <u>1,088</u> | <u>9</u> | <u>116</u> | <u>1,406</u> | - | - | - | - | - | - | - |
| Total Liabilities and Fund Balances | <u>\$ 1,160</u> | <u>200</u> | <u>361</u> | <u>1,914</u> | - | - | - | - | - | - | - |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EDUCATION

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | School Food & Nutrition Services | Special School Projects Fund | Public Law 93-380 Fund | Purvis Soccer Building Fund | Palmer Center Fund | Total Education Funds |
|--|--|------------------------------------|------------------------------|-----------------------------------|--------------------------|-----------------------------|
| <u>REVENUES:</u> | | | | | | |
| Federal Government | \$ 995 | 161 | 2,775 | - | - | 3,931 |
| State Government | - | 630 | - | - | - | 630 |
| Charges for Services | 1,375 | 18 | - | - | - | 1,393 |
| Investment Earnings | 12 | - | - | 1 | 1 | 14 |
| Contributions and Donations | 81 | - | - | 137 | - | 218 |
| Total Revenues | <u>2,463</u> | <u>809</u> | <u>2,775</u> | <u>138</u> | <u>1</u> | <u>6,186</u> |
| <u>EXPENDITURES:</u> | | | | | | |
| School Food Service | 2,445 | - | - | - | - | 2,445 |
| School Federal Projects | - | - | 2,538 | - | - | 2,538 |
| Education | - | 741 | - | - | - | 741 |
| Capital Outlay | 23 | 62 | 121 | - | - | 206 |
| Total Expenditures | <u>2,468</u> | <u>803</u> | <u>2,659</u> | <u>-</u> | <u>-</u> | <u>5,930</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (5) | 6 | 116 | 138 | 1 | 256 |
| <u>OTHER FINANCING USES -</u> | | | | | | |
| Operating Transfers | - | (5) | - | - | - | (5) |
| Net Change in Fund Balances | (5) | 1 | 116 | 138 | 1 | 251 |
| Fund Balance, July 1, 2002 | 1,093 | 8 | - | - | 54 | 1,155 |
| Fund Balance, June 30, 2003 | <u>\$ 1,088</u> | <u>9</u> | <u>116</u> | <u>138</u> | <u>55</u> | <u>1,406</u> |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
CRIMINAL FORFEITURE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | Budgeted Amounts | Actual | Variance with |
|-------------------------------|------------------|--------|--|
| | Original | Final | Final Budget - Positive (Negative) |
| <u>REVENUES:</u> | | | |
| Investment Earnings | \$ - | - | 1 |
| Contributions and Donations | - | 25 | (25) |
| Total Revenues | - | 25 | (24) |
| <u>OTHER FINANCING USES -</u> | | | |
| Transfers Out | - | (25) | - |
| Total Other Financing Uses | - | (25) | - |
| Net Change in Fund Balance | - | - | (24) |
| Fund Balance, July 1, 2002 | 27 | 27 | - |
| Fund Balance, June 30, 2003 | \$ 27 | 27 | 3 (24) |

CITY OF KINGSPORT, TENNESSEE

DRUG FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2003

(amounts expressed in thousands)

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|--------------------------------------|-------------------------|--------------|----------------|-----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| <u>REVENUES:</u> | | | | |
| Fines and Forfeitures | \$ 75 | 109 | 109 | - |
| Contributions and Donations | 76 | 71 | - | (71) |
| <u>Total Revenues</u> | <u>151</u> | <u>180</u> | <u>109</u> | <u>(71)</u> |
| <u>EXPENDITURES:</u> | | | | |
| General and Administrative | 10 | 6 | 3 | 3 |
| Public Safety | 55 | 52 | 44 | 8 |
| Capital Outlay | 86 | 93 | 77 | 16 |
| <u>Total Expenditures</u> | <u>151</u> | <u>151</u> | <u>124</u> | <u>27</u> |
| Excess of Revenues Over Expenditures | - | 29 | (15) | (44) |
| <u>OTHER FINANCING USES -</u> | | | | |
| Transfers Out | - | (29) | (29) | - |
| <u>Total Other Financing Uses</u> | <u>-</u> | <u>(29)</u> | <u>(29)</u> | <u>-</u> |
| Net Change in Fund Balance | - | - | (44) | (44) |
| Fund Balance, July 1, 2002 | 258 | 258 | 258 | - |
| Fund Balance, June 30, 2003 | \$ 258 | <u>258</u> | <u>214</u> | <u>(44)</u> |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | Budgeted Amounts | Actual | Variance with |
|--------------------------------------|------------------|--------|----------------|
| <u>REVENUES -</u> | Original | Final | Final Budget - |
| | | | Positive |
| | | | (Negative) |
| State Government | \$ 1,132 | 1,132 | 124 |
| Total Revenues | 1,132 | 1,256 | 124 |
| <u>EXPENDITURES:</u> | | | |
| Highway Transportation Planning | 2,000 | 1,892 | 104 |
| Capital Outlay | - | 18 | 7 |
| Total Expenditures | 2,000 | 1,910 | 111 |
| Excess of Revenues Over Expenditures | (868) | (778) | 235 |
| <u>OTHER FINANCING SOURCES -</u> | | | |
| Transfers In | 868 | 778 | 235 |
| Total Other Financing Sources | 868 | 778 | 235 |
| Net Change in Fund Balance | - | - | - |
| Fund Balance, July 1, 2002 | 46 | 46 | - |
| Fund Balance, June 30, 2003 | \$ 46 | 46 | - |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
REGIONAL SALES TAX REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-------------------------------|---|-------------------|---|
| <u>REVENUES:</u> | | | |
| State Government | \$ 2,721 | 2,860 | 139 |
| Investment Earnings | 40 | 32 | (8) |
| Total Revenues | 2,761 | 2,892 | 131 |
| <u>OTHER FINANCING USES -</u> | | | |
| Transfers Out | (4,061) | (3,749) | (312) |
| Total Other Financing Uses | (4,061) | (3,749) | (312) |
| Net Change in Fund Balance | (1,300) | (857) | 443 |
| Fund Balance, July 1, 2002 | 2,588 | 2,588 | - |
| Fund Balance, June 30, 2003 | \$ 1,288 | 1,731 | 443 |

CITY OF KINGSPORT, TENNESSEE
 PUBLIC LIBRARY COMMISSION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2003
 (amounts expressed in thousands)

| | <u>Original and Final Budgeted Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|-----------------------------|--|---------------------------|---|
| <u>EXPENDITURES -</u> | | | |
| Culture and Recreation | \$ - | 4 | (4) |
| Total Expenditures | - | 4 | (4) |
| Net Change in Fund Balance | - | (4) | (4) |
| Fund Balance, July 1, 2002 | 19 | 19 | - |
| Fund Balance, June 30, 2003 | <u>\$ 19</u> | <u>15</u> | <u>(4)</u> |

CITY OF KINGSPORT, TENNESSEE
BAYS MOUNTAIN FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|------------------------------------|---|-------------------|---|
| <u>REVENUES:</u> | | | |
| Investment Earnings | \$ 2 | 1 | (1) |
| Contributions and Donations | 25 | 22 | (3) |
| Total Revenues | 27 | 23 | (4) |
| <u>EXPENDITURES -</u> | | | |
| Culture and Recreation | 27 | 5 | 22 |
| Total Expenditures | 27 | 5 | 22 |
| Net Change in Fund Balance | - | 18 | 18 |
| Fund Balance, July 1, 2002 | 65 | 65 | - |
| Fund Balance, June 30, 2003 | \$ 65 | 83 | 18 |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
SENIOR CITIZENS ADVISORY BOARD FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-----------------------------|---|-------------------|---|
| <u>REVENUES:</u> | | | |
| Charges for Services | \$ 10 | 15 | 5 |
| Contributions and Donations | 2 | 2 | - |
| Total Revenues | 12 | 17 | 5 |
| <u>EXPENDITURES -</u> | | | |
| Culture and Recreation | 12 | 12 | - |
| Total Expenditures | 12 | 12 | - |
| Net Change in Fund Balance | - | 5 | 5 |
| Fund Balance, July 1, 2002 | 3 | 3 | - |
| Fund Balance, June 30, 2003 | \$ 3 | 8 | 5 |

CITY OF KINGSPORT, TENNESSEE
SCHOOL FOOD AND NUTRITION SERVICES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | <u>Original and Final Budgeted Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|-----------------------------|--|---------------------------|---|
| <u>REVENUES:</u> | | | |
| Federal Government | \$ 881 | 995 | 114 |
| State Government | 30 | - | (30) |
| Charges for Services | 1,305 | 1,375 | 70 |
| Investment Earnings | 50 | 12 | (38) |
| Contributions and Donations | - | 81 | 81 |
| | | | |
| Total Revenues | <u>2,266</u> | <u>2,463</u> | <u>197</u> |
| | | | |
| <u>EXPENDITURES:</u> | | | |
| School Food Service | 2,266 | 2,445 | (179) |
| Capital Outlay | 142 | 23 | 119 |
| | | | |
| Total Expenditures | <u>2,408</u> | <u>2,468</u> | <u>(60)</u> |
| | | | |
| Net Change in Fund Balance | (142) | (5) | 137 |
| | | | |
| Fund Balance, July 1, 2002 | <u>1,093</u> | <u>1,093</u> | <u>-</u> |
| | | | |
| Fund Balance, June 30, 2003 | <u>\$ 951</u> | <u>1,088</u> | <u>137</u> |

See Independent Auditors' Report.

CITY OF KINGSFORT, TENNESSEE
PURVIS SOCCER BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | <u>Original and Final Budgeted Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|------------------------------------|--|---------------------------|---|
| <u>REVENUES:</u> | | | |
| Investment Earnings | \$ - | 1 | 1 |
| Contributions and Donations | - | 137 | 137 |
| Total Revenues | <u>-</u> | <u>138</u> | <u>138</u> |
| Net Change in Fund Balance | - | 138 | 138 |
| Fund Balance, July 1, 2002 | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance, June 30, 2003 | <u>\$ -</u> | <u>138</u> | <u>138</u> |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
PALMER CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | <u>Original and Final Budgeted Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|-----------------------------|--|---------------------------|---|
| <u>REVENUES</u> - | | | |
| Investment Earnings | \$ 1 | 1 | - |
| Total Revenues | 1 | 1 | - |
| <u>EXPENDITURES</u> - | | | |
| Capital Outlay | 1 | - | 1 |
| Total Expenditures | 1 | - | 1 |
| Net Change in Fund Balance | - | 1 | 1 |
| Fund Balance, July 1, 2002 | 54 | 54 | - |
| Fund Balance, June 30, 2003 | <u>\$ 54</u> | <u>55</u> | <u>1</u> |

CITY OF KINGSFORT, TENNESSEE
ALLAN DALE TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | <u>Original and Final Budgeted Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|-------------------------------|--|---------------------------|---|
| <u>REVENUES -</u> | | | |
| Investment Earnings | \$ 4 | 2 | (2) |
| Total Revenues | 4 | 2 | (2) |
| <u>OTHER FINANCING USES -</u> | | | |
| Transfers Out | (4) | (2) | (2) |
| Total Other Financing Uses | (4) | (2) | (2) |
| Net Change in Fund Balance | - | - | - |
| Fund Balance, July 1, 2002 | 154 | 154 | - |
| Fund Balance, June 30, 2003 | <u>\$ 154</u> | <u>154</u> | <u>-</u> |

