

# **City of Johnson City, Tennessee**

## Comprehensive Annual Financial Report

For the Fiscal Year Ended  
June 30, 2012



Prepared by:

### **Finance Department**

Janet Jennings, CPA, Director of Finance

CITY OF JOHNSON CITY, TENNESSEE

BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2012

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2012**

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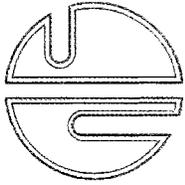
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# City of Johnson City Tennessee

601 East Main Street • Johnson City, TN 37605 • (423) 434-6000

## Office of Finance Director

December 21, 2012

To the Honorable Mayor, Members of the Board of Commissioners, City Manager and Citizens of the City of Johnson City, Tennessee:

The Comprehensive Annual Financial Report of the City of Johnson City for the fiscal year ended June 30, 2012 is submitted hereby, in accordance with the provisions of Section 2.89 of the Johnson City Code. This report consists of the City's representations concerning the finances of the City of Johnson City. Consequently, the City assumes full responsibility for the completeness and reliability of all of the information presented in this report. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial structures have been included.

The City is required to undergo an annual single audit in conformity with the Single Audit Act of 1984 and the United States Office of Management and Budget Circular A-128, Audits of State and Local Governments. Information related to this single audit, including the findings and recommendations and the auditors' reports on the internal controls and compliance with applicable laws and regulations, are included as a part of this report.

This report includes all funds of the City, as well as all of its component units. Component units are legally separate entities for which the City is financially accountable. The Johnson City Public Library is discretely presented in the financial statements to emphasize that it is legally separate from the City. The Johnson City Public Building Authority is presented as a blended component unit of the City. In addition, the State of Tennessee requires the Power Board to be included in the City's financial statements since the fund was formed under a private act.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### Financial Information

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that all assets of the City are protected from loss, theft or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and county financial assistance, the City is also responsible for ensuring that adequate internal controls are in place to facilitate compliance with applicable laws and regulations related to those programs. The internal controls are subject to periodic evaluation by management and the accounting staff of the City.

As a part of the City's single audit, previously described, tests are made to determine the adequacy of the internal controls, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations.

**Independent Audit.** The City Charter requires that an annual audit be made of the accounts, financial records and transactions of the City departments by a Certified Public Accountant. This fiscal year, the Certified Public Accounting Firm of Blackburn, Childers and Steagall, PLC audited all the City funds, except the Johnson City Schools Site-Based Fund. That fund information has been provided by the audit firm and incorporated into this financial report.

**Budgeting Controls.** In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of the General Fund, Special Revenue Funds, Debt Service Funds, Proprietary Funds and Capital Project Funds are included in the annual appropriated budget. Project-length financial plans are adopted for all Capital Project Funds. The level of budgetary control is established on the department or activity level within an individual fund.

## **Profile of the Government**

Policy-making and legislative authority are vested in the Board of Commissioners, consisting of the mayor and four other members. The Commission is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees and hiring the City's manager. The City's manager is responsible for carrying out the policies and ordinances of the Commission, for over-seeing the day-to-day operations of the City and for appointing the heads of departments. The Commission 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 provides a full range of services, as directed by its charter. These services include police and fire protection, park and recreation activities, schools, a senior citizen's center, street construction and maintenance, planning and zoning and general administrative services. In addition, water and sewer, electric power, transit service, garbage pick-up, landfill, stormwater, and golf are provided under the proprietary fund concept.

## **Factors Affecting Financial Condition**

**Local Economy.** Johnson City, along with Kingsport and Bristol, Tennessee and Virginia, make up the "Tri-Cities" area of Northeastern Tennessee. The area has an MSA population of 509,611 and continues to experience healthy population growth. Business and industry in Johnson City are diverse and include retail, utilities, financial, manufacturing, medical and other services. The City's economic base is still firmly rooted in institutional services. The three largest employers are Mountain States Health Alliance, East Tennessee State University and Citi Commerce Solutions. During fiscal year 2012 the City of Johnson City, in conjunction with neighboring municipalities and the business and education community, conducted the 9<sup>th</sup> Annual Economic Summit. The City's involvement in this partnership for economic progress demonstrates a continued commitment to working for a stronger local economy, improved quality of life, community pride, responsible city government and a more attractive community.

The City continues to experience lower unemployment than the State average. A decrease of 1.2 percentage points was experienced during the current fiscal period, ending the year at 7.9%. The year-end State average unemployment rate was 8.7%. A balance of property and sales taxes support the City's finances. Property taxes continued a pattern of healthy growth. Sales tax collections experienced continued growth for the second consecutive year since turning a major corner in July, 2010. This fiscal year 2010-11 upswing was the first sales tax growth since fiscal year 2007-08. The City's most recent fiscal year (2011-12) finished 2.2% ahead of 2007-08, with continued healthy growth anticipated. This growth, combined with continued cost containment by City departments, has allowed the City to continue to cash fund capital equipment purchases, make cash contributions toward capital projects and operate with no increase in the property tax rate. The City's property tax rate continues to be the lowest of all the surrounding areas

***Long-term financial planning.*** During fiscal year 2013, the City will reach the end of a multi-year school construction and renovation program totaling over \$73 million. In addition, construction of a new community center, water and sewer system improvements and upgrades at other City facilities, totaling nearly \$40 million will be complete. As these projects come to a close, the City continues to look forward with the local governing body's adoption of the 5-year Capital Improvement Program. Future projects include additional expansion and improvements at City schools, facilities and parks, as well as stormwater, water and sewer system and transportation improvements.

***Financial management policies and practices.*** Fund balance in the General Fund (28.7% of total general fund expenditures and interfund transfers) falls within the policy guidelines set by the Board of Commissioners for budgetary and planning purposes (i.e., 16% of total general fund expenditures and interfund transfers). A planned build-up in this balance, during the years leading up to the current economic condition, has resulted in the City having the ability to maintain its high service level to the citizens, in spite of the distressed economy. Additionally, the City has been able to continue cash funding capital equipment and undertake a number of significant capital projects, in effect creating its own local economic stimulus.

### **Awards and Acknowledgements**

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 Johnson City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the City's eleventh consecutive year for receiving the award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. 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 CAFR continues to meet the Certificate of Achievement Program's requirements, and are submitting it to the GFOA to determine its eligibility for another award.

The preparation of this Comprehensive Annual Financial Report (CAFR) could not have been accomplished without the efforts and dedication of the Accounting staff throughout the fiscal year. I would like to express my appreciation to the Accounting staff and personnel from various departments, agencies and authorities, as well as our auditors, for assisting in the preparation and publication of this report. Also, I would like to thank the City Manager, Mayor and Commissioners for their guidance and support.

Respectfully submitted,



Janet Jennings, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Johnson City  
Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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.