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2003
(amounts expressed in thousands)

| | <u>Fleet Operations & Maintenance Fund</u> | <u>Insurance Reserve Fund</u> | <u>Health Insurance Fund</u> | <u>Total Internal Service Funds</u> |
|---------------------------------------|--|-----------------------------------|--------------------------------------|---|
| <u>ASSETS:</u> | | | | |
| Current Assets: | | | | |
| Equity in Pooled Cash and Investments | \$ 1,600 | 2,326 | 1,104 | 5,030 |
| Long-Term Certificates of Deposit | - | 350 | - | 350 |
| Accounts Receivable | 1 | 52 | 1 | 54 |
| Inventories | 241 | - | - | 241 |
| Prepays | - | 134 | - | 134 |
| Total Current Assets | <u>1,842</u> | <u>2,862</u> | <u>1,105</u> | <u>5,809</u> |
| Capital Assets: | | | | |
| Land | 15 | - | - | 15 |
| Machinery and Equipment | 17,054 | - | - | 17,054 |
| Less: Accumulated Depreciation | (10,735) | - | - | (10,735) |
| Total Capital Assets | <u>6,334</u> | <u>-</u> | <u>-</u> | <u>6,334</u> |
| Other Assets - | | | | |
| Deposits | - | 30 | - | 30 |
| Total Other Assets | <u>-</u> | <u>30</u> | <u>-</u> | <u>30</u> |
| Restricted Assets: | | | | |
| Cash in Bank | 4,873 | - | - | 4,873 |
| Investments | 426 | - | - | 426 |
| Total Restricted Assets | <u>5,299</u> | <u>-</u> | <u>-</u> | <u>5,299</u> |
| Total Assets | <u>13,475</u> | <u>2,892</u> | <u>1,105</u> | <u>17,472</u> |
| <u>LIABILITIES:</u> | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 243 | 79 | 107 | 429 |
| Benefits Payable | - | 105 | 900 | 1,005 |
| Compensated Absences Payable | 68 | 11 | 1 | 80 |
| Total Current Liabilities | <u>311</u> | <u>195</u> | <u>1,008</u> | <u>1,514</u> |
| Total Liabilities | <u>311</u> | <u>195</u> | <u>1,008</u> | <u>1,514</u> |
| <u>NET ASSETS:</u> | | | | |
| Invested in Capital Assets | 6,334 | - | - | 6,334 |
| Unrestricted | <u>6,830</u> | <u>2,697</u> | <u>97</u> | <u>9,624</u> |
| Total Net Assets | <u>\$ 13,164</u> | <u>2,697</u> | <u>97</u> | <u>15,958</u> |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | <u>Fleet Operations & Maintenance Fund</u> | <u>Insurance Reserve Fund</u> | <u>Health Insurance Fund</u> | <u>Total Internal Service Funds</u> |
|-------------------------------------|--|-----------------------------------|--------------------------------------|---|
| <u>OPERATING REVENUE -</u> | | | | |
| Charges for Sales and Services | \$ 3,615 | 1,127 | 2,542 | 7,284 |
| Total Operating Revenue | <u>3,615</u> | <u>1,127</u> | <u>2,542</u> | <u>7,284</u> |
| <u>OPERATING EXPENSES:</u> | | | | |
| Personal Services and Benefits | 909 | 147 | 19 | 1,075 |
| Materials and Supplies | 1,712 | 3 | 2 | 1,717 |
| Contractual Services | 67 | 40 | 135 | 242 |
| Insurance | 42 | 116 | 151 | 309 |
| Insurance Claims | - | 1,116 | 2,139 | 3,255 |
| Depreciation | 1,137 | - | - | 1,137 |
| Miscellaneous | 5 | - | 1 | 6 |
| Total Operating Expenses | <u>3,872</u> | <u>1,422</u> | <u>2,447</u> | <u>7,741</u> |
| Operating Income (Loss) | (257) | (295) | 95 | (457) |
| <u>NONOPERATING REVENUES:</u> | | | | |
| Gain on Disposals of Capital Assets | 4 | - | - | 4 |
| Investment Earnings | 132 | 51 | 2 | 185 |
| Income (Loss) before Transfers | (121) | (244) | 97 | (268) |
| <u>OTHER FINANCING SOURCES -</u> | | | | |
| Operating Transfers | 35 | - | - | 35 |
| Change in Net Assets | (86) | (244) | 97 | (233) |
| Net Assets, July 1, 2002 | <u>13,250</u> | <u>2,941</u> | <u>-</u> | <u>16,191</u> |
| Net Assets, June 30, 2003 | <u>\$ 13,164</u> | <u>2,697</u> | <u>97</u> | <u>15,958</u> |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | <u>Fleet Operations & Maintenance Fund</u> | <u>Insurance Reserve Fund</u> | <u>Health Insurance Fund</u> | <u>Total Internal Service Funds</u> |
|---|--|-----------------------------------|--------------------------------------|---|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | | | |
| Receipts from Customers and Users | \$ 3,615 | 1,127 | 2,541 | 7,283 |
| Payments to Suppliers | (1,612) | (1,273) | (1,421) | (4,306) |
| Payments to Employees | (897) | (149) | (18) | (1,064) |
| Net Cash Provided (Used) by Operating Activities | <u>1,106</u> | <u>(295)</u> | <u>1,102</u> | <u>1,913</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u> | | | | |
| Purchases of Capital Assets | (1,372) | - | - | (1,372) |
| Proceeds from Sales of Capital Assets | 7 | - | - | 7 |
| Net Cash Used by Capital and Related Financing Activities | <u>(1,365)</u> | <u>-</u> | <u>-</u> | <u>(1,365)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | | | |
| Proceeds from Sales and Maturities of Investments | 1,191 | - | - | 1,191 |
| Purchase of Investments | (1,151) | - | - | (1,151) |
| Interest Received | 132 | 51 | 2 | 185 |
| Net Cash Provided by Investing Activities | <u>172</u> | <u>51</u> | <u>2</u> | <u>225</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (87) | (244) | 1,104 | 773 |
| Cash and Cash Equivalents, July 1, 2002 | <u>6,560</u> | <u>2,570</u> | <u>-</u> | <u>9,130</u> |
| Cash and Cash Equivalents, June 30, 2003 | <u>\$ 6,473</u> | <u>2,326</u> | <u>1,104</u> | <u>9,903</u> |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u> | | | | |
| Operating Income (Loss) | \$ (257) | (295) | 95 | (457) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Depreciation | 1,137 | - | - | 1,137 |
| (Increase) Decrease in Assets: | | | | |
| Accounts Receivable | 5 | (52) | (1) | (48) |
| Inventories | (2) | - | - | (2) |
| Prepays | - | (24) | - | (24) |
| Increase (Decrease) in Liabilities: | | | | |
| Accounts Payable | 212 | 50 | 107 | 369 |
| Benefits Payable | - | 27 | 900 | 927 |
| Compensated Absences Payable | 11 | (1) | 1 | 11 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 1,106</u> | <u>(295)</u> | <u>1,102</u> | <u>1,913</u> |
| <u>RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET ASSETS:</u> | | | | |
| Equity in Pooled Cash and Investments | \$ 1,600 | 2,326 | 1,104 | 5,030 |
| Restricted Assets - Cash in Bank | 4,873 | - | - | 4,873 |
| Cash and Cash Equivalents, June 30, 2003 | <u>\$ 6,473</u> | <u>2,326</u> | <u>1,104</u> | <u>9,903</u> |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | <u>Industrial Development Board</u> | <u>Emergency Communications District</u> |
|--|---|--|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | |
| Receipts from Customers and Users | \$ 39 | 415 |
| Payments to Suppliers | (61) | (253) |
| Net Cash Provided (Used) by Operating Activities | <u>(22)</u> | <u>162</u> |
| <u>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:</u> | | |
| Purchases of Capital Assets | (20) | (63) |
| Net Cash Used by Capital and Related Financing Activities | <u>(20)</u> | <u>(63)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | |
| Proceeds from Sales and Maturities of Investments | 265 | - |
| Purchases of Investments | (266) | - |
| Interest Received | 7 | 23 |
| Net Cash Provided (Used) by Investing Activities | <u>6</u> | <u>23</u> |
| Net Increase in Cash and Cash Equivalents | (36) | 122 |
| Cash and Cash Equivalents, July 1, 2002 | <u>543</u> | <u>842</u> |
| Cash and Cash Equivalents, June 30, 2003 | <u>\$ 507</u> | <u>964</u> |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u> | | |
| <u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u> | | |
| Operating Income (Loss) | \$ (68) | 157 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash | | |
| Provided (Used) by Operating Activities: | | |
| Depreciation | 4 | 20 |
| (Increase) Decrease in Assets: | | |
| Accounts Receivable | 25 | 1 |
| Due from Other Governments | - | (11) |
| Land Held for Sale or Development | 3 | - |
| Prepaid Items | - | (6) |
| Due from Phipps Bend Joint Venture | 12 | - |
| Increase in Accounts Payable | 2 | 1 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (22)</u> | <u>162</u> |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
June 30, 2003 and 2002
(amounts expressed in thousands)

| | <u>2003</u> | <u>2002</u> |
|--|--------------------------|-----------------------|
| <u>Governmental Funds Capital Assets:</u> | | |
| Land | \$ 10,740 | 10,128 |
| Buildings | 85,458 | 83,703 |
| Improvements other than Buildings | 9,480 | 9,138 |
| Equipment | 10,268 | 9,825 |
| Software | 144 | 144 |
| Infrastructure | 253,981 | 253,357 |
| Construction in Progress | <u>20,292</u> | <u>17,967</u> |
| Total Governmental Funds Capital Assets | <u><u>390,363</u></u> | <u><u>384,262</u></u> |
| <u>Investments in Governmental Funds Capital Assets by Source:</u> | | |
| General Obligation Bonds | 319,037 | 318,113 |
| Contributions from Municipalities | 31 | 298 |
| Federal Grants | 2,861 | 2,925 |
| State Grants | 189 | 189 |
| County Grants | 64 | 64 |
| Federal Revenue Sharing | 261 | 261 |
| General Fund Revenue | 13,557 | 13,555 |
| Gifts | 5,620 | 5,620 |
| Special Revenue Funds | 24,991 | 21,878 |
| Operating Revenue | 3,348 | 3,280 |
| Capital Lease Purchase | 111 | 111 |
| Notes Payable | 1 | 1 |
| Construction in Progress | <u>20,292</u> | <u>17,967</u> |
| Total Governmental Funds Capital Assets | <u><u>\$ 390,363</u></u> | <u><u>384,262</u></u> |

¹ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF KINGSPOUR, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY

June 30, 2003

(amounts expressed in thousands)

| Function and Activity | Land | Buildings | Improvements other than Buildings | | | | Construction in Progress | Total |
|--|--------------|--------------|-----------------------------------|--------------|----------|----------------|--------------------------|---------------|
| | | | Buildings | Equipment | Software | Infrastructure | | |
| <u>General Government:</u> | | | | | | | | |
| General Government | \$ 3,165 | 599 | 8 | 21 | - | - | 25 | 3,818 |
| City Manager | - | - | 21 | - | - | - | - | 21 |
| Finance | - | - | - | 36 | - | - | - | 36 |
| Information Services | - | - | - | 1,371 | - | - | - | 1,371 |
| Geographic Information | - | - | - | 113 | - | - | - | 113 |
| Total General Government | 3,165 | 599 | 29 | 1,541 | - | - | 25 | 5,359 |
| <u>Economic and Physical Development:</u> | | | | | | | | |
| Developmental Services | - | 651 | 46 | 35 | - | - | - | 732 |
| Transportation | - | 638 | 11 | 1,067 | - | - | - | 1,716 |
| Engineering | - | - | - | 39 | - | - | - | 39 |
| Total Economic and Physical Development | - | 1,289 | 57 | 1,141 | - | - | - | 2,487 |
| <u>Public Safety:</u> | | | | | | | | |
| Police | 91 | 4,411 | 51 | 299 | - | - | - | 4,852 |
| Fire | 218 | 2,139 | 54 | 324 | - | - | 351 | 3,086 |
| Communication | - | 67 | - | 67 | - | - | - | 134 |
| Central Dispatch | - | - | 78 | 2,168 | - | - | - | 2,246 |
| Total Public Safety | 309 | 6,617 | 183 | 2,858 | - | - | 351 | 10,318 |

(Continued)

CITY OF KINGSFORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY

June 30, 2003

(amounts expressed in thousands)

| Function and Activity | Land | Buildings | Improvements other than | | Equipment | Software | Infrastructure | Construction in Progress | Total |
|--|------------------|---------------|-------------------------|-----------|---------------|------------|----------------|--------------------------|----------------|
| | | | Buildings | Buildings | | | | | |
| Public Works: | | | | | | | | | |
| General and Administrative | - | 315 | 5 | - | 33 | - | - | - | 353 |
| Sanitation | - | - | - | 14 | - | - | - | - | 14 |
| Streets | - | - | 590 | - | 188 | - | - | 4,394 | 5,172 |
| Maintenance | - | - | - | - | 58 | - | - | - | 58 |
| Bridges System | - | - | - | - | - | - | 5,329 | - | 5,329 |
| Highways System | - | - | - | - | - | - | 244,230 | - | 244,230 |
| Total Public Works | - | 315 | 595 | - | 293 | - | 249,559 | 4,394 | 255,156 |
| Culture and Recreation: | | | | | | | | | |
| Senior Citizens | - | 3,872 | - | - | 7 | - | - | - | 3,879 |
| Recreation | 4,611 | 7,529 | 2,057 | - | 348 | - | - | 1,875 | 16,420 |
| Bays Mountain | 250 | 862 | 316 | - | 156 | - | - | 17 | 1,601 |
| Allandale | 502 | 345 | 133 | - | 193 | - | - | 90 | 1,263 |
| Library | 133 | 3,621 | - | - | 52 | - | 4,422 | 59 | 8,287 |
| Total Culture and Recreation | 5,496 | 16,229 | 2,506 | - | 756 | - | 4,422 | 2,041 | 31,450 |
| Education | 1,770 | 60,409 | 6,110 | - | 3,679 | 144 | - | 13,481 | 85,593 |
| Total Governmental Funds Capital Assets | \$ 10,740 | 85,458 | 9,480 | - | 10,268 | 144 | 253,981 | 20,292 | 390,363 |