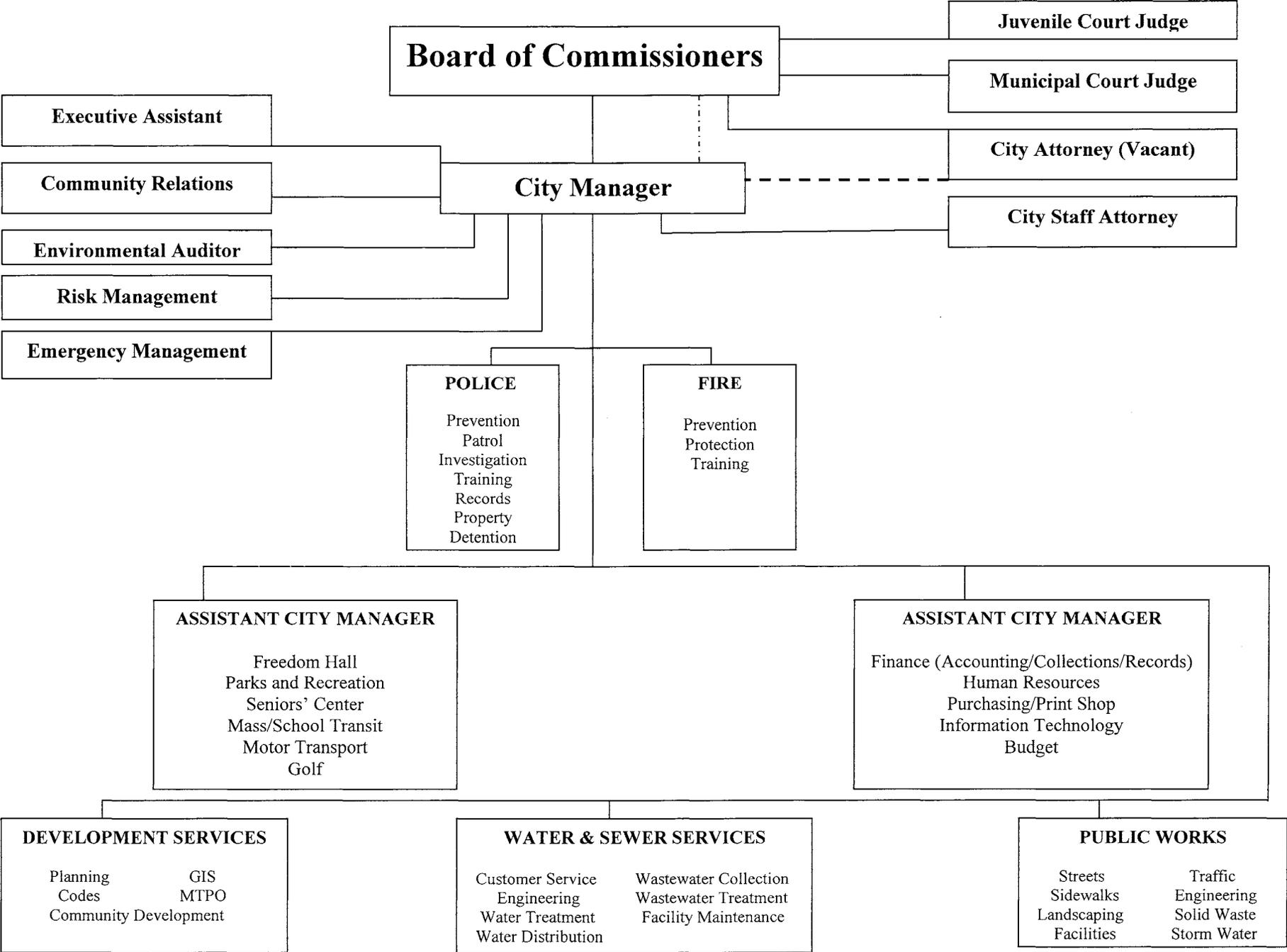
*Christopher P. Moynell*

President

*Jeffrey R. Emery*

Executive Director

# CITIZENS OF JOHNSON CITY



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**CITY OF JOHNSON CITY, TENNESSEE**  
**CITY OFFICIALS**  
**June 30, 2012**

**Board of Commissioners:**

Jeff Banyas, Mayor  
Phil Carriger, Vice-Mayor  
Jane Myron  
Clayton Stout  
Ralph Van Brocklin

**City Judges:**

Sharon Greene, Juvenile Judge  
Stan Widener, City Judge

**City Administration:**

M. Denis Peterson, City Manager  
Charles J. Stahl, IV, Assistant City Manager  
Robert L. Wilson, Assistant City Manager  
Janet Jennings, City Finance Director

**Bond Coverage: All employees and Board of Commissioners are covered with dishonesty and errors and omissions insurance coverage in the amount of \$200,000. Additional surety bond coverage for the City Finance Director is \$1,411,251.**

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Commissioners  
City of Johnson City  
Johnson City, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the City) as of and for the year ended June 30, 2012, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Johnson City Schools Site Based Fund, a nonmajor special revenue fund, which represents 1%, 2%, and 2%, respectively, of the assets, fund balance and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Johnson City Schools Site Based Fund, 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 opinions.

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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund and the General Purpose School Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which became effective for the year ended June 30, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 and the analysis of funding progress for defined benefit pension plans and post-employment healthcare plans on pages 136 through 137, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, supplemental information and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is 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 is also not a required part of the financial statements. The combining and individual fund financial statements and schedules, supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to the prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

December 21, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Johnson City, Tennessee (the City), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. 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 i through iii of this report. All amounts included in this management's discussion and analysis, unless otherwise indicated, are expressed in the thousands of dollars.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$454,119 (*net position*). Of this amount, \$371,091 is invested in capital assets (*net of related debt*) and \$195 is restricted for specific purposes.
- The City's overall net position increased by \$8,583 for the current period. In addition, beginning net position decreased \$3,147, due mainly to the write-off of bond issue costs in accordance with GASB 65.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$43,122, a decrease of \$12,255 in comparison with the prior year. Of this amount, \$191 is nonspendable, \$27,300 is restricted, \$1,939 is committed for specific purposes, and \$7,898 is assigned. In addition, beginning fund balance increased \$555 for adjustments to inventory accounted for under the purchase method and for adjustments to motor transport radio equipment.
- At the end of the current fiscal year, fund balance for the general fund was \$21,285, or 29% of total general fund expenditures including transfers out. This balance includes \$12,164 of restricted funds, \$1,042 committed for specific purposes and \$2,285 assigned.
- The City's total outstanding long-term debt decreased by \$10,100 (3.5%) during the current fiscal year, as detailed on page 13.

### Overview of the Financial Statements.

This narrative overview is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 position* presents financial information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes 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, public welfare, city services and education. The business-type activities of the City include water and sewer, city solid waste, regional solid waste, stormwater, power board, public building authority, mass transit and golf courses.

The government-wide financial statements include not only the City of Johnson City itself (known as the *primary government*), but also a legally separate public library for which the City is financially obligated. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The Public Building Authority, although also legally separate, functions almost entirely for the benefit of the City, and therefore has been reported as a part of the primary government.

The government-wide financial statements can be found on pages 15 through 18 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, proprietary funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and 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-two individual governmental funds. 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, general-purpose school fund, debt service fund and educational facilities debt service fund, which are considered to be major funds.

Data from the other eighteen governmental funds are combined into a single aggregated presentation and summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and individual fund statements elsewhere in this report.

The City adopts an annual appropriation budget for its general and other major special revenue funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 19 through 23 of this report.

***Proprietary funds.*** The City maintains two different types of proprietary 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 the water/sewer, city solid waste, regional solid waste, mass transit, stormwater, golf courses, power board and public building authority. *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 its fleet maintenance service (motor transport) and insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been primarily 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 for the water and sewer and city solid waste operations, and for the power board and public building authority, all of which are considered to be major funds of the City. Data from the other enterprise funds are combined into a single, aggregated presentation and summarized under the heading "Nonmajor Proprietary Funds". Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report. Data from the City's internal service funds (motor transport and insurance) are included in the proprietary fund financial statements under the heading "Governmental Activities – Internal Service Funds". Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 33 through 40 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one fiduciary fund. The NETCO fund is used to report resources held for the Northeast Tennessee Cooperative to use to make combined purchases for its member cities and counties.

The fiduciary fund financial statement can be found on page 41 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire 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 42 through 135 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 136 through 137 of this report.

The individual statements for the debt service funds and combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor proprietary funds, are presented immediately following the required supplementary information on pensions and OPEB. These statements and schedules can be found on pages 138 through 169 of this report

### Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Johnson City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$454,119, at the close of the most recent fiscal year.

#### City of Johnson City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 110,006	128,762	71,773	83,621	181,779	212,383
Capital assets	275,711	266,628	363,698	351,340	639,409	617,968
<b>Total assets</b>	<b>385,717</b>	<b>395,390</b>	<b>435,471</b>	<b>434,961</b>	<b>821,188</b>	<b>830,351</b>
Total deferred outflows of resources	160	-	1,021	-	1,181	-
Long-term liabilities, outstanding	143,502	144,140	142,741	149,160	286,243	293,300
Other liabilities	54,212	60,634	23,507	24,880	77,719	85,514
<b>Total liabilities</b>	<b>197,714</b>	<b>204,774</b>	<b>166,248</b>	<b>174,040</b>	<b>363,962</b>	<b>378,814</b>
Total deferred inflows of resources	3,945	2,854	343	-	4,288	2,854
Net position:						
Net investment in capital assets	141,450	152,945	229,641	219,263	371,091	372,208
Restricted	195	200	-	-	195	200
Unrestricted	42,573	34,617	40,260	41,658	82,833	76,275
<b>Total net position</b>	<b>\$ 184,218</b>	<b>187,762</b>	<b>269,901</b>	<b>260,921</b>	<b>454,119</b>	<b>448,683</b>

By far, the largest portion of the City's net position (82%) reflects its investment in capital assets (e.g. land, buildings, equipment, vehicles and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its 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.