¹ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF KINGSPORT, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Year Ended June 30, 2003
(amounts expressed in thousands)

| Function and Activity | Governmental Funds Capital Assets July 1, 2002 | Additions | Deletions | Adjustments | Governmental Funds Capital Assets June 30, 2003 |
|---|---|-----------|-----------|-------------|--|
| <u>General Government:</u> | | | | | |
| General Government | \$ 3,781 | 37 | - | - | 3,818 |
| City Manager | 21 | - | - | - | 21 |
| Finance | 61 | - | (25) | - | 36 |
| Information Services | 1,395 | - | (24) | - | 1,371 |
| Geographic Information | 113 | - | - | - | 113 |
| Total General Government | 5,371 | 37 | (49) | - | 5,359 |
| <u>Economic and Physical Development:</u> | | | | | |
| Developmental Services | 732 | - | - | - | 732 |
| Transportation | 1,996 | 11 | (291) | - | 1,716 |
| Engineering | 39 | - | - | - | 39 |
| Total Economic and Physical Development | 2,767 | 11 | (291) | - | 2,487 |
| <u>Public Safety:</u> | | | | | |
| Police | 4,804 | 48 | - | - | 4,852 |
| Fire | 3,037 | 49 | - | - | 3,086 |
| Communication | 134 | - | - | - | 134 |
| Central Dispatch | 2,246 | - | - | - | 2,246 |
| Total Public Safety | 10,221 | 97 | - | - | 10,318 |
| <u>Public Works:</u> | | | | | |
| General and Administrative | 353 | - | - | - | 353 |
| Sanitation | 14 | - | - | - | 14 |
| Streets | 3,758 | 1,414 | - | - | 5,172 |
| Maintenance | 24 | 34 | - | - | 58 |
| Bridges System | 5,329 | - | - | - | 5,329 |
| Highways System | 243,607 | 623 | - | - | 244,230 |
| Total Public Works | 253,085 | 2,071 | - | - | 255,156 |
| <u>Culture and Recreation:</u> | | | | | |
| Senior Citizens | 3,879 | - | - | - | 3,879 |
| Recreation | 16,185 | 342 | (107) | - | 16,420 |
| Bays Mountain | 1,587 | 14 | - | - | 1,601 |
| Allandale | 1,261 | 3 | (1) | - | 1,263 |
| Library | 8,223 | 64 | - | - | 8,287 |
| Total Culture and Recreation | 31,135 | 423 | (108) | - | 31,450 |
| <u>Education</u> | 81,683 | 7,885 | (3,667) | (308) | 85,593 |
| Total Governmental Funds Capital Assets | \$ 384,262 | 10,524 | (4,115) | (308) | 390,363 |

¹ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF OPERATING COSTS
ENTERPRISE FUNDS

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| | Water Fund | Sewer Fund | Solid Waste Management Fund | MeadowView Conference Resort and Convention Center Fund | Cattails at MeadowView Golf Course Fund | Total Enterprise Funds |
|--|-----------------|--------------|-----------------------------|---|---|------------------------|
| General and Administrative: | | | | | | |
| Personnel Services | \$ 503 | 234 | - | - | - | 737 |
| Supplies | 57 | 2 | - | - | - | 59 |
| Contractual Services | 173 | 169 | - | - | 23 | 365 |
| Accounting and Finance | 114 | 31 | 32 | 10 | 34 | 221 |
| Insurance | 137 | 8 | - | 23 | 7 | 175 |
| Subsidies and Contributions | 33 | 13 | - | 197 | - | 243 |
| Base Management Fee | - | - | - | 100 | 30 | 130 |
| Taxes and Permits | - | - | - | 8 | - | 8 |
| Other | 113 | - | - | - | 21 | 134 |
| Total General and Administrative | 1,130 | 457 | 32 | 338 | 115 | 2,072 |
| Operations: | | | | | | |
| Personnel Services | 579 | 643 | - | - | - | 1,222 |
| Supplies | 257 | 192 | - | - | - | 449 |
| Contractual Services | 478 | 408 | 129 | 247 | 105 | 1,367 |
| Distribution System Maintenance | 2,533 | - | - | - | - | 2,533 |
| Collection System Maintenance | - | 1,296 | - | - | - | 1,296 |
| Reading, Service and Maintenance of Meters | 776 | - | - | - | - | 776 |
| Environmental Services | - | 21 | - | - | - | 21 |
| Landfill Operations and Services | - | - | 534 | - | - | 534 |
| Waste Collection Services | - | - | 463 | - | - | 463 |
| Organic Refuse Services | - | - | 1,288 | - | - | 1,288 |
| Recycling Services | - | - | 339 | - | - | 339 |
| Golf Pro Shop | - | - | - | - | 321 | 321 |
| Golf Grounds | - | - | - | - | 238 | 238 |
| Food and Beverage | - | - | - | - | 67 | 67 |
| Utilities | - | - | - | - | 26 | 26 |
| Total Operations | 4,623 | 2,560 | 2,753 | 247 | 757 | 10,940 |
| Total Operating Costs | \$ 5,753 | 3,017 | 2,785 | 585 | 872 | 13,012 |

See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| CFDA Number | Program Name/Grant Number | Grantor Agency | Balance June 30, 2002 | Cash Receipts | Expend- itures | Balance June 30, 2003 |
|---|--------------------------------|--------------------------------|--------------------------|------------------|-------------------|--------------------------|
| <u>SCHOOL FOOD AND NUTRITION SERVICES FUND:</u> | | | | | | |
| Pass-Through Tennessee Department of Education: | | | | | | |
| 10.555 | National School Lunch Program | U.S. Department of Agriculture | \$ - | 721 | 853 | (132) * |
| 10.553 | School Breakfast Program | U.S. Department of Agriculture | - | 171 | 171 | - |
| Pass-Through Tennessee Department of Agriculture: | | | | | | |
| 10.550 | Commodity Supplemental Feeding | U.S. Department of Agriculture | 53 | 95 | 109 | 39 *** |
| Total School Food and Nutrition Services Fund | | | <u>53</u> | <u>987</u> | <u>1,133</u> | <u>(93)</u> |
| <u>PUBLIC LAW 93-380 FUND:</u> | | | | | | |
| Pass-Through Tennessee Department of Education: | | | | | | |
| 84.010 | Title I, Project 02-01 | U.S. Department of Education | (105) | 105 | - | - |
| 84.010 | Title I, Project 02-21 | U.S. Department of Education | - | 82 | 82 | - |
| 84.010 | Title I, Project 03-01 | U.S. Department of Education | - | 1,266 | 1,266 | - |
| 84.048 | Title II, 02-01 | U.S. Department of Education | (11) | 11 | - | - |
| 84.048 | Title II, 03-01 | U.S. Department of Education | - | 347 | 426 | (79) * |
| 84.048 | Carl Perkins, 2002 | U.S. Department of Education | (57) | 57 | - | - |
| 84.048 | Carl Perkins, 2003 | U.S. Department of Education | - | 59 | 158 | (99) * |
| 84.010 | Title VI, 02-01 | U.S. Department of Education | (5) | 5 | - | - |
| 84.010 | Title VI, 2003 | U.S. Department of Education | - | 12 | 12 | - |
| 84.010 | Title V, 2003 | U.S. Department of Education | - | - | 13 | (13) * |
| 84.027 | Pre-School, 01-21 | U.S. Department of Education | 1 | - | 1 | - |
| 84.027 | IDEA Part B, 02-01 | U.S. Department of Education | 74 | - | 74 | - |
| 84.027 | IDEA Part B, 02-21 | U.S. Department of Education | - | 852 | 852 | - |
| 84.027 | IDEA Part B, 03-01 | U.S. Department of Education | - | - | 166 | (166) * |
| Total Public Law 93-380 | | | <u>(103)</u> | <u>2,796</u> | <u>3,050</u> | <u>(357)</u> |

* Receivable ** Unused Revenue *** Inventory on Hand

(Continued)

CITY OF KINGSFORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2003
(amounts expressed in thousands)

| CFDA Number | Program Name/Grant Number | Grantor Agency | Balance June 30, 2002 | Cash Receipts | Expend- itures | Balance June 30, 2003 |
|--|---|---|--------------------------|------------------|-------------------|--------------------------|
| <u>SPECIAL SCHOOL PROJECTS FUND:</u> | | | | | | |
| Direct Programs: | | | | | | |
| 84.287A | Community of Learners 2003/Z-03-013004 | U.S. Department of Education | 1 | 163 | 197 | (33) * |
| Pass-Through Tennessee Department of Education: | | | | | | |
| 84.196 | Education for Homeless Children & Youth/Z-01-100580 | U.S. Department of Education | (1) | 1 | - | - |
| 84.196 | Education for Homeless Children & Youth/Z-02-006103 | U.S. Department of Education | (8) | 16 | 8 | - |
| 84.196 | Education for Homeless Children & Youth/Z-03-012525 | U.S. Department of Education | - | 18 | 28 | (10) * |
| 84.276 | Goals 2000-Reading Rules/Z-01-006995 | U.S. Department of Education | (2) | 4 | 2 | - |
| 84.276 | Reading Excellence | U.S. Department of Education | - | 44 | 140 | (96) * |
| 84.278 | Education Edge/Z-97-082540 | U.S. Department of Education | (2) | 2 | - | - |
| 84.184 | Safe Schools | U.S. Department of Education | (7) | 7 | 4 | (4) * |
| 64.116 | Vocational Rehabilitation | U.S. Department of Education | (8) | 59 | 60 | (9) * |
| 84.360 | Dropout Prevention Program/GC-02-09426 | U.S. Department of Education | (6) | 6 | - | - |
| 84.349 | Early Childhood Program/Z-02-007174 | U.S. Department of Education | (55) | 118 | 63 | - |
| 84.349 | Early Childhood Program/GC-02-09423 | U.S. Department of Education | - | 18 | 18 | - |
| 84.349 | Early Childhood Program/Z-03-015024 | U.S. Department of Education | - | 69 | 95 | (26) * |
| 84.349 | Family Resource/Z-03-012857 | U.S. Department of Education | - | 32 | 34 | (2) * |
| 93.561 | Job Opportunities and Basic Skills Training - Families First/Z-03-010169 | U.S. Department of Health and Human Services | (2) | 21 | 23 | (4) * |
| Total Special School Projects Fund | | | <u>(90)</u> | <u>578</u> | <u>672</u> | <u>(184)</u> |
| <u>SPECIAL REVENUE GENERAL PROJECTS FUND:</u> | | | | | | |
| Direct Programs: | | | | | | |
| 16.710 | School Resource Officer | U.S. Department of Justice | (7) | 48 | 49 | (8) * |
| Pass-through Tennessee Department of Transportation: | | | | | | |
| East Kingsport Comprehensive Transportation | | | (39) | 44 | 6 | (1) * |
| Kingsport Redevelopment Transportation Corridors | | | (26) | 32 | 6 | - |

* Receivable ** Unused Revenue *** Inventory on Hand
(Continued)

CITY OF KINGSFORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2003
 (amounts expressed in thousands)

| CFDA Number | Program Name/Grant Number | Grantor Agency | Balance June 30, 2002 | Cash Receipts | Expend- itures | Balance June 30, 2003 |
|---|---|---|--------------------------|------------------|-------------------|--------------------------|
| <u>SPECIAL REVENUE GENERAL PROJECTS FUND (CONTINUED):</u> | | | | | | |
| Pass-through Kingsport Housing and Redevelopment Authority: | | | | | | |
| 14.854 | Riverview Substation | U.S. Department of Housing and Urban Development | (4) | 35 | 34 | (3) * |
| 14.854 | Cloud Substation | U.S. Department of Housing and Urban Development | (3) | 31 | 28 | - |
| 14.854 | Bike Patrol | U.S. Department of Housing and Urban Development | (1) | 13 | 12 | - |
| Total Special Revenue General Projects Fund | | | (80) | 203 | 135 | (12) |
| <u>COMMUNITY DEVELOPMENT FUND:</u> | | | | | | |
| Direct Programs: | | | | | | |
| 14.218 | Community Development Block Grants | U.S. Department of Housing and Urban Development | (327) | 572 | 402 | (157) * |
| Entitlement Grants - | | | | | | |
| Pass-Through Tennessee Housing Development Authority: | | | | | | |
| 14.231 | HOME Program/DG-9901322 | U.S. Department of Housing and Urban Development | (65) | 134 | 117 | (48) * |
| Total Community Development Fund | | | (392) | 706 | 519 | (205) |
| <u>URBAN MASS TRANSIT ADMINISTRATION FUND:</u> | | | | | | |
| Direct Programs: | | | | | | |
| 20.507 | FTA Capital/Operating/Planning TN-90-X188 | U.S. Department of Transportation | (63) | 136 | 73 | - |
| 20.507 | FTA Capital/Operating/Planning TN-90-X195 | U.S. Department of Transportation | - | 67 | 105 | (38) * |
| 20.507 | FTA Capital/Operating/Planning TN-90-X177 | U.S. Department of Transportation | (6) | 171 | 173 | (8) * |
| Pass-Through Tennessee Department of Transportation: | | | | | | |
| 20.507 | FTA Capital/Operating - Section 8 / GC0109079 | U.S. Department of Transportation | (21) | 21 | - | - |
| 20.507 | Job Access/GC-01-08948 | U.S. Department of Transportation | - | 42 | 91 | (49) * |
| 20.507 | FTA Capital FTA001/Z-00-097885/Job Access | U.S. Department of Transportation | (37) | 52 | 15 | - |
| Total Urban Mass Transit Administration Fund | | | (127) | 489 | 457 | (95) |