An additional portion of the City's net position (.04%) represents resources that are subject to external restrictions on how they may be used. The remaining 18% is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City reports positive balances in all categories of net position, both for the government as a whole, and for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position increased by \$8,583 from the prior fiscal year. In addition, beginning net position decreased \$3,147, due mainly to the write-off of bond issue costs in accordance with GASB 65. The reasons for this overall increase are discussed in the sections for governmental activities and business-type activities, following the summary of changes in net position.

#### City of Johnson City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 9,407	10,233	229,435	241,990	238,842	252,223
Operating grants & contributions	39,773	40,426	2,045	1,647	41,818	42,073
Capital grants & contributions	262	1,895	762	565	1,024	2,460
General revenues:						
Property taxes	39,620	38,778	-	-	39,620	38,778
Sales taxes	36,283	34,184	-	-	36,283	34,184
Other taxes	8,556	8,386	-	-	8,556	8,386
Unrestricted investment earnings	858	1,203	672	759	1,530	1,962
Other	6	127	4	(158)	10	(31)
<b>Total revenues</b>	<u>134,765</u>	<u>135,232</u>	<u>232,918</u>	<u>244,803</u>	<u>367,683</u>	<u>380,035</u>

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Expenses:</b>						
General government	9,783	10,694	-	-	9,783	10,694
Public safety	30,769	23,894	-	-	30,769	23,894
Public works	12,037	14,922	-	-	12,037	14,922
Public welfare	11,407	7,371	-	-	11,407	7,371
City services	2,300	2,223	-	-	2,300	2,223
Education	64,997	69,231	-	-	64,997	69,231
Interest on long-term debt	6,562	7,239	-	-	6,562	7,239
Water and sewer	-	-	25,926	24,165	25,926	24,165
City solid waste	-	-	8,404	8,336	8,404	8,336
Regional solid waste	-	-	2,183	2,006	2,183	2,006
Power board	-	-	176,494	185,044	176,494	185,044
Public building authority	-	-	1,865	2,007	1,865	2,007
Mass transit	-	-	4,021	3,431	4,021	3,431
Stormwater management	-	-	1,066	1,000	1,066	1,000
Golf courses	-	-	1,286	1,322	1,286	1,322
<b>Total expenses</b>	<b>137,855</b>	<b>135,574</b>	<b>221,245</b>	<b>227,311</b>	<b>359,100</b>	<b>362,885</b>
Increase (decrease) in net position before transfers	(3,090)	(342)	11,673	17,492	8,583	17,150
Transfers	999	2,463	(999)	(2,463)	-	-
Increase (decrease) in net position	(2,091)	2,121	10,674	15,029	8,583	17,150
Net position, beginning	187,762	185,641	260,921	245,892	448,683	431,533
Prior period adjustment	(1,453)	-	(1,694)	-	(3,147)	-
Net position, ending	<u>\$ 184,218</u>	<u>187,762</u>	<u>269,901</u>	<u>260,921</u>	<u>454,119</u>	<u>448,683</u>

**Governmental activities.** During the current fiscal year, net position for governmental activities decreased \$2,091 from the prior fiscal year due entirely to the expending of bond proceeds received in prior years. Beginning net position was also reduced by \$1,453 mainly to write off bond issue costs in accordance with GASB 65. Governmental activities reported an ending net position balance of \$184,218.

**Business-type activities.** For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased \$10,674. Beginning net position was also reduced by \$1,694 mainly to write off bond issue costs in accordance with GASB 65. Business-type activities reported an ending net position of \$269,901. Key elements of this increase are:

- Johnson City Power Board contributed 59% of the total growth in net position for business-type activities.
- Water and Sewer Activities reported positive performance and contributed 24% of the total net position growth to provide funds for debt repayments and capital expansion as indicated in the statement of cash flows located on pages 38 through 40 of this report.
- Stormwater management activities reported positive performance and provided 10% of the total net position growth. These funds were invested in downtown drainage improvements.

## Financial Analysis of the City's Funds

As noted earlier, the City of Johnson 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's financing requirements. In particular, it is useful to review the various classifications of fund balance in measuring the 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's governmental funds reported combined ending fund balances of \$43,122, a current year decrease of \$12,255. Additionally, beginning fund balance increased \$555 for adjustments to inventory accounted for under the purchase method and for adjustments to motor transport radio equipment. Included in ending fund balance are assets of \$191 which are nonspendable, indicating that they are either not in a spendable form or must be maintained intact. Restricted fund balance of \$27,300 includes amounts legally constrained for education (\$198), school debt service (\$2,580), specific capital projects (\$9,783), school food service (\$1,282), public safety (\$1,129), fund balance policy (\$11,850), and other services (\$478). Funds committed for a particular purpose total \$1,939 and include economic development (\$1,042) and education (\$897). Funds assigned for a particular purpose total \$7,898. The remaining unassigned balance of \$5,794 comprises 13.4% of total fund balance and represents funds available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached \$21,284, including \$12,163 of restricted funds, \$1,042 committed for specific purposes and \$2,285 assigned for a particular purpose. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 7.8% of total general fund expenditures and transfers out, while total fund balance represents 28.7% of that same amount. In conjunction with the 7.8% unassigned fund balance, it is important to consider that the restricted balance in fund balance includes 16% set aside to meet two (2) months of general fund expenditures, in accordance with the City's fund balance policy. The fund balance of the City's general fund increased by \$887 as a result of stronger than planned revenue collections, effective cost controls and favorable variable interest rates on the City's debt. In addition, beginning fund balance increased \$544 for adjustments to motor transport radio equipment.

The general-purpose school fund has a total fund balance of \$5,913, including \$46 of nonspendable assets, \$4 of restricted funds, \$897 committed for specific purposes and \$4,966 assigned for general education. The net decrease in fund balance was \$756. This decrease resulted from lower revenues as well as the spending of reserved funds set aside from prior years' surpluses. In addition, beginning fund balance increased \$2 for adjustments to inventory accounted for under the purchase method.

At the end of the current fiscal year, the fund balance of the City's debt service fund totaled \$0. The net change in fund balance was \$0.

The educational facilities debt service fund has a total fund balance of \$2,580, all of which is restricted. The net increase was \$1,165. This increase is attributable to the restructuring of debt, which was done to more properly align debt service payments with the anticipated revenue stream.

Nonmajor (other) governmental funds have a fund balance of \$13,345, including \$145 of nonspendable assets, \$12,553 of restricted funds and \$647 assigned for a particular purpose. The net decrease in fund balance during the current year was \$13,551. This net decrease is primarily attributed to the expending of bond proceeds received in prior years. Additionally, the beginning fund balances for nonmajor governmental funds were increased \$9 for adjustments to inventory accounted for under the purchase method.

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

Unrestricted net position of the Water and Sewer Fund, City Solid Waste Fund and Johnson City Power Board, at the end of the year, amounted to \$7,309, \$2,336 and \$28,519, respectively. The Public Building Authority (PBA) is a blended component unit of the City and reported unrestricted net position of \$819. Nonmajor (other) proprietary funds reported unrestricted net position of \$1,277. Total unrestricted net position of proprietary funds amounted to \$40,260.

As noted earlier in the discussion of business-type activities, the total growth in net position for the proprietary funds was \$10,674. Beginning net position was also reduced by \$1,694 mainly to write off bond issue costs in accordance with GASB 65. The Johnson City Power Board and Water and Sewer operation contributed reported growth in net position of \$6,266 (59%) and \$2,528 (24%), respectively. Other factors concerning the financial position of these funds have already been addressed in the discussion of the City’s business-type activities.

**General Fund and General Purpose School Fund Budgetary Highlights**

**Original and Final Budgeted Amounts.** Differences, between the original budget and the final amended budget for the general fund, represent a \$512 increase in expenditures appropriations and an \$810 increase in net transfers appropriated, for a total net increase of \$1,322. The net increase consists of the following:

\$ 140	Police overtime and vehicle damage, inmate medical/dental, Emergency Medical Equipment
40	Additional fuel and vehicle maintenance costs for Student Transportation
201	Public Works costs for walking trail and additional street resurfacing
350	Contribution to Animal Shelter
503	Operating subsidy to Public Building Authority (previously recorded as a reduction in revenues; change made in accounting to enhance transparency
88	Other
<u>\$ 1,322</u>	

The increased budgets for Police and Emergency Management were funded by additional donations and reimbursements. Primarily, the additional Public Works and Student Transportation costs were also offset by additional revenues. The Animal Shelter contribution was funded from Med Tech Park property tax collections set aside by the governing body. The operating subsidy to the Public Building Authority (PBA) was simply an accounting change to record the revenues collected and passed through to the PBA, as well as the corresponding transfer out. This change was made to improve transparency in reporting.

Differences, between the original budget and the final amended budget for the general purpose school fund, represent a \$1,366 increase in expenditures appropriations and a \$14 increase in transfers appropriated, for a total increase in appropriations of \$1,380. The net increase consists of the following:

\$	660	Additional personnel costs and operating materials for Instruction
	84	Additional personnel costs and operating materials for Instruction Support Services
	30	Additional Administration and Board of Education costs
	64	Increased Maintenance costs
	99	Transportation costs
	51	Community Services
	378	Capital Outlay
	37	Transfers to debt service fund
	(23)	Transfers to educational facilities debt service fund
	<u>\$ 1,380</u>	

This increase in spending was offset by additional local sales tax collections and state funds, as well as increases in charges for service, other local revenues and reserves set aside from previous years.

**Final Amended Budget and Actual Amounts.** Differences, between the final amended budget and actual results for the general fund, represent a \$978 decrease in expenditures and an \$802 decrease in net transfers, for a total decrease of \$1,780. This decrease consists of the following:

\$	175	Increase in Freedom Hall operating subsidy
	(897)	Debt Service savings
	(218)	Less than expected City Court costs due to a change in the State law regarding camera enforcement programs
	(226)	General Government departmental spending was lower than expected due to lower legal fees and equipment costs
	(320)	Public Works departmental spending lower than expected for streets and traffic control
	(159)	Public Welfare (Parks and Recreation and Senior Citizens) departmental spending lower than budgeted
	(135)	Other
	<u>\$ (1,780)</u>	

Since the budget to actual variance represents a reduction in required appropriations, no additional funding was necessary. Increases in revenue totaling \$1,033, when combined with the favorable expenditure performance, resulted in better performance by \$2,813. The final budget anticipated a deficit of \$1,926, while the actual surplus reported was \$887. Revenue experienced better than anticipated performance, with the most significant increases being realized in local and state sales tax (\$964), business tax (\$322) and other revenues (\$133). This strong performance was partially offset by lower revenues resulting from a State law change regarding camera enforcement programs (\$386).

## Capital Asset and Debt Administration

**Capital Assets.** The City of Johnson City's investment in capital assets for its governmental and business type activities as of June 30, 2012, amounted to \$639,410 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, plant in service, equipment and vehicles, paving, transmission and power distribution system, garbage containers, infrastructure and construction in progress. Major capital asset events during the fiscal year included the following:

- Acquisition of new fire truck and thermal camera equipment, police vehicles, public works equipment, school buses and parks and recreation equipment
- Acquisition of new police vehicles
- Construction of pedestrian bridge over South Roan Street
- Completion of School Construction projects on the Science Hill High School campus: 10-12 campus renovations, new 9<sup>th</sup> Grade Academy, central energy plant and water detention facility
- Completed Liberty Bell Tennis court resurfacing project
- Completed improvements at Cardinal Park
- Regional Sewer Capacity Improvements completed
- Water and Sewer Improvements in progress on Broadway, Main Street and State of Franklin Road
- Downtown Brush Creek Sewer Line Interceptor project in progress
- State Route 75 water and sewer improvements in progress
- Construction in progress on new Memorial Park Community Center
- Renovation project in progress at Freedom Hall Civic Center
- Construction in progress on new multi-purpose athletic facility on the Science Hill High School campus

### City of Johnson City's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 21,013	20,460	17,081	15,668	38,094	36,128
Buildings and Improvements	180,430	161,100	52,714	51,503	233,144	212,603
Plant and Lines	-	-	403,012	380,584	403,012	380,584
Vehicles and Equipment	41,773	38,888	38,778	36,712	80,551	75,600
Infrastructure	162,774	161,144	-	-	162,774	161,144
Construction in Progress	50,930	58,809	16,907	19,989	67,837	78,798
Accumulated Depreciation	<u>(181,209)</u>	<u>(173,773)</u>	<u>(164,793)</u>	<u>(153,116)</u>	<u>(346,002)</u>	<u>(326,889)</u>
<b>Total</b>	<u>\$ 275,711</u>	<u>266,628</u>	<u>363,699</u>	<u>351,340</u>	<u>639,410</u>	<u>617,968</u>

Additional information on the City's capital assets can be found in Note 4.D. on pages 69 through 70 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total debt outstanding of \$285,135. All of this debt is backed by the full faith and credit of the government.

#### City of Johnson City's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Notes payable	\$ 350	623	1,275	1,295	1,625	1,918
General obligation bonds	137,548	139,345	76,812	80,469	214,360	219,814
Revenue bonds	-	-	58,695	62,765	58,695	62,765
Capital Leases	355	638	-	-	355	638
<b>Total Long-Term Debt</b>	<b>\$ 138,253</b>	<b>140,606</b>	<b>136,782</b>	<b>144,529</b>	<b>275,035</b>	<b>285,135</b>

The City's total debt decreased by \$10,100 (3.5%) during the current fiscal year, as a result of principal payments.

The City maintains a 'AA-' rating from Standard and Poor's, a 'AA' rating from Fitch and a 'Aa2' rating from Moody's Investors Service, for its debt.

The City of Johnson City is subject to debt limitations imposed by its Charter. The total bonded indebtedness (excluding sales tax revenue debt) shall not exceed 10% of the assessed taxable value of property within the City. The current debt limitation for the City is in excess of the outstanding general obligation debt, with the amount of debt applicable to the debt limit at only 5.5%. Additional information on the City's long-term debt can be found in Note 4.I. on pages 89 through 115 of this report.

#### Economic Factors and Next Year's Budget and Rates

- The unemployment rate (not seasonally adjusted) for the Johnson City statistical area is currently 7.9%, which is a decrease of 1.2% from a year ago. This compares to the state's unemployment rate (not seasonally adjusted) of 8.7% as of June 30, 2012.
- Inflationary trends in the region are comparable to national indices.
- New construction permitted and inspected was steady with prior years.
- Growth in local sales tax collections is budgeted to approximate 3.7% in fiscal year 2013.

Short-term interest rates on the City's pooled cash account remained steady. The Federal Open Market Committee made no changes to the federal funds rate, which currently stands at 0-.25%. The City's financial institution currently credits interest on the pooled cash at a rate of .10%. All of these factors were considered in preparing the City of Johnson City's budget for fiscal year 2013.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,794. All appropriations lapse at year-end. The City of Johnson City has appropriated \$2,487 of this amount for capital spending and \$350 for increased School funding in the fiscal year 2013 budget.

Water rates and sewer rates were remained steady during the fiscal year. Residential and commercial garbage collection rates remained the same, as well.

**Discretely Presented Component Unit**

The Johnson City Public Library (the "Library") is a non-profit organization under IRC Section 501(c)3 incorporated in September 1989. The Library's Board of Directors is appointed by the City Commission and an appropriation of at least 80% of its annual support is provided by the City. The City is obligated to finance any deficits and all debt is financed by the City. The Library's property is also owned and titled to the City. Separately issued financial statements may be requested from: Johnson City Public Library, 100 West Millard Street, Johnson City, TN 37604.

**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 Johnson City, Director of Finance, 601 East Main Street, Johnson City, Tennessee 37601.