* Receivable ** Unused Revenue *** Inventory on Hand

(Continued)

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2003
 (amounts expressed in thousands)

| CFDA Number | Program Name/Grant Number | Grantor Agency | Balance June 30, 2002 | Cash Receipts | Expend- itures | Balance June 30, 2003 |
|-------------------------------|---|--|--------------------------|------------------|-------------------|--------------------------|
| <u>CAPITAL PROJECTS FUND:</u> | | | | | | |
| | Pass-Through First Tennessee Development District: | | | | | |
| 11.300 | Regional Center for Applied Technology/GC-01-08930 | U.S. Department of Commerce | (43) | 43 | - | - |
| | Pass-Through Tennessee Department of Education: | | | | | |
| 84.352A | Lee School Renovations/Z-02-010978-00 | U.S. Department of Education | - | 252 | 432 | (180) * |
| 84.352A | Lee School Technology/Z-02-010994-00 | U.S. Department of Education | - | 193 | 193 | - |
| | Pass-Through Tennessee Department of Transportation: | | | | | |
| 20.507 | Regional Center for Applied Technology | U.S. Department of Transportation | (155) | 155 | - | - |
| 20.507 | Heritage Trail / ISTE A Project STP-EN-9108 | U.S. Department of Transportation | 9 | - | 9 | - |
| | Pass-Through Upper East Tennessee Human Development Agency, Inc.: | | | | | |
| 93.600 | V.O. Dobbins Gymnasium Floor | U.S. Department of Health and Human Services | - | 53 | 53 | - |
| Total Capital Projects Fund | | | (189) | 696 | 687 | (180) |
| <u>GENERAL FUND:</u> | | | | | | |
| | Direct Programs: | | | | | |
| 16.710 | Patrol Division Safety Supplies | U.S. Department of Justice | - | 8 | 8 | - |
| | Pass-Through First Tennessee Department of Health and Human Services: | | | | | |
| 93.044 | Senior Center - KINGS-2000-OTH-11 Title III Part B | U.S. Department of Health and Human Services | - | 16 | 16 | - |
| | Pass-Through Tennessee Department of Transportation: | | | | | |
| 20.205 | FHWA Project No. SPR-PL-1-(37)/Z-00-95857 | Federal Highway Administration | (21) | 117 | 128 | (32) * |
| Total General Fund | | | (21) | 141 | 152 | (32) |

* Receivable ** Unused Revenue *** Inventory on Hand
 (Continued)

CITY OF KINGSFORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2003
 (amounts expressed in thousands)

| <u>CFDA Number</u> | <u>Program Name/Grant Number</u> | <u>Grantor Agency</u> | <u>Balance June 30, 2002</u> | <u>Cash Receipts</u> | <u>Expenditures</u> | <u>Balance June 30, 2003</u> |
|--|---|------------------------------|------------------------------|----------------------|---------------------|------------------------------|
| <u>SCHOOL FUND:</u> | | | | | | |
| Direct Programs: | | | | | | |
| 84.041 | Impact Aid Maintenance and Operations | U.S. Department of Education | - | 4 | 4 | - |
| Pass-Through Tennessee Department of Education | | | | | | |
| 84.002 | Adult Basic Education/Z-03-010339 | U.S. Department of Education | (13) | 97 | 119 | (35) * |
| Total School Fund | | | <u>(13)</u> | <u>101</u> | <u>123</u> | <u>(35)</u> |
| <u>LOCAL LAW ENFORCEMENT FUND:</u> | | | | | | |
| Direct Programs: | | | | | | |
| 16.592 | Local Law Enforcement Block Grant Program | U.S. Department of Justice | 124 | 69 | 53 | 140 ** |
| Total Federal Awards | | | <u>\$ (838)</u> | <u>6,766</u> | <u>6,981</u> | <u>(1,053)</u> |

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of federal awards includes the federal grant activity of the City of Kingsport, Tennessee and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and used. The balance amounts represent inventory on hand. Non-monetary assistance has not been included in the financial statements.

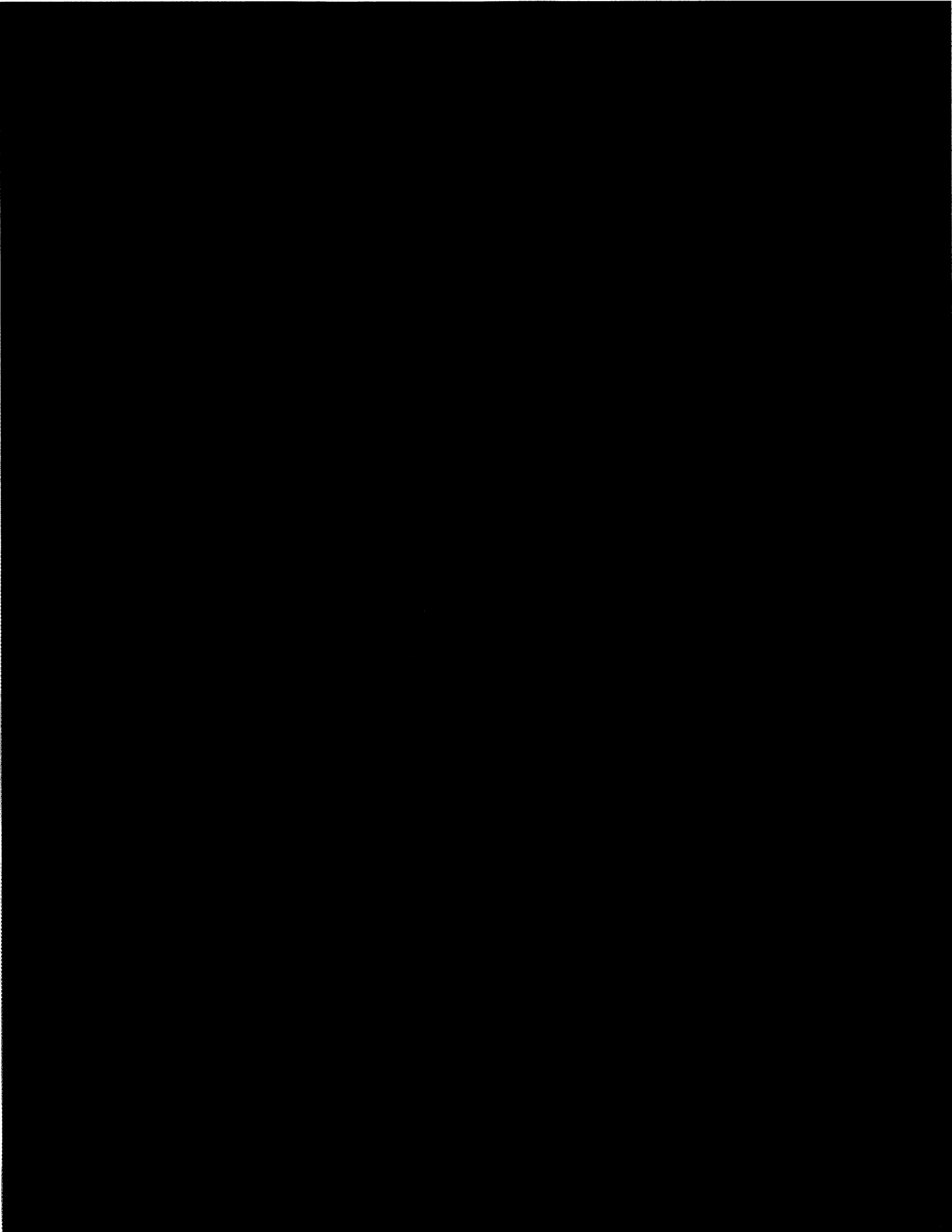
* Receivable ** Unused Revenue *** Inventory on Hand
 See Independent Auditors' Report.

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2003
(amounts expressed in thousands)

| State Grant Number | Program Name/Grant Number | Grantor Agency | Balance June 30, 2002 | Cash Receipts | Expenditures | Balance June 30, 2003 |
|--|--|--|-----------------------|---------------|--------------|-----------------------|
| SPECIAL SCHOOL PROJECTS FUND: | | | | | | |
| Z-02-009743 | Family Resource Center | Tennessee Department of Education | - | 6 | 6 | - |
| GG-03-09838 | One-Room Drop-In School 03 | Tennessee Department of Education | - | 37 | 53 | (16) * |
| GG-00-08339 | One-Room Drop-In School 02 | Tennessee Department of Education | (18) | 18 | - | - |
| GG-01-08856 | One-Room Drop-In School 01 | Tennessee Department of Education | (1) | 1 | - | - |
| Z-02-008741 | Early Childhood Education-Pre K | Tennessee Department of Education | - | 2 | 2 | - |
| N/A | Beginning Teacher Training | Tennessee Department of Education | (8) | 8 | - | - |
| N/A | Tuancy Intervention Program 2002 | Tennessee Department of Children's Services | 1 | - | 1 | - |
| N/A | Tuancy Intervention Program 2001 | Tennessee Department of Children's Services | (6) | 6 | - | - |
| Total Special School Projects Fund | | | (32) | 78 | 62 | (16) |
| URBAN MASS TRANSIT ADMINISTRATION FUND: | | | | | | |
| GG-02-09397 | Project #TN-90-X188 Capital/Operating | Tennessee Department of Transportation | (20) | 35 | - | 15 ** |
| Z-03-013837 | Project #TN-90-195 Capital/Operating | Tennessee Department of Transportation | - | 36 | 54 | (18) * |
| GG-02-09442 | Project #TN-82-901-9623-04 | Tennessee Department of Transportation | (154) | 154 | - | - |
| TBA | Project #82-901-9630 Capital/Operating | Tennessee Department of Transportation | - | - | 54 | (54) * |
| GG-01-08944 | Project #TN-90-X177 Capital/Operating | Tennessee Department of Transportation | (2) | 49 | 48 | (1) * |
| GG-03-09744 | Project #82-901-9642-04 Capital | Tennessee Department of Transportation | - | 9 | 9 | - |
| Z-00-097885 | Project #98-901-9657-04/Job Access | Tennessee Department of Transportation | (37) | 52 | 15 | - |
| Z-00-098038 | Section 8 Grant | Tennessee Department of Transportation | (8) | 8 | - | - |
| Total Urban Mass Transit Administration Fund | | | (221) | 343 | 180 | (58) |
| COMMUNITY DEVELOPMENT: | | | | | | |
| HS-99E-008 | HOUSE Program/DG-9901323 | Tennessee Housing Development Agency | (70) | 70 | - | - |
| Z-01-98335 | Emergency Shelter Grant | Tennessee Department of Human Services | (10) | 51 | 43 | (2) * |
| Total Community Development | | | (80) | 121 | 43 | (2) |
| CAPITAL PROJECTS FUND: | | | | | | |
| Z-02-009962 | Library Services Technology Act Grant | Institute of Museum and Library Services | 15 | - | 15 | - |
| Total Capital Projects Fund | | | 15 | - | 15 | - |
| GENERAL FUND: | | | | | | |
| N/A | KINGS-2000-OTH-11 | First Tennessee Department District Area Agency on Aging | - | 7 | 34 | (27) * |
| Total General Fund | | | - | 7 | 34 | (27) |
| Total State Awards | | | \$ (318) | 549 | 334 | (103) |

* Receivable ** Unused Revenue

See Independent Auditors' Report.