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**June 30, 2012**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Johnson City Public Library
<b>ASSETS</b>				
Cash on Hand	\$ 13,249	22,081	35,330	550
Cash on Deposit with Paying Agent	502,348	224,542	726,890	-
Cash in Bank	19,984,196	17,551,768	37,535,964	197,114
Cash on Deposit with State of Tennessee	19,422	3,002,725	3,022,147	-
Cash Due from Central Depository	3,500,714	10,588,229	14,088,943	-
Investments	18,295,625	-	18,295,625	-
Accounts Receivable (Net)	1,777,275	9,231,153	11,008,428	3,221
Notes Receivable	39,141	91,497	130,638	-
Internal Balances	353,932	(353,932)	-	-
Taxes Receivable	30,458,009	-	30,458,009	-
Less: Estimated Uncollectible	(190,257)	-	(190,257)	-
Intergovernmental Receivables	20,521,065	561,835	21,082,900	-
Deposits	5,050	-	5,050	-
Inventories	710,921	5,605,355	6,316,276	-
Prepaid Expenses	162,169	89,504	251,673	-
Restricted Assets:				
Cash and Cash Equivalents	151,817	19,201,673	19,353,490	-
Investments	9,643,437	5,922,758	15,566,195	-
Other Assets:				
Customer Base (Net)	-	34,115	34,115	-
Negative Net OPEB Obligation	112,284	-	112,284	-
Fair Value of Interest Rate Swap	3,945,145	-	3,945,145	-
Capital Assets:				
Land	21,013,083	17,081,155	38,094,238	-
Book Collection	-	-	-	1,138,049
Buildings and Improvements	180,429,686	52,713,643	233,143,329	179,594
Plant in Service	-	403,012,299	403,012,299	-
Equipment and Vehicles	41,773,128	38,778,388	80,551,516	766,852
Infrastructure	162,774,040	-	162,774,040	-
Less: Accumulated Depreciation	(181,208,404)	(164,793,795)	(346,002,199)	(569,963)
Construction in Progress	50,929,609	16,906,818	67,836,427	-
<b>Total Assets</b>	<b>385,716,684</b>	<b>435,471,811</b>	<b>821,188,495</b>	<b>1,715,417</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Bond Refunding Costs	160,601	1,020,531	1,181,132	-
<b>Total Deferred Outflows of Resources</b>	<b>160,601</b>	<b>1,020,531</b>	<b>1,181,132</b>	<b>0</b>

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**June 30, 2012**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Johnson City Public Library
<b>LIABILITIES</b>				
Cash Due to Central Depository	3,604,034	2,121,210	5,725,244	-
Accounts Payable	1,872,036	14,443,843	16,315,879	-
Accrued Payroll Expenses	4,111,160	1,120,565	5,231,725	40,515
Accrued Expenses	3,931,529	1,519,958	5,451,487	-
Due to State of Tennessee	516	-	516	-
Deposits Payable	-	3,417,908	3,417,908	-
Deferred Revenue	-	53,088	53,088	-
Matured Bonds and Interest Payable	553,319	33,253	586,572	-
Retainages Payable	822,913	311,138	1,134,051	-
Unearned Revenue	39,216,695	-	39,216,695	-
Contractor Deposits	99,512	472,885	572,397	-
Customer Deposits	-	975	975	-
Special Commission Bonds	-	11,756	11,756	-
Noncurrent Liabilities:				
Due within one year	11,198,885	9,162,647	20,361,532	23,511
Due in more than one year	132,303,676	133,578,390	265,882,066	7,243
<b>Total Liabilities</b>	<b>197,714,275</b>	<b>166,247,616</b>	<b>363,961,891</b>	<b>71,269</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow on Swap	3,945,145	-	3,945,145	-
Deferred Gain on Bond Refunding	-	343,271	343,271	-
<b>Total Deferred Inflows of Resources</b>	<b>3,945,145</b>	<b>343,271</b>	<b>4,288,416</b>	<b>0</b>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	141,450,516	229,640,982	371,091,498	1,505,480
Restricted for:				
Imagination Library	-	-	-	18,569
School Trust	194,541	-	194,541	-
Unrestricted	42,572,808	40,260,473	82,833,281	120,099
<b>Total Net Position</b>	<b>\$ 184,217,865</b>	<b>269,901,455</b>	<b>454,119,320</b>	<b>1,644,148</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2012**

NET (EXPENSE) REVENUE AND CHANGES  
IN NET ASSETS

Functions/Programs	Expenses	PROGRAM REVENUES			Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Johnson City Public Library
Primary Government								
Governmental Activities								
General Government	\$ 9,782,991	2,023,784	62,008	-	(7,697,199)	-	(7,697,199)	-
Public Safety	30,769,395	2,380,508	2,250,837	-	(26,138,050)	-	(26,138,050)	-
Public Works	12,036,441	6,398	308,628	261,616	(11,459,799)	-	(11,459,799)	-
Public Welfare	11,407,275	177,828	662,794	-	(10,566,653)	-	(10,566,653)	-
City Services	2,299,905	2,235,809	1,943,198	-	1,879,102	-	1,879,102	-
Education	64,996,820	2,582,695	34,545,640	-	(27,868,485)	-	(27,868,485)	-
Interest on Long-Term Debt	6,562,354	-	-	-	(6,562,354)	-	(6,562,354)	-
Total Governmental Activities	137,855,181	9,407,022	39,773,105	261,616	(88,413,438)	0	(88,413,438)	0
Business-Type Activities								
Water and Sewer	25,926,353	28,237,701	-	199,823	-	2,511,171	2,511,171	-
City Solid Waste	8,403,638	8,900,554	-	-	-	496,916	496,916	-
Johnson City Power Board	176,494,179	186,025,548	-	-	-	9,531,369	9,531,369	-
JC Public Building Authority	1,864,558	183,240	-	-	-	(1,681,318)	(1,681,318)	-
Regional Solid Waste	2,182,604	2,545,125	-	-	-	362,521	362,521	-
Mass Transit	4,020,869	503,407	2,045,037	562,284	-	(910,141)	(910,141)	-
Stormwater Management	1,066,427	2,155,603	-	-	-	1,089,176	1,089,176	-
Golf Courses	1,286,000	883,703	-	-	-	(402,297)	(402,297)	-
Total Business-Type Activities	221,244,628	229,434,881	2,045,037	762,107	0	10,997,397	10,997,397	0
Total Primary Government	\$ 359,099,809	238,841,903	41,818,142	1,023,723	(88,413,438)	10,997,397	(77,416,041)	0

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2012**

Functions/Programs Component Unit	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS							
	PROGRAM REVENUES				Primary Government		Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Johnson City Public Library
Johnson City Public Library	\$ 1,790,268	61,158	1,752,016	-	-	-	-	22,906
General Revenues								
Property Taxes					39,620,005	-	39,620,005	-
Sales Taxes					36,282,655	-	36,282,655	-
Beer and Liquor Taxes					2,833,072	-	2,833,072	-
Business Taxes					2,106,008	-	2,106,008	-
Room Occupancy Taxes					1,224,494	-	1,224,494	-
Telephone and Cable Taxes					742,575	-	742,575	-
State of Tennessee Mixed Drink Taxes					571,035	-	571,035	-
Franchise Taxes					345,167	-	345,167	-
State Income Taxes					639,588	-	639,588	-
State of Tennessee Excise Taxes					93,450	-	93,450	-
Unrestricted Investment Earnings					858,348	672,785	1,531,133	344
Gain on Disposal of Capital Assets					-	3,888	3,888	-
Other General Revenue					6,254	-	6,254	102,345
E-Rate Reimbursement					-	-	-	12,485
Transfers					999,170	(999,170)	-	-
Total General Revenues and Transfers					86,321,821	(322,497)	85,999,324	115,174
Change in Net Assets					(2,091,617)	10,674,900	8,583,283	138,080
Net Position, Beginning					187,762,629	260,920,875	448,683,504	1,506,068
Prior Period Adjustments					(1,453,147)	(1,694,320)	(3,147,467)	-
Net Position, Beginning (Restated)					186,309,482	259,226,555	445,536,037	1,506,068
Net Position, Ending					\$ 184,217,865	269,901,455	454,119,320	1,644,148