**CITY OF KINGSFORT, TENNESSEE
GOVERNMENT-WIDE REVENUES
FOR THE YEARS NOTED
(amounts expressed in thousands)**

| Fiscal Year | PROGRAM REVENUES | | | GENERAL REVENUES | | | | |
|-------------|----------------------|------------------------------------|----------------------------------|------------------|--|----------------------------------|---------------|-----------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Taxes | Grants and Contributions not Restricted to Specific Programs | Unrestricted Investment Earnings | Miscellaneous | Total |
| 2003 | \$26,830 | \$24,554 | \$1,629 | \$64,545 | \$565 | \$968 | \$943 | \$120,034 |
| 2002 | 27,418 | 5,653 | 1,021 | 80,466 | 986 | 1,560 | 636 | 117,740 |

Source: City of Kingsport Finance Department.

Note: Information for years ended June 30, 1994 through 2001, not available.

CITY OF KINGSPORT, TENNESSEE
GOVERNMENT-WIDE EXPENDITURES BY FUNCTION
FOR THE YEARS NOTED
(amounts expressed in thousands)

Table 2

| Fiscal Year | General Government | Public Safety | Public Developmental Services | Public Works | Leisure Services | Education | Interest | Miscellaneous | Water | Sewer | Solid Waste Management | Meadowview Conference Resort and Convention Center | Cattails at Meadowview Golf Course | Total |
|-------------|--------------------|---------------|-------------------------------|--------------|------------------|-----------|----------|---------------|---------|---------|------------------------|--|------------------------------------|---------|
| 2003 | \$5,295 | 13,395 | \$3,066 | \$11,591 | \$4,469 | \$50,950 | \$2,329 | \$314 | \$7,503 | \$6,824 | \$2,915 | \$1,701 | \$1,246 | 111,598 |
| 2002 | 5,530 | 12,631 | 3,128 | 11,313 | 4,096 | 47,840 | 2,713 | 234 | 8,216 | 8,015 | 2,794 | 2,117 | 1,351 | 109,978 |

Source: City of Kingsport Finance Department.

Note: Information for years ended June 30, 1994 through 2001, not available.

Table 3

CITY OF KINGSFORT, TENNESSEE
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

| | Taxes | Licenses and Permits | Charges for Services | Fines and Forfeitures | Inter- Governmental | Miscellaneous | Interest | Total |
|------|----------|-------------------------|----------------------------|-----------------------------|------------------------|---------------|----------|----------|
| 1994 | \$18,359 | \$206 | \$1,970 | \$288 | \$44,599 | \$494 | \$1,364 | \$67,280 |
| 1995 | 20,173 | 227 | 2,148 | 264 | 47,142 | 440 | 1,861 | 72,255 |
| 1996 | 20,854 | 278 | 2,296 | 388 | 47,935 | 405 | 1,949 | 74,105 |
| 1997 | 23,167 | 255 | 2,128 | 377 | 51,000 | 435 | 1,044 | 78,406 |
| 1998 | 38,812 | 230 | 4,823 | 428 | 37,891 | 778 | 1,049 | 84,011 |
| 1999 | 42,899 | 267 | 5,145 | 431 | 40,124 | 588 | 1,036 | 90,490 |
| 2000 | 40,843 | 209 | 5,518 | 394 | 40,435 | 704 | 2,207 | 90,310 |
| 2001 | 42,567 | 207 | 4,800 | 542 | 43,518 | 394 | 1,997 | 94,025 |
| 2002 | 43,644 | 401 | 4,643 | 506 | 44,025 | 347 | 761 | 94,327 |
| 2003 | 45,098 | 264 | 3,503 | 421 | 46,152 | 595 | 488 | 96,521 |

Source: City of Kingsport Finance Department.

Table 4

CITY OF KINGSPORT, TENNESSEE
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

| | General Government | Public Safety | Development Services | Public Works | Leisure Services | Education | Capital Outlay | Debt Service | | Total |
|------|-----------------------|------------------|-------------------------|-----------------|---------------------|-----------|-------------------|--------------|----------|----------|
| | | | | | | | | Principal | Interest | |
| 1994 | \$4,846 | \$8,836 | \$1,767 | \$4,706 | \$2,533 | \$34,529 | \$11,971 | \$2,723 | \$3,780 | \$75,691 |
| 1995 | 3,664 | 9,266 | 1,833 | 4,888 | 2,615 | 35,592 | 12,165 | 5,440 | 4,534 | 79,997 |
| 1996 | 3,836 | 9,682 | 1,779 | 5,197 | 2,795 | 35,929 | 22,035 | 5,110 | 4,627 | 90,990 |
| 1997 | 4,028 | 9,957 | 2,022 | 5,493 | 2,863 | 37,030 | 19,261 | 11,638 | 4,368 | 96,660 |
| 1998 | 4,051 | 10,344 | 2,036 | 8,753 | 2,767 | 37,312 | 10,192 | 4,602 | 3,801 | 83,858 |
| 1999 | 4,801 | 11,061 | 2,181 | 8,594 | 2,895 | 39,193 | 5,587 | 31,776 | 3,338 | 109,426 |
| 2000 | 5,110 | 11,079 | 2,243 | 9,198 | 2,962 | 40,498 | 7,330 | 5,219 | 3,133 | 86,772 |
| 2001 | 5,449 | 11,331 | 3,567 | 8,947 | 3,197 | 42,788 | 14,951 | 6,081 | 2,924 | 99,235 |
| 2002 | 5,546 | 12,196 | 2,978 | 6,482 | 3,190 | 44,589 | 7,368 | 6,628 | 2,761 | 91,738 |
| 2003 | 5,835 | 12,634 | 2,816 | 6,665 | 3,274 | 46,818 | 7,502 | 19,770 | 2,427 | 107,741 |

Source: City of Kingsport Finance Department.

Table 5

CITY OF KINGSFORT, TENNESSEE
STATEMENT OF TAX LEVY AND COLLECTIONS
LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

| Fiscal Year Ending June 30 | Year of Tax Roll | Taxes Levied | Current Collections | Current Collections as a Percentage of Levy | Current and Delinquent Collections | Current and Delinquent Collections As a Percentage of Levy | Accumulated Delinquency Fiscal Year End |
|----------------------------------|---------------------|-----------------|------------------------|---|--|---|---|
| | | | | | | | |
| 1994 | 1993 | \$ 16,003 | \$ 15,600 | 97.5% | \$ 15,855 | 99.1% | \$ 969 |
| 1995 | 1994 | 17,388 | 17,085 | 98.3% | 17,692 | 101.7% | 589 |
| 1996 | 1995 | 17,974 | 17,590 | 97.9% | 17,830 | 99.2% | 751 |
| 1997 | 1996 | 19,991 | 19,530 | 97.7% | 19,893 | 99.5% | 852 |
| 1998 | 1997 | 21,469 | 21,037 | 98.0% | 21,442 | 99.9% | 894 |
| 1999 | 1998 | 22,914 | 22,327 | 97.4% | 22,631 | 98.8% | 1,134 |
| 2000 | 1999 | 22,523 | 21,896 | 97.2% | 22,410 | 99.5% | 1,236 |
| 2001 | 2000 | 22,828 | 22,121 | 96.9% | 22,842 | 100.1% | 1,135 |
| 2002 | 2001 | 23,911 | 23,043 | 96.4% | 23,631 | 98.8% | 1,434 |
| 2003 | 2002 | 24,869 | 24,105 | 96.9% | 24,820 | 99.8% | 1,429 |

Source: City of Kingsport Finance Department

CITY OF KINGSFORT, TENNESSEE
STATEMENT OF ASSESSED AND APPRAISAL VALUES, TAX RATE, AND TAX LEVY
LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

| Fiscal Year Ended June 30 | Year of Tax Roll | Real Property | | | Personal Property | | | Public Utilities (1) | | | Total | | | Ratio of Total Assessed Value to Total Estimated Appraisal Value | | Tax Rate | Tax Levy |
|---------------------------|------------------|----------------|---------------------------|----------------|---------------------------|----------------|---------------------------|----------------------|---------------------------|----------------|---------------------------|----------------|---------------------------|--|---------------------------|----------|----------|
| | | Assessed Value | Estimated Appraisal Value | Assessed Value | Estimated Appraisal Value | Assessed Value | Estimated Appraisal Value | Assessed Value | Estimated Appraisal Value | Assessed Value | Estimated Appraisal Value | Assessed Value | Estimated Appraisal Value | Assessed Value | Estimated Appraisal Value | | |
| | | | | | | | | | | | | | | | | | |
| 1994 | 1993 | \$ 474,668 | \$ 1,519,570 | \$ 268,639 | \$ 895,463 | \$ 33,516 | \$ 60,939 | \$ 776,823 | \$ 2,475,972 | 31.37% | 2.06 | \$ 16,003 | | | | | |
| 1995 | 1994 | 475,533 | 1,535,075 | 276,083 | 920,278 | 34,828 | 63,324 | 786,444 | 2,518,677 | 31.22% | 2.21 | 17,380 | | | | | |
| 1996 | 1995 | 495,064 | 1,602,090 | 250,194 | 833,981 | 32,734 | 59,516 | 777,992 | 2,495,587 | 31.17% | 2.31 | 17,974 | | | | | |
| 1997 | 1996 | 514,521 | 1,667,486 | 250,874 | 836,248 | 33,761 | 61,384 | 799,156 | 2,565,118 | 31.15% | 2.51 | 19,991 | | | | | |
| 1998 | 1997 | 592,960 | 1,947,227 | 304,776 | 1,015,921 | 35,707 | 64,922 | 933,443 | 3,028,070 | 30.83% | 2.30 | 21,469 | | | | | |
| 1999 | 1998 | 611,817 | 2,009,412 | 308,430 | 1,028,099 | 37,274 | 67,770 | 957,521 | 3,105,281 | 30.84% | 2.39 | 22,914 (2) | | | | | |
| 2000 | 1999 | 619,811 | 2,041,385 | 289,112 | 1,054,196 | 33,217 | 60,394 | 942,140 | 3,155,975 | 29.85% | 2.39 | 22,523 (3) | | | | | |
| 2001 | 2000 | 635,061 | 2,090,213 | 280,452 | 1,023,039 | 35,563 | 64,660 | 951,076 | 3,177,912 | 29.93% | 2.39 | 22,828 (4) | | | | | |
| 2002 | 2001 | 729,306 | 2,390,997 | 307,946 | 1,026,487 | 39,512 | 71,840 | 1,076,764 | 3,489,324 | 30.86% | 2.22 | 23,911 (5) | | | | | |
| 2003 | 2002 | 735,782 | 2,411,608 | 306,104 | 1,020,347 | 44,088 | 80,160 | 1,085,974 | 3,512,115 | 30.92% | 2.29 | 24,869 | | | | | |

Property has been assessed at the following ratios since tax year 1983 as required by State law.

| | | |
|----------------------------------|---------------------------|-------------------|
| Real Property: | Residential | 25% of true value |
| Personal Property: | Industrial and Commercial | 40% of true value |
| State Assessed Public Utilities: | Industrial and Commercial | 30% of true value |
| | Public Utilities | 55% of true value |
| | Public Utilities: | 55% of true value |

- Note 1: Includes only the property assessed by the State of Tennessee - Office of State Assessed Properties. Any locally assessed public utility property is included with all other real property assessments. Prior to tax year 1996, the assessed values for public utilities were provided by the State of Tennessee - Public Service Commission.
- Note 2: The tax rate is \$2.39 per \$100 of assessed value, equalized to \$2.46 for that portion of Kingsport inside Hawkins County. The last reappraisal of property in Hawkins County was in tax year 1996; therefore, a sales ratio adjustment was made by the State of Tennessee. The last reappraisal of property in Sullivan County was in tax year 1997. The tax levy inside Sullivan County is \$22,123 and inside Hawkins County is \$791. The 1998 property tax levy included \$7 in a special assessment for code violations that has no corresponding 1998 assessment.
- Note 3: The 1999 tax levy included \$5 in a special assessment for code violations that has no corresponding 1999 assessment.
- Note 4: The tax rate is \$2.39 per \$100 of assessed value, equalized to \$2.64 for that portion of Kingsport inside Hawkins County. The last reappraisal of property in Hawkins County was in tax year 1996; therefore, a sales ratio adjustment was made by the State of Tennessee. The last reappraisal of property in Sullivan County was in tax year 1997. The tax levy inside Sullivan County is \$21,917 and inside Hawkins County is \$899. The 2000 property tax levy included \$12 in a special assessment for code violations that has no corresponding 2000 assessment.
- Note 5: The 2001 tax levy included \$7 in a special assessment for code violations that has no corresponding 2001 assessment.

Source: City of Kingsport Finance Department

**CITY OF KINGSPORT, TENNESSEE
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

| Fiscal Year Ended June 30 | Kingsport Total Tax Rate per \$100 of Assessed Value | Sullivan County Total Tax Rate per \$100 of Assessed Value | Hawkins County Total Tax Rate per \$100 of Assessed Value |
|------------------------------|---|---|--|
| 1994 | 2.06 | 2.92 | 3.20 |
| 1995 | 2.21 | 2.86 | 3.20 |
| 1996 | 2.31 | 2.86 | 3.40 |
| 1997 | 2.51 | 2.86 | 2.97 |
| 1998 | 2.30 | 2.58 | 2.97 |
| 1999 | 2.39 | 2.58 | 3.00 |
| 2000 | 2.39 | 2.58 | 3.00 |
| 2001 | 2.39 | 2.63 | 3.00 |
| 2002 | 2.22 | 2.35 | 2.41 |
| 2003 | 2.29 | 2.35 | 2.41 |

Source: City of Kingsport Finance Department

Table 8

CITY OF KINGSPORT, TENNESSEE
PROPERTY TAX RECEIVABLE
June 30, 2003
 (amounts expressed in thousands)

| YEAR OF TAX ROLL | PROPERTY TAX RECEIVABLE June 30, 2002 | TAX LEVY | LATE LISTINGS & DISCOVERIES | RELEASES & ABATEMENTS | COLLECTIONS | PROPERTY TAX RECEIVABLE June 30, 2003 |
|------------------|---------------------------------------|-----------|-----------------------------|-----------------------|-------------|---------------------------------------|
| 1994 | \$ 9 | - | \$ - | - | \$ (1) | \$ 8 |
| 1995 | 16 | - | - | (2) | 1 (1) | 15 |
| 1996 | 21 | - | - | (6) | 4 (1) | 19 |
| 1997 | 29 | - | - | (6) | - | 23 |
| 1998 | 43 | - | - | (6) | (8) | 29 |
| 1999 | 113 | - | - | (9) | (47) | 57 |
| 2000 | 334 | - | - | (15) | (130) | 189 |
| 2001 | 869 | - | 30 | (40) | (534) | 325 |
| 2002 | - | 24,775 | 195 | (101) | (24,105) | 764 |
| TOTAL ALL YEARS | \$ 1,434 | \$ 24,775 | \$ 225 | \$ (185) | \$ (24,820) | \$ 1,429 |

| | |
|-----------------|------------------|
| 2002 TOTAL LEVY | \$ 24,775 |
| | 195 |
| | (101) |
| | <u>\$ 24,869</u> |

Source: City of Kingsport Finance Department

Note 1: Property assessments for tax years 1995 and 1996 were released requiring the refund of taxes previously collected and these adjustments are reflected in the amounts reported.

**CITY OF KINGSPORT, TENNESSEE
SPECIAL ASSESSMENT COLLECTIONS
LAST TEN FISCAL YEARS
(amounts expressed in thousands)**

Table 9

| Fiscal Year Ending June 30 | Current Assessments Due | Current Assessments Collected | Ratio of Collections to Amount Due | Outstanding Current & Delinquent Assessments | Outstanding Unmatured Assessments | Total Outstanding Assessments |
|-------------------------------------|-------------------------------|-------------------------------------|--|---|---|-------------------------------------|
| 1994 | \$ 4 | \$ 1 | 25% | \$ 81 | \$ 1 | \$ 82 |
| 1995 | - | - | 0% | 77 | 1 | 78 |
| 1996 | 5 | 5 | 100% | 74 | 20 | 94 |
| 1997 | 5 | 5 | 100% | 71 | - | 71 |
| 1998 | - | - | 0% | 69 | - | 69 |
| 1999 | - | - | 0% | 69 | - | 69 |
| 2000 | - | - | 0% | 69 | - | 69 |
| 2001 | - | - | 0% | 69 | - | 69 |
| 2002 | - | - | 0% | 68 | - | 68 |
| 2003 | - | - | 0% | 68 | - | 68 |

Total assessment receivable is \$104 which includes \$36 interest on delinquent accounts. These totals had not previously been included but during automation of assessment billings interest was calculated into one total receivable. No additional interest has been accrued since June 30, 1997 due to the age of these receivables.

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
TOP TEN TAXPAYERS
June 30, 2003
(amounts expressed in thousands)

Table 10

| Taxpayer | Type of Business | Assessed Valuation | |
|---------------------------------|--|----------------------|-----------------|
| | | For Tax Year 2002 | Taxes Levied |
| Eastman Chemical Company | Manufacturer of Chemicals, Fibers and Plastics | \$ 287,876 | \$ 6,592 |
| Willamette | Paper Manufacturer | 23,205 | 531 |
| United Inter-Mountain Telephone | Public Utility | 14,676 | 336 |
| Kingsport Power Company | Public Utility | 14,227 | 326 |
| Quebecor World Inc. | Book Manufacturer | 12,529 | 287 |
| Fort Henry Mall | Retail Merchants | 11,454 | 262 |
| Wal Mart Stores, Inc. | Retail Merchant | 8,301 | 190 |
| Mountain States Health Alliance | Medical | 7,917 | 181 |
| AFG Industries, Inc. | Glass Manufacturer | 6,493 | 149 |
| Holston Valley Health Care | Medical | 5,196 | 119 |
| | | <u>\$ 391,874</u> | <u>\$ 8,973</u> |

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
STATEMENT OF LEGAL DEBT MARGIN
June 30, 2003
(amounts expressed in thousands)

Table 11

| | |
|--|--------------------------|
| Assessed Value - Tax Year, 2002 | <u>\$ 1,085,974</u> |
| Debt Limit - 20% of Assessed Value | 217,195 |
| Outstanding Bonded Indebtedness (Excluding general obligation payable from the revenues of the Water and Sewer Funds) | <u>62,796</u> |
| Legal Debt Margin - June 30, 2003 | <u><u>\$ 154,399</u></u> |

Limitation on Borrowing Power

City Charter - Article XIII, Section 5. "The total bonded indebtedness of the City shall not exceed twenty per centum (20%) of the assessed value of the taxable property of the City according to the last complete assessment." Revenue Bonds and Special Assessment Bonds are excluded in computing the debt limit.

Bond Rating: "Moody's" A-1

Source: City of Kingsport Finance Department

Table 12

CITY OF KINGSFORT, TENNESSEE
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
FISCAL YEARS 1994 THROUGH 2003
(amounts expressed in thousands)

| Ending June 30 | Population(1) | Assessed Value | Year of Tax Roll | Net Bonded Debt | Ratio of Net Bonded Debt To Assessed Value | Net Bonded Debt Per Capita |
|-------------------|---------------|-------------------|---------------------|--------------------|--|----------------------------------|
| 1994 | 40 | \$ 776,823 | 1993 | \$ 76,483 | 9.85 | 2 |
| 1995 | 40 | 788,646 | 1994 | 82,066 | 10.41 | 2 |
| 1996 | 41 | 777,992 | 1995 | 84,029 | 10.80 | 2 |
| 1997 | 41 | 799,156 | 1996 | 89,705 | 11.22 | 2 |
| 1998 | 41 | 933,444 | 1997 | 79,364 | 8.50 | 2 |
| 1999 | 41 | 957,520 | 1998 | 65,891 | 6.88 | 2 |
| 2000 | 42 | 942,139 | 1999 | 76,460 | 8.12 | 2 |
| 2001 | 45 | 951,077 | 2000 | 70,721 | 7.44 | 2 |
| 2002 | 45 | 1,076,766 | 2001 | 65,906 | 6.12 | 1 |
| 2003 | 45 | 1,085,974 | 2002 | 62,796 | 5.78 | 1 |

1. For fiscal years 1994, 1995, 1996, 1997, 1998 and 2000 the population figures used are obtained by special census as certified by the State of Tennessee.

2. A Debt Service Fund is maintained for the purpose of accounting for the payment of interest and principal on long-term debt other than those serviced by the enterprise funds. A lump sum appropriation is transferred from the General Fund to the Debt Service Fund annually to meet the current debt service obligation.

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
RATIO OF ANNUAL DEBT SERVICE REQUIREMENT FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
FISCAL YEARS 1994 THROUGH 2003
(amounts expressed in thousands)

Table 13

| Fiscal Year Ending June 30 | Principal | Interest | Total Debt Service | Total General Expenditures | Ratio of Debt Service To General Expenditures (Per Cent) |
|----------------------------------|-----------|----------|--------------------------|----------------------------------|--|
| 1994 | \$ 2,670 | \$ 3,767 | \$ 6,437 | \$ 75,650 | 8.51% |
| 1995 | 3,791 | 3,192 | 6,983 | 79,953 | 8.73% |
| 1996 | 4,985 | 4,592 | 9,577 | 90,941 | 10.53% |
| 1997 | 5,218 | 4,315 | 9,533 | 96,630 | 9.87% |
| 1998 | 5,725 | 4,025 | 9,750 | 83,824 | 11.63% |
| 1999 | 4,663 | 3,338 | 8,001 | 109,426 | 7.31% |
| 2000 | 5,219 | 3,133 | 8,352 | 86,771 | 9.63% |
| 2001 | 6,081 | 2,924 | 9,005 | 99,235 | 9.07% |
| 2002 | 6,628 | 2,761 | 9,389 | 91,737 | 10.23% |
| 2003 (1) | 7,575 | 2,427 | 10,002 | 107,741 | 9.28% |

(1) Principal payments are reported net of the effects of refinancing.

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2003
(amounts expressed in thousands)

Table 14

| <u>Name of Governmental Unit</u> | <u>Net Debt Outstanding</u> | <u>Percentage Applicable to this Governmental Unit</u> | <u>City of Kingsport's Share of debt</u> |
|--------------------------------------|---------------------------------|--|--|
| City of Kingsport | \$62,796 * | 100.00% | \$62,796 |
| Total Direct Debt | <u>62,796</u> | <u>100.00%</u> | <u>62,796</u> |
| Sullivan County | 27,840 | 42.04% | 11,704 |
| Hawkins County | <u>13,320</u> | <u>6.58%</u> | <u>876</u> |
| Total Overlapping Debt | <u>41,160</u> | <u>48.62%</u> | <u>12,580</u> |
| Total Direct and Overlapping Debt | <u><u>\$103,956</u></u> | | <u><u>\$75,376</u></u> |

* Includes Conference Center General Obligation Bonded Debt

Source: City of Kingsport Finance Department

Table 15

CITY OF KINGSFORT, TENNESSEE
COMBINED SCHEDULE OF UTILITY FUND REVENUE BOND COVERAGE
FISCAL YEARS 1994 THROUGH 2003
(amounts expressed in thousands)

| Fiscal Year Ending June 30 | Gross Revenue | (1) Expenses | Net Revenue Available for Debt Service | Debt Service Requirements | | Coverage |
|----------------------------------|------------------|-----------------|--|---------------------------|----------|----------|
| | | | | Principal | Interest | |
| 1994 | \$ 14,765 | \$ 6,923 | \$ 7,842 | \$ 3,835 | \$ 2,265 | 1.29 |
| 1995 | 15,308 | 7,064 | 8,244 | 4,359 | 2,539 | 1.20 |
| 1996 | 16,801 | 7,362 | 9,439 | 4,427 | 2,464 | 1.37 |
| 1997 | 17,007 | 7,724 | 9,283 | 4,544 | 2,245 | 1.37 |
| 1998 | 17,264 | 8,105 | 9,159 | 4,791 | 2,253 | 1.30 |
| 1999 | 18,204 | 8,759 | 9,445 | 4,801 | 2,038 | 1.38 |
| 2000 | 18,162 | 8,832 | 9,330 | 5,068 | 2,407 | 1.25 |
| 2001 | 19,500 | 9,803 | 9,697 | 5,996 | 2,867 | 1.09 |
| 2002 | 20,506 | 9,674 | 10,832 | 5,754 | 1,954 | 1.41 |
| 2003 | 21,137 | 8,770 | 12,367 | 6,669 | 1,588 | 1.50 |

(1) Total operation expenses exclusive of depreciation

Source: City of Kingsport Finance Department

**CITY OF KINGSPORT, TENNESSEE
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

| Fiscal Year Ending June 30 | (1) (4) <u>Population</u> | (1) (3) Per Capita Personal <u>Income</u> | (1) (4) Median <u>Age</u> | (2) School <u>Enrollment</u> | (1) (5) Unemployment <u>Rate</u> |
|-------------------------------------|------------------------------|---|---------------------------------|------------------------------------|--|
| 1994 | \$ 41,053 | \$ 19,835 | * | 6,009 | 4.20% |
| 1995 | 42,200 | 20,853 | 41.4 | 6,021 | 4.20% |
| 1996 | 41,213 | 21,950 | * | 6,061 | 3.90% |
| 1997 | 41,338 | 22,271 | * | 6,106 | 4.00% |
| 1998 | 41,414 | 22,946 | 38.5 | 6,286 | 4.10% |
| 1999 | 41,454 | 23,708 | * | 6,322 | 4.20% |
| 2000 | 44,905 | 25,115 | 41.9 | 6,341 | 3.83% |
| 2001 | 44,467 | 25,809 | * | 6,316 | 4.30% |
| 2002 | 44,362 | * | * | 6,372 | 5.60% |
| 2003 | 44,362 | * | * | 6,412 | 5.90% |