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash on Hand	\$ 6,370	-	-	-	6,879	13,249
Cash on Deposit with Paying Agent	5,282	-	-	-	497,066	502,348
Cash in Bank	20,649	4,779,039	-	1,926,886	1,830,137	8,556,711
Cash on Deposit with State of Tennessee	461	-	-	-	18,961	19,422
Cash Due from Central Depository	-	-	-	-	2,948,917	2,948,917
Investments	18,295,625	-	-	-	-	18,295,625
Accounts Receivable (Net)	1,026,670	38,304	-	613,192	47,688	1,725,854
Notes Receivable	9,947	-	-	-	29,194	39,141
Due from Other Funds	468,489	1,297,035	738	-	7,590	1,773,852
Advances to Other Funds	295,000	-	-	-	-	295,000
Taxes Receivable	30,458,009	-	-	-	-	30,458,009
Less: Estimated Uncollectible	(190,257)	-	-	-	-	(190,257)
Due from Washington County	-	12,701,573	-	-	-	12,701,573
Due from State of Tennessee	2,516,375	28,086	-	-	1,940,426	4,484,887
Due from Federal Government	-	-	-	-	198,594	198,594
Due from Local Governments	3,129,449	-	-	-	6,562	3,136,011
Deposits	5,050	-	-	-	-	5,050
Inventories	-	46,346	-	-	144,505	190,851
Restricted Cash and Cash Equivalents	-	-	2,483	39,681	109,653	151,817
Restricted Investments	-	-	-	-	9,643,437	9,643,437
Total Assets	\$ 56,047,119	18,890,383	3,221	2,579,759	17,429,609	94,950,091

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2012**

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b><u>Liabilities</u></b>						
Cash Due to Central Depository	\$ 2,247,382	-	13	-	128,096	2,375,491
Accounts Payable	703,754	110,099	3,208	-	738,942	1,556,003
Accrued Payroll Expenditures	1,097,309	2,682,211	-	-	247,864	4,027,384
Accrued Expenditures	3,073	-	-	-	5,648	8,721
Due to State of Tennessee	516	-	-	-	-	516
Due to Other Funds	186,338	316,633	-	-	1,297,035	1,800,006
Matured Bonds and Interest Payable	5,283	-	-	-	-	5,283
Retainages Payable	-	-	-	-	822,913	822,913
Unearned Revenue	28,504,111	9,868,793	-	-	843,791	39,216,695
Contractor Deposits	99,512	-	-	-	-	99,512
<b>Total Liabilities</b>	<b>32,847,278</b>	<b>12,977,736</b>	<b>3,221</b>	<b>0</b>	<b>4,084,289</b>	<b>49,912,524</b>
<b><u>Deferred Inflows of Resources</u></b>						
Unavailable Revenue	1,915,320	-	-	-	-	1,915,320
<b>Total Deferred Inflows of Resources</b>	<b>1,915,320</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,915,320</b>
<b><u>Fund Balances</u></b>						
Nonspendable	-	46,346	-	-	144,505	190,851
Restricted	12,163,561	3,442	-	2,579,759	12,553,733	27,300,495
Committed	1,041,826	897,179	-	-	-	1,939,005
Assigned	2,285,394	4,965,680	-	-	647,082	7,898,156
Unassigned	5,793,740	-	-	-	-	5,793,740
<b>Total Fund Balances</b>	<b>21,284,521</b>	<b>5,912,647</b>	<b>0</b>	<b>2,579,759</b>	<b>13,345,320</b>	<b>43,122,247</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 56,047,119</b>	<b>18,890,383</b>	<b>3,221</b>	<b>2,579,759</b>	<b>17,429,609</b>	<b>94,950,091</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF JOHNSON CITY, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2012**

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

Total Fund Balances of Governmental Funds	\$ 43,122,247
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	271,420,444
Prepays are expensed when disbursed and are not recognized based upon economic benefit or recorded as assets in the governmental funds.	135,305
Negative net OPEB obligation represents assets of the City that are not recorded at the fund level.	112,284
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 unavailable revenue at the fund level.	1,572,289
Other revenues which are earned but not available to finance current period expenditures and are reported as unavailable revenue at the fund level.	343,031
OPEB and termination benefits represent liabilities of the City that are not recorded at the fund level.	(1,278,658)
Compensated absences are not considered due and payable in governmental funds until an employee has terminated service. Therefore, these amounts are presented as assigned fund balance.	(2,487,869)
Accrued interest on the notes and bonds payable represents a liability of the City that is generally not recorded at the fund level.	(548,036)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(136,519,139)
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.	8,345,967
Net Position of Governmental Activities	<u>\$ 184,217,865</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>						
Taxes	\$ 55,592,468	21,099,706	-	2,048,478	-	78,740,652
Licenses and Permits	788,130	1,300	-	-	-	789,430
Intergovernmental Revenue	9,629,183	24,750,936	-	-	11,151,524	45,531,643
Charges for Services	885,693	1,180,880	-	-	866,474	2,933,047
Fines and Forfeitures	1,761,752	-	-	-	514,477	2,276,229
Revenue from Use of Property	1,125,740	-	-	-	883,948	2,009,688
Investment Earnings	256,252	5,056	455,319	1,663	128,700	846,990
Miscellaneous	822,396	337,319	-	-	320,757	1,480,472
<b>Total Revenues</b>	<b>70,861,614</b>	<b>47,375,197</b>	<b>455,319</b>	<b>2,050,141</b>	<b>13,865,880</b>	<b>134,608,151</b>
<u>Expenditures</u>						
Current:						
General Government	11,467,692	-	-	-	-	11,467,692
Public Safety	23,123,363	-	-	-	819,549	23,942,912
Public Works	10,826,243	-	-	-	-	10,826,243
Public Welfare	4,933,017	-	-	-	642,458	5,575,475
City Services	-	-	-	-	1,685,566	1,685,566
Education	-	53,778,012	-	-	10,950,606	64,728,618
Miscellaneous	-	-	-	-	6,950	6,950
Capital Outlay	-	210,709	-	-	20,506,693	20,717,402
Debt Service:						
Principal Retirement	-	-	6,440,111	500,000	-	6,940,111
Interest and Fiscal Charges	-	-	4,124,119	2,582,475	-	6,706,594
<b>Total Expenditures</b>	<b>50,350,315</b>	<b>53,988,721</b>	<b>10,564,230</b>	<b>3,082,475</b>	<b>34,611,822</b>	<b>152,597,563</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,511,299	(6,613,524)	(10,108,911)	(1,032,334)	(20,745,942)	(17,989,412)

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Other Financing Sources (Uses)</u>						
Transfers from Other Funds	3,978,652	8,216,709	9,621,480	1,123,022	4,341,978	27,281,841
Transfers to Other Funds	(23,725,902)	(2,359,438)	-	-	(575,528)	(26,660,868)
Sale of Real Estate and Other Equipment	123,316	-	-	-	6,241	129,557
Premium on Bonds	-	-	692,423	158,680	183,438	1,034,541
Bond Issuance	-	-	-	-	3,239,146	3,239,146
Bond Refunding Payments	-	-	(10,202,966)	(809,837)	-	(11,012,803)
Refunding Bonds Issued	-	-	9,997,974	1,725,000	-	11,722,974
Total Other Financing Sources (Uses)	(19,623,934)	5,857,271	10,108,911	2,196,865	7,195,275	5,734,388
Net Change in Fund Balances	887,365	(756,253)	0	1,164,531	(13,550,667)	(12,255,024)
Fund Balances, July 1, 2011	19,853,461	6,666,615	-	1,415,228	26,886,763	54,822,067
Purchase Method Inventory Adjustment	-	2,285	-	-	9,224	11,509
Transport Radio Equipment Adjustment	543,695	-	-	-	-	543,695
Fund Balances, July 1, 2011 (Restated)	20,397,156	6,668,900	0	1,415,228	26,895,987	55,377,271
Fund Balances, June 30, 2012	\$ 21,284,521	5,912,647	0	2,579,759	13,345,320	43,122,247