DATA SOURCES:

- (1) Kingsport Chamber of Commerce/Economic Development
- (2) School Administration (Average Daily Membership)
- (3) US Bureau of Economics Analysis
- (4) US Census Bureau
- (5) Tennessee Department of Labor and Workforce

*NOT AVAILABLE

Source: City of Kingsport Finance Department

Table 17

CITY OF KINGSFORT, TENNESSEE
PROPERTY VALUE AND CONSTRUCTION
FISCAL YEARS 1994 THROUGH 2003
 (amounts expressed in thousands)

| Fiscal Year | Property Value (1) | | | | Commercial Construction (2) | | Residential Construction (2) | |
|----------------|--------------------|-------------|-----------|--------------|--------------------------------|--------------------|---------------------------------|--------------------|
| | Commercial | Residential | Other | Total | Units | Estimated Value | Units | Estimated Value |
| 1994 | \$ 628,796 | \$ 879,227 | \$ 11,548 | \$ 1,519,571 | 23 | \$ 16,624 | 268 | \$ 21,577 |
| 1995 | 608,724 | 912,585 | 13,766 | 1,535,075 | 26 | 28,783 | 241 | 20,471 |
| 1996 | 627,238 | 965,178 | 9,674 | 1,602,090 | 35 | 12,354 | 272 | 27,757 |
| 1997 | 647,954 | 1,010,077 | 9,454 | 1,667,485 | 45 | 32,738 | 244 | 24,370 |
| 1998 | 704,741 | 1,230,980 | 11,506 | 1,947,227 | 27 | 21,361 | 211 | 19,500 |
| 1999 | 726,811 | 1,270,249 | 12,352 | 2,009,412 | 29 | 15,841 | 256 | 21,033 |
| 2000 | 726,816 | 1,301,871 | 12,699 | 2,041,386 | 28 | 14,445 | 212 | 14,899 |
| 2001 | 747,105 | 1,330,491 | 12,616 | 2,090,212 | 25 | 33,020 | 285 | 15,630 |
| 2002 | 873,825 | 1,502,493 | 14,680 | 2,390,998 | 34 | 55,389 | 450 | 36,226 |
| 2003 | 882,647 | 1,514,253 | 14,707 | 2,411,607 | 28 | 7,536 | 417 | 26,833 |

(1) Estimated Actual Value from Table 6

(2) Source: City of Kingsport Building Department

**CITY OF KINGSPORT, TENNESSEE
MISCELLANEOUS STATISTICAL DATA
June 30, 2003**

| | |
|-----------------------|-----------------|
| Date of Incorporation | March 2, 1917 |
| Form of Government | Council-Manager |

| | |
|---|-----|
| <u>Number of employees authorized (excluding police, fire and education):</u> | |
| Employees (All Classifications) | 445 |

| | |
|-----------------------------|--------------------|
| <u>Area - Square Miles:</u> | 45.23 square miles |
|-----------------------------|--------------------|

| | |
|---|--------------|
| <u>City of Kingsport Facilities and Services:</u> | <u>Miles</u> |
| Miles of Streets | 418 |
| Number of Street lights | 8845 |

FIRE PROTECTION:

| | |
|----------------------|----------|
| Number of Stations | 6 |
| Number of Employees: | 94 |
| Officers Sworn | <u>2</u> |
| Other Total | 96 |

Operating Statistics for July 1, 2002 thru June 30, 2003:

| | |
|-------------------|-----------|
| Calls for Service | 5,481 |
| Inspections | 2,855 |
| Fire Loss | \$810,418 |

POLICE PROTECTION:

| | |
|----------------------|-----------|
| Number of Employees: | |
| Officers Sworn | 97 |
| Other | <u>57</u> |
| Total | 154 |

Operating Statistics for July 1, 2002 thru June 30, 2003:

| | |
|-------------------|--------|
| Arrests | 3,662 |
| Calls for Service | 41,949 |
| Parking Citations | 5,345 |

CULTURE AND RECREATION:

| | |
|------------------------------------|-----|
| Community Centers/Civic Facilities | 5 |
| Number of Parks | 19 |
| Park Acreage | 250 |
| Number of Swimming Pools | 2 |
| Number of Tennis Courts | 8 |

Other Recreational Facilities:

| | |
|--|---|
| Bays Mountain Park - 3400 Acre Nature Center | 1 |
| Hunter Wright Baseball Stadium -54 Acres | 1 |

EDUCATION:

| | |
|--------------------|--|
| Number of Schools: | |
|--------------------|--|

**CITY OF KINGSPORT, TENNESSEE
MISCELLANEOUS STATISTICAL DATA
June 30, 2003**

| | | |
|---|---------------------|---------------------|
| High Schools | | 1 |
| Middle Schools | | 2 |
| Elementary Schools | | 7 |
| Number of Instructors | | 599 |
| Average Daily Attendance | | 6,134 |
| Average Daily Membership | | 6,412 |
| <u>SEWER FUND:</u> | | |
| Number of service connections | | 21,121 |
| Miles of sanitary sewers | | 470 |
| Miles of storm sewers | | 209 |
| Number of treatment plants | | 1 |
| Daily average treatment in gallons | | 9.0 mgd |
| Maximum daily capacity of treatment plant in gallons | | 12.4 mgd |
| <u>WATER FUND:</u> | | |
| Number of service connections | | 35,598 |
| Number of active customers | | 32,896 |
| Miles of water lines | | 750 |
| Number of fire hydrants | | 1,900 |
| Daily average consumption in gallons | | 16.2 mgd |
| Maximum daily plant treatment reports | | 28.0 mgd |
| <u>UTILITY RATES IN FORCE</u> | | |
| Water Rates: | | |
| | <u>Inside City</u> | |
| First 2,000 gal | 2.93 per 1,000 gal | |
| Next 13,000 gal | 2.36 per 1,000 gal | |
| Next 35,000 gal | 1.82 per 1,000 gal | |
| Over 50,000 gal | 1.24 per 1,000 gal | |
| | <u>Outside City</u> | |
| First 1,000 gal | 11.98 per 1,000 gal | |
| Next 9,000 gal | 5.20 per 1,000 gal | |
| Next 10,000 gal | 4.71 per 1,000 gal | |
| Next 70,000 gal | 4.36 per 1,000 gal | |
| Next 100,000 gal | 3.58 per 1,000 gal | |
| Over 190,000 gal | 3.35 per 1,000 gal | |
| Sewer Rates: | | |
| | <u>Inside City</u> | <u>Outside City</u> |
| | 5.51 per 1,000 gal | 6.44 per 1,000 gal |
| Facilities and services not included in the reporting entity: | | |
| Cable Television System: | | |
| Miles of service | | 961 |

CITY OF KINGSPORT, TENNESSEE
MISCELLANEOUS STATISTICAL DATA
June 30, 2003

| | |
|--|-----|
| Number of satellite receiving stations | 1 |
| Hospitals: | |
| Number of hospitals | 2 |
| Number of patient beds | 870 |

CITY OF KINGSFORT, TENNESSEE
SCHEDULE OF BONDS PAYABLE - FUTURE REQUIREMENTS
JUNE 30, 2003
 (amounts expressed in thousands)

| Fiscal Year | REVENUE AND GENERAL OBLIGATION BONDS | | | | | | | | | | Combined Bonds and Interest |
|-------------|--------------------------------------|-----------------|-------------------|-----------------|-----------------------|-----------------|----------------------------|------------------|-----------------------|----------|-----------------------------|
| | General Obligation Bonds | | City of Kingsport | | Sewage Disposal Bonds | | Cattails Golf Course Bonds | | Meadowview Convention | | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2004 | \$ 6,956 | \$ 2,126 | \$ 2,444 | \$ 768 | \$ 3,805 | \$ 1,321 | \$ 2,141 | \$ 451 | \$ 20,012 | | \$ 20,012 |
| 2005 | 7,283 | 1,751 | 2,332 | 658 | 3,485 | 1,147 | 2,223 | 380 | 19,259 | | 19,259 |
| 2006 | 7,640 | 1,408 | 1,680 | 573 | 2,940 | 1,006 | 2,316 | 302 | 17,865 | | 17,865 |
| 2007 | 7,320 | 1,120 | 1,355 | 511 | 3,075 | 879 | 2,414 | 215 | 16,889 | | 16,889 |
| 2008 | 7,010 | 813 | 1,060 | 459 | 2,225 | 765 | 2,530 | 115 | 14,977 | | 14,977 |
| 2009 | 6,375 | 555 | 1,110 | 413 | 1,830 | 678 | 511 | 53 | 11,525 | | 11,525 |
| 2010 | 920 | 269 | 1,170 | 363 | 1,920 | 595 | 539 | 41 | 5,817 | | 5,817 |
| 2011 | 960 | 228 | 1,225 | 309 | 2,015 | 506 | 569 | 29 | 5,841 | | 5,841 |
| 2012 | 1,000 | 185 | 1,280 | 252 | 2,105 | 411 | 105 | 16 | 5,354 | | 5,354 |
| 2013 | 1,050 | 139 | 1,160 | 192 | 1,810 | 311 | 110 | 14 | 4,786 | | 4,786 |
| 2014 | 1,100 | 89 | 1,215 | 136 | 1,900 | 224 | 117 | 11 | 4,792 | | 4,792 |
| 2015 | 580 | 39 | 995 | 79 | 1,675 | 134 | 123 | 9 | 3,634 | | 3,634 |
| 2016 | 240 | 10 | 460 | 30 | 720 | 51 | 130 | 6 | 1,647 | | 1,647 |
| 2017 | - | - | 240 | 10 | 470 | 20 | 137 | 790 | 1,667 | | 1,667 |
| 2018 | - | - | - | - | - | - | - | 1 | 1 | | 1 |
| | <u>\$ 48,434</u> | <u>\$ 8,732</u> | <u>\$ 17,726</u> | <u>\$ 4,753</u> | <u>\$ 29,975</u> | <u>\$ 8,048</u> | <u>\$ 13,965</u> | <u>\$ 2,433</u> | <u>\$ 134,066</u> | | <u>\$ 134,066</u> |
| | | | | | | | Principal | Interest | Total | | |
| | | | | | | | \$ 48,434 | \$ 8,732 | \$ 57,166 | | \$ 57,166 |
| | | | | | | | 61,666 | 15,234 | 76,900 | | 76,900 |
| | | | | | | | <u>\$ 110,100</u> | <u>\$ 23,966</u> | <u>\$ 134,066</u> | | <u>\$ 134,066</u> |

General Obligation
 Revenue and General Obligation
 TOTAL

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE
SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
For the Fiscal Year Ended June 30, 2003

Table 20

| NAME | TITLE | ANNUAL SALARY | AMOUNT OF SURETY BOND |
|-----------------------|---------------------------------------|------------------|--------------------------|
| A. Ray Griffin, Jr. | City Manager | \$ 107,016 | \$ 5,000 |
| J. Michael Bilingsley | City Attorney | 94,265 | - |
| James H. Demming | City Recorder/Chief Financial Officer | 88,585 | 385,000 |
| Keith E. Smith | City Treasurer | 67,685 | 200,000 |
| Richard Kitzmiller | Director of Schools | 104,296 | - |
| Mark E. Addington | Chief of Police | 83,439 | - |
| Jeanette D. Blazier | Mayor | 3,000 | - |
| Larry Munsey | Vice-Mayor | 2,400 | - |
| Mike O'Neill | Alderman | 2,400 | - |
| C. Ken Marsh, Jr. | Alderman | 2,400 | - |
| David Clark | Alderman | 2,400 | - |
| Roy Harmon | Alderman | 2,400 | - |
| Gary Mayes | Alderman | 2,400 | - |

Source: City of Kingsport Finance Department

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CITY OF KINGSPORT, TENNESSEE
INSURANCE IN FORCE
June 30, 2003

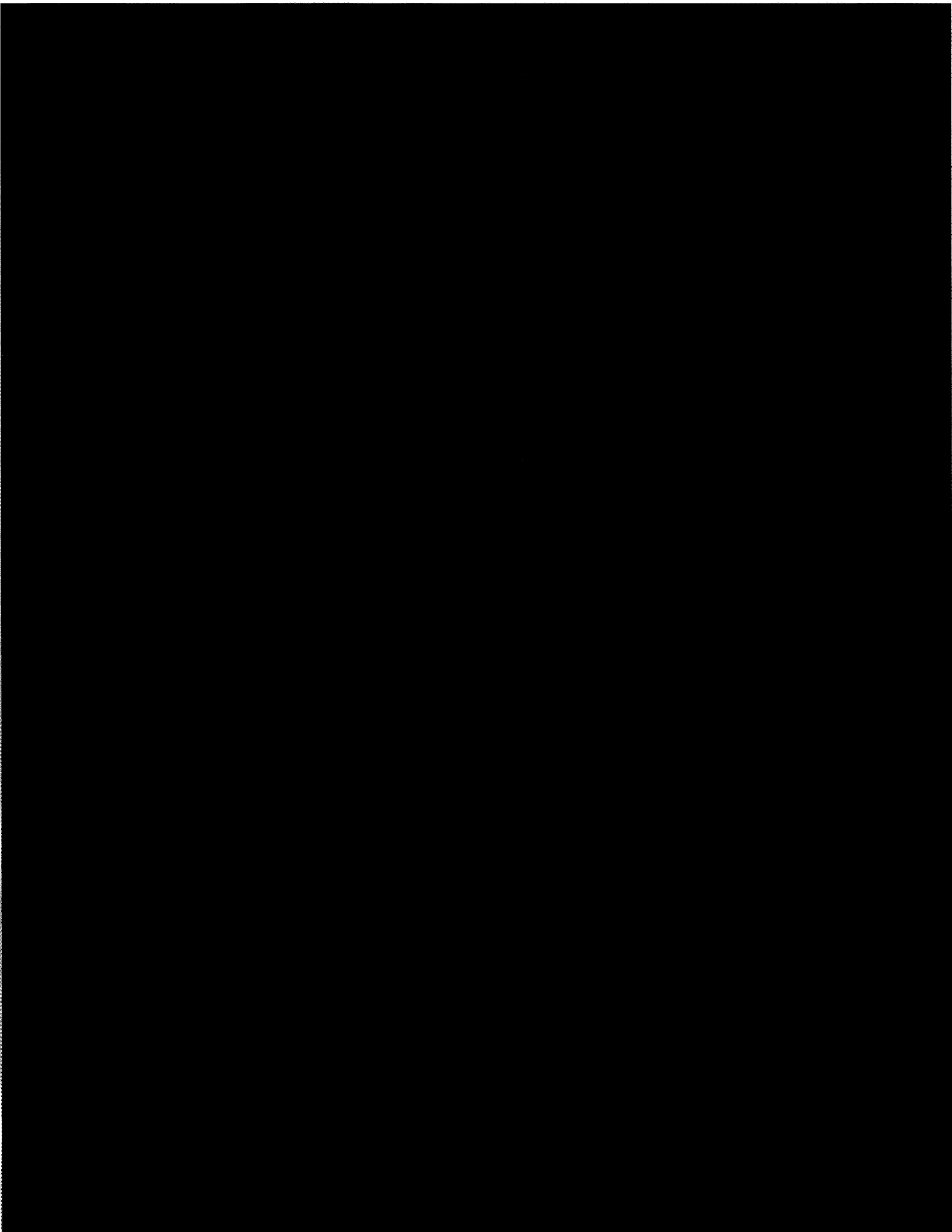
| Type of Coverage/ Insurance Carrier | Policy Number | Policy Period | Details of Coverage | Claim Limits | Annual Premium |
|---|--|--|--|--|-------------------|
| <u>Comprehensive General Liability/ TML Risk Management Pool</u> | TML-21300 | 12/31/2002 - 12/31/2003 | General Liability Auto Liability Auto Physical Damage Errors and Omissions | \$3,000,000 3,000,000 Replacement 3,000,000 | \$53,347 |
| Midwest Employers Reinsurance Corp. | 3140-5A-TN/ (Reinsurance Agreement) | 1/01/2003 - 1/01/2004 | Worker's Compensation | Statutory | 59,426 |
| <u>Government Crime/ St Paul/ U.S. Fidelity & Guarantee Co.</u> | 406CG6920 | 1/01/2003 - 1/01/2004 | Employee Blanket Dishonesty (City) | 250,000 | 1,469 |
| St. Paul/ U.S. Fidelity & Guarantee Co. | 406CG2237 | 7/01/2002 - 7/01/2003 | Employee Blanket Dishonesty (Schools) | 250,000 | 736 |
| <u>Unemployment Compensation</u> | Self Insured | | | | |
| <u>Property and Casualty/ Allianz Insurance Company</u> | CLP3001445 | 12/31/2002 - 12/31/2003 | Buildings and Contents | 108,938,000 | 143,523 |
| Travelers Insurance Company | I-660-710X3600-IND-03 | 2/13/2003 - 2/13/2004 | Justice Center Commercial/ General/Property | 5,928,000 | 7,150 |
| <u>Boiler and Machinery/ The Cincinnati Insurance Company</u> | BEP2646328 | 1/01/2003 - 1/01/2004 | Boilers | 100,000 | 4,288 |
| <u>Public Officials Bond/ St Paul/ U.S. Fidelity & Guarantee Co. St Paul/ U.S. Fidelity & Guarantee Co.</u> | 400MQ3028 RSB2003698 | 8/01/2002 - 8/01/2003 4/30/2003 - 4/30/2004 | Bond - Treasurer (K. Smith) Bond - Treasurer (K. Smith) (State of Tennessee - Schools) | 200,000 1,044,200 | 1,250 4,130 |
| St Paul/ U.S. Fidelity & Guarantee Co. | 400NS5672 | 3/15/2003 - 3/15/2004 | Bond - Recorder (J. Demming) | 385,000 | 1,540 |
| St Paul/ U.S. Fidelity & Guarantee Co. | 400KF0756 | 10/01/2002 - 10/01/2003 | Bond - City Manager (R. Griffin) | 5,000 | 100 |
| St Paul/ U.S. Fidelity & Guarantee Co. | 400MQ1787 | 1/01/2003 - 1/01/2004 | Bond - City Judge (J.R. Boatwright) | 1,000 | 100 |
| CNA Insurance Company | 58368775 | 4/04/2003 - 4/04/2004 | Blanket Notary Errors and Omissions | 25,000 | 660 |

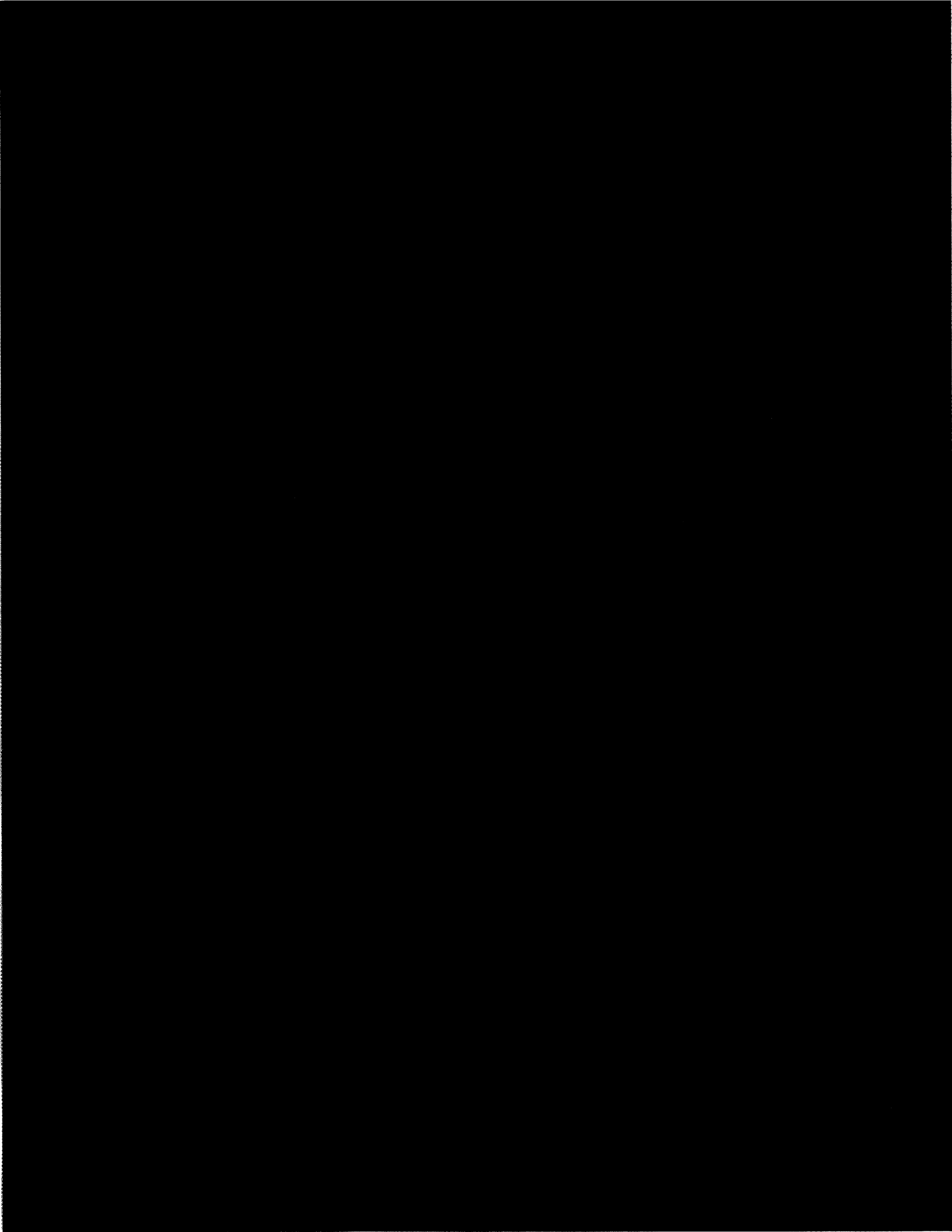
CITY OF KINGSFORT, TENNESSEE
INSURANCE IN FORCE
June 30, 2003

| Type of Coverage/ Insurance Carrier | Policy Number | Policy Period | Details of Coverage | Claim Limits | Annual Premium |
|--|------------------|-------------------------|--|-----------------|-------------------|
| Other/ Contractor's Equipment Hartford Insurance Company | 20MSG8023 | 10/04/2002 - 10/04/2003 | Contractor Equipment Damage | 1,024,437 | 6,589 |
| Stadium General Liability/ Property - D.B. High School Indiana Insurance Company | CBP9566738 | 3/08/2003 - 3/08/2004 | General Liability/Scoreboard/ Public Address System | 2,000,000 | 838 |
| Baseball Stadium General Liability/ Property - H. Wright Stadium Indiana Insurance Company | CZR428659 | 3/08/2002 - 3/08/2004 | General Liability/Scoreboard/ Public Address System | 2,000,000 | 500 |
| Total Premium | | | | | <u>\$285,646</u> |

Source: City of Kingsport Finance Department

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Independent Auditors' Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

Honorable Mayor and Board of Aldermen
City of Kingsport
Kingsport, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information (the "financial statements") of the City of Kingsport, Tennessee (the "City") and the Industrial Development Board, a discretely presented component unit, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 26, 2003. We did not audit the basic financial statements of the Emergency Communications District, a discretely presented component unit, as of and for the year ended June 30, 2003. Those basic financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the City's financial statements, insofar as it relates to the amounts included for the Emergency Communications District, is based on the report of the other auditors. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

City of Kingsport, Tennessee
Independent Auditors' Report on Compliance
and on Internal Control over Financial Reporting
Page 2

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Blackburn, Childers and Steagall, PLLC
BLACKBURN, CHILDERS & STEAGALL, PLC

November 26, 2003

Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133

Honorable Mayor and Board of Aldermen
City of Kingsport
Kingsport, Tennessee

Compliance

We have audited the compliance of the City of Kingsport, Tennessee (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

City of Kingsport, Tennessee
Independent Auditors' Report on Compliance
in Accordance With OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Blackburn, Childers and Steagall, PLLC
BLACKBURN, CHILDERS & STEAGALL, PLC

November 26, 2003

CITY OF KINGSPORT, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2003

Section I - Summary of Auditors' Results

(As required by OMB Circular A-133)

1. The auditors' report expresses an unqualified opinion on the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information (the "financial statements") of the City of Kingsport, Tennessee (the "City").
2. No reportable conditions or material weaknesses are reported in the independent auditors' report on compliance and on internal control over financial reporting, based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No reportable conditions disclosed during the audit of the major federal award programs were reported in the independent auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the City.
7. The programs tested as major programs were as follows:

| <u>Program</u> | <u>CFDA Number</u> |
|---|------------------------|
| National School Lunch Program | 10.555 |
| Community Development Block Grants | 14.218 |
| Title I | 84.010 |
| IDEA | 84.027 |
| School Renovation, IDEA and Technology Grants | 84.352A |

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was not determined to be a low risk auditee.

Section II - Financial Statement Findings

Current Year Findings – There are no current year findings.

Prior Year Findings – There were no prior year findings.

Section III - Findings and Questioned Costs - Major Federal Award Programs Audit

There were no findings and questioned costs in regard to the major federal award programs audit.