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2012

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

Net Change in Fund Balances of Governmental Funds	\$ (12,255,024)
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 capital outlays of general capital assets in the current period exceeded depreciation.	10,029,743
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.	723,350
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 position. Also, governmental funds report the effect of 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.	(1,014,804)
Inventories for certain nonmajor funds are accounted for using the purchase method. Inventories are reported using the consumption method in the government-wide financial statements. This is the amount by which expenses were adjusted to convert from purchase method to consumption method.	(11,509)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(144,884)
Liability for OPEB and termination benefits are not reported in the governmental funds.	379,499
Premiums paid for insurance from the governmental funds are expensed as paid. A portion of the payments are prepaid insurance.	(22,307)
Expenses for accrued interest payable on long-term debt does not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	(759,186)
Expenses for compensated absences do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	77,284
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.	906,221
Change in Net Position of Governmental Activities	<u>\$ (2,091,617)</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
<u>Taxes</u>				
Property Tax (Net of Discounts)	\$ 27,238,000	28,045,715	28,059,879	14,164
Property Tax - Penalty and Interest	335,000	335,000	349,119	14,119
Other Fees - Taxes	-	-	1,776	1,776
Received in Lieu of Taxes	1,515,160	1,515,160	1,636,476	121,316
Local Sales Tax	17,991,000	18,094,813	18,609,280	514,467
Business Tax	1,500,000	1,500,000	1,821,630	321,630
Business Tax - Penalty and Interest	20,000	20,000	-	(20,000)
Local Beer Tax	2,115,000	2,115,000	2,190,925	75,925
Local Liquor Tax	580,000	580,000	611,147	31,147
Hotel/Motel Tax	1,025,000	1,161,886	1,224,494	62,608
Franchise Tax	430,000	430,000	345,167	(84,833)
Telephone Commissions/Cable	730,000	730,000	742,575	12,575
<b>Total Taxes</b>	<b>53,479,160</b>	<b>54,527,574</b>	<b>55,592,468</b>	<b>1,064,894</b>
<u>Licenses and Permits</u>				
Building Permits	470,000	470,000	488,794	18,794
Electrical Permits and Electrician Certificates	57,000	57,000	48,640	(8,360)
Plumbing Permits and Plumbers Certificates	47,000	47,000	38,087	(8,913)
Natural Gas Permits	9,000	9,000	7,874	(1,126)
Zoning Permits and Fees	15,000	15,000	11,460	(3,540)
Mechanical Permits	40,000	40,000	32,047	(7,953)
Sign Permits	15,000	15,000	16,917	1,917
Plan Review Permits	45,000	45,000	56,765	11,765
Beverage and Private Club Permits	98,000	98,000	85,560	(12,440)
Other Fees and Licenses	3,500	3,500	1,986	(1,514)
<b>Total Licenses and Permits</b>	<b>799,500</b>	<b>799,500</b>	<b>788,130</b>	<b>(11,370)</b>
<u>Intergovernmental Revenues</u>				
<u>State of Tennessee:</u>				
Boarding of Prisoners	1,445,000	1,612,187	1,581,926	(30,261)
Sales Tax	3,831,600	3,831,600	4,281,244	449,644
Income Tax	520,000	520,000	595,784	75,784
Beer Tax	29,000	29,000	31,000	2,000
Mixed Drink Tax	565,000	565,000	571,035	6,035
State Street Aid	1,550,000	1,550,000	1,638,182	88,182
Highway Maintenance	290,600	290,600	174,759	(115,841)
Street and Transit	123,000	123,000	130,257	7,257
Excise Taxes	168,000	168,000	66,160	(101,840)
Civil Defense	42,000	42,000	55,500	13,500

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues (Continued)</u>				
<u>Intergovernmental Revenues (Continued)</u>				
<u>State of Tennessee (Continued):</u>				
Fire Supplement	69,000	69,000	65,400	(3,600)
Police Supplement	84,600	84,600	82,800	(1,800)
First TN-VA Development				
District Senior Citizens Grant	67,600	67,600	73,175	5,575
Telecommunications	5,000	5,000	3,496	(1,504)
Other	-	-	11,314	11,314
Total State of Tennessee	8,790,400	8,957,587	9,362,032	404,445
<u>Washington County:</u>				
Public Safety	209,058	209,058	209,058	-
Senior Citizens	50,000	50,000	45,000	(5,000)
Juvenile Court	4,500	4,500	4,500	-
Total Washington County	263,558	263,558	258,558	(5,000)
Federal Emergency Management	-	8,593	8,593	-
Total Intergovernmental Revenues	9,053,958	9,229,738	9,629,183	399,445
<u>Charges for Services</u>				
School Bus Charters	84,000	84,000	109,602	25,602
Clerk Fees	5,000	5,000	-	(5,000)
Accident Reports	20,000	20,000	15,836	(4,164)
Sidewalk Assessments/Curb Cuts	4,000	4,000	908	(3,092)
Special Work Charges	10,000	10,000	5,490	(4,510)
Administrative Fees from Other Funds	735,028	735,028	735,029	1
Miscellaneous Services	10,800	14,600	18,828	4,228
Total Charges for Services	868,828	872,628	885,693	13,065
<u>Fines and Forfeitures</u>				
Municipal Courts - Fines and Court Costs	2,148,000	2,148,000	1,761,752	(386,248)
Total Fines and Forfeitures	2,148,000	2,148,000	1,761,752	(386,248)
<u>Revenue From Use of Property</u>				
Rents from Buildings and Equipment	253,400	398,114	283,570	(114,544)
Parks and Recreation	392,600	392,600	428,129	35,529
Print Shop Charges	45,000	45,000	49,860	4,860
Computer Services (MIS)	255,416	255,416	364,181	108,765
Total Revenue From Use of Property	946,416	1,091,130	1,125,740	34,610

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues (Continued)</u>				
<u>Investment Earnings</u>				
Investment Income	265,000	265,000	256,252	(8,748)
Total Investment Earnings	265,000	265,000	256,252	(8,748)
<u>Miscellaneous</u>				
Refunds and Reimbursements	299,500	256,236	156,363	(99,873)
Senior Citizens	56,300	56,300	63,496	7,196
Donations	108,600	92,600	34,105	(58,495)
Damages	-	-	12,618	12,618
Sale of Methane Gas	230,000	230,000	285,773	55,773
Miscellaneous	250,600	259,338	270,041	10,703
Total Miscellaneous	945,000	894,474	822,396	(72,078)
 Total Revenues	 68,505,862	 69,828,044	 70,861,614	 1,033,570
<u>Expenditures</u>				
<u>General Government</u>				
Economic Development	71,309	71,309	40,170	31,139
City Commission	81,544	81,544	80,479	1,065
City Court	620,865	620,865	403,044	217,821
Staff Attorney	321,152	321,152	220,759	100,393
Juvenile Court	714,817	719,317	713,031	6,286
City Manager	359,941	359,941	364,821	(4,880)
Management Services	395,380	395,380	422,227	(26,847)
Community Relations Office	266,090	266,090	238,317	27,773
Purchasing	148,351	148,351	147,987	364
Human Resources	350,527	350,527	342,231	8,296
Planning	618,180	618,180	590,529	27,651
Miscellaneous Appropriations	322,000	667,000	854,665	(187,665)
Risk Management	456,643	456,643	416,981	39,662
Management Information Systems	1,282,294	1,058,417	839,871	218,546
Central Print Shop	99,704	99,704	94,798	4,906
Special Appropriations	4,236,846	4,236,846	4,247,024	(10,178)
Finance Administration	178,654	178,654	183,560	(4,906)
Accounting	779,121	779,121	781,910	(2,789)
Collections	423,419	423,419	426,504	(3,085)
Records Management	59,081	59,081	58,784	297
Total General Government	11,785,918	11,911,541	11,467,692	443,849

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2012**

	<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>				
<u>Public Safety</u>				
Student Transportation	1,898,533	1,938,533	1,946,150	(7,617)
Police Department	12,193,769	12,331,340	12,311,312	20,028
Fire Department	8,695,912	8,695,912	8,653,374	42,538
Civil Defense	210,870	212,870	212,527	343
Capital Outlay	-	-	-	-
Total Public Safety	<u>22,999,084</u>	<u>23,178,655</u>	<u>23,123,363</u>	<u>55,292</u>
<u>Public Works</u>				
Administration	292,296	292,296	299,238	(6,942)
Streets	5,294,605	5,453,595	5,102,623	350,972
Engineering	771,902	771,902	767,823	4,079
Inspection	831,370	836,370	794,421	41,949
Traffic Control	2,495,813	2,495,813	2,454,746	41,067
Sidewalks	103,920	147,370	153,358	(5,988)
Mowing	299,322	299,322	323,414	(24,092)
General Facilities	436,661	435,551	478,680	(43,129)
Municipal Building	276,033	276,033	276,706	(673)
Keystone	120,521	120,521	151,137	(30,616)
Facilities Center	17,050	17,050	24,097	(7,047)
Total Public Works	<u>10,939,493</u>	<u>11,145,823</u>	<u>10,826,243</u>	<u>319,580</u>
<u>Public Welfare</u>				
Parks and Recreation	4,222,317	4,222,317	4,074,066	148,251
Senior Citizens	869,877	869,877	858,951	10,926
Total Public Welfare	<u>5,092,194</u>	<u>5,092,194</u>	<u>4,933,017</u>	<u>159,177</u>
Total Expenditures	<u>50,816,689</u>	<u>51,328,213</u>	<u>50,350,315</u>	<u>977,898</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>17,689,173</u>	<u>18,499,831</u>	<u>20,511,299</u>	<u>2,011,468</u>
<u>Other Financing Sources (Uses)</u>				
Transfer to General Purpose School Fund	(8,190,475)	(8,190,475)	(8,190,475)	-
Transfer to Insurance Fund	(375,000)	(375,000)	(280,723)	94,277
Transfer to Mass Transit	(647,000)	(647,000)	(647,000)	-
Transfer to Freedom Hall	(170,000)	(170,000)	(345,200)	(175,200)
Transfer from Police Technology	-	-	42,154	42,154
Transfer to Capital Projects	(2,074,000)	(2,082,593)	(2,447,266)	(364,673)
Transfer to Special School Projects	(12,555)	(12,555)	(12,555)	-
Transfer to Police Grants	(87,244)	(87,244)	(14,633)	72,611
Transfer to Debt Service	(9,925,440)	(10,224,377)	(9,327,726)	896,651

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Other Financing Sources (Uses) (Continued)</u>				
Transfers to Other Funds	-	-	(6,028)	(6,028)
Transfer from Capital Projects	-	-	22,548	22,548
Transfer from Proprietary Funds	3,773,000	3,773,000	3,913,950	140,950
Transfer to Proprietary Funds	(1,890,971)	(2,394,099)	(2,375,165)	18,934
Transfer to Transportation Planning	(75,600)	(75,600)	(79,131)	(3,531)
Sale of Real Estate and Other Equipment	60,000	60,000	123,316	63,316
Total Other Financing Sources (Uses)	(19,615,285)	(20,425,943)	(19,623,934)	802,009
Net Change in Fund Balance	(1,926,112)	(1,926,112)	887,365	2,813,477
Fund Balance, July 1, 2011	19,853,463	19,853,463	19,853,461	(2)
Prior Period Adjustment for Motor Transport Radio Equipment	-	-	543,695	543,695
Fund Balance, July 1, 2011 (Restated)	19,853,463	19,853,463	20,397,156	543,693
Fund Balance, June 30, 2012	\$ 17,927,351	17,927,351	21,284,521	3,357,170

The notes to the financial statements are an integral part of this statement.

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL PURPOSE SCHOOL FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
<u>Taxes</u>				
Local Sales Tax	\$ 10,868,304	11,306,626	11,343,652	37,026
County Property Tax	9,259,954	9,259,954	9,203,080	(56,874)
Interest and Penalty	70,000	70,000	103,891	33,891
Business Tax	250,000	250,000	284,378	34,378
In Lieu - Local Utilities	131,000	131,000	164,705	33,705
Total Taxes	<u>20,579,258</u>	<u>21,017,580</u>	<u>21,099,706</u>	<u>82,126</u>
<u>Licenses and Permits</u>				
Marriage Licenses	1,300	1,300	1,300	-
Total Licenses and Permits	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>	<u>0</u>
<u>Intergovernmental Revenues</u>				
<u>State of Tennessee:</u>				
Basic Education Program	24,192,000	24,225,000	24,225,000	-
Career Ladder Program	478,000	478,000	412,758	(65,242)
Bank Excise Tax	41,000	41,000	17,444	(23,556)
Mixed Drink Tax	2,000	2,000	6,643	4,643
Telecommunication Tax	4,000	4,000	3,203	(797)
Other State of Tennessee Funds	15,000	15,943	35,268	19,325
Total State of Tennessee	<u>24,732,000</u>	<u>24,765,943</u>	<u>24,700,316</u>	<u>(65,627)</u>
<u>Federal:</u>				
ROTC Reimbursement	55,000	55,000	50,620	(4,380)
Total Federal	<u>55,000</u>	<u>55,000</u>	<u>50,620</u>	<u>(4,380)</u>
Total Intergovernmental Revenues	<u>24,787,000</u>	<u>24,820,943</u>	<u>24,750,936</u>	<u>(70,007)</u>
<u>Charges for Services</u>				
School Tuition	225,000	225,000	219,300	(5,700)
Educare Revenue	850,000	900,652	822,523	(78,129)
Other Charges	105,000	148,000	139,057	(8,943)
Total Charges for Services	<u>1,180,000</u>	<u>1,273,652</u>	<u>1,180,880</u>	<u>(92,772)</u>
<u>Investment Earnings</u>				
Investment Income	3,600	3,600	5,056	1,456
Total Investment Earnings	<u>3,600</u>	<u>3,600</u>	<u>5,056</u>	<u>1,456</u>

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL PURPOSE SCHOOL FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues (Continued)</u>				
<u>Miscellaneous Revenues:</u>				
Refunds and Reimbursements	158,000	158,000	188,315	30,315
Other Local Revenue	108,000	155,750	149,004	(6,746)
Total Miscellaneous Revenues	<u>266,000</u>	<u>313,750</u>	<u>337,319</u>	<u>23,569</u>
Total Revenues	<u>46,817,158</u>	<u>47,430,825</u>	<u>47,375,197</u>	<u>(55,628)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Education	31,068,914	31,522,931	29,705,311	1,817,620
Special Education	4,039,635	4,130,225	4,049,785	80,440
Vocational Education	1,591,066	1,663,366	1,628,454	34,912
Preschool	154,808	197,808	144,087	53,721
Total Instruction	<u>36,854,423</u>	<u>37,514,330</u>	<u>35,527,637</u>	<u>1,986,693</u>
<u>Support Services</u>				
Health Services	204,897	204,897	193,900	10,997
Student Support	1,421,114	1,440,579	1,386,265	54,314
Regular Education	2,297,297	2,290,132	2,140,885	149,247
Alternative Instructional	761,545	819,895	769,002	50,893
Special Education	243,759	229,519	220,246	9,273
Vocational Education	89,492	92,492	88,859	3,633
Adult Education	4,985	29,985	1,801	28,184
Board of Education	562,450	568,450	648,208	(79,758)
Office of Director of Schools	542,567	542,567	515,693	26,874
Office of Principal	3,787,812	3,811,612	3,675,843	135,769
Fiscal Services	396,475	425,675	408,331	17,344
Operation of Plant	4,893,357	4,893,357	4,609,210	284,147
Maintenance of Plant	1,588,785	1,623,785	1,500,648	123,137
Transportation Expense	2,003,133	2,102,061	122,317	1,979,744
Other Support	835,322	835,322	803,964	31,358
Community Services	850,000	900,652	773,894	126,758
Other Capital Outlay	65,025	442,925	210,709	232,216
Total Support Services	<u>20,548,015</u>	<u>21,253,905</u>	<u>18,069,775</u>	<u>3,184,130</u>
Total Expenditures	<u>57,402,438</u>	<u>58,768,235</u>	<u>53,597,412</u>	<u>5,170,823</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,585,280)</u>	<u>(11,337,410)</u>	<u>(6,222,215)</u>	<u>5,115,195</u>

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL PURPOSE SCHOOL FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Other Financing Sources (Uses)</u>				
Transfer from General Fund	10,087,208	10,087,208	8,190,475	(1,896,733)
Transfer to Educational Facilities Debt Service	(50,000)	(27,020)	(1,058,931)	(1,031,911)
Transfer to Debt Service	(1,352,830)	(1,389,730)	(357,845)	1,031,885
Transfer to Special School Project	(12,538)	(12,538)	(45,970)	(33,432)
Transfer from School Federal Projects	-	-	26,234	26,234
Transfer to School Site Based Fund	-	-	(896,692)	(896,692)
Total Other Financing Sources (Uses)	<u>8,671,840</u>	<u>8,657,920</u>	<u>5,857,271</u>	<u>(2,800,649)</u>
Net Change in Fund Balance	(1,913,440)	(2,679,490)	(364,944)	2,314,546
Fund Balance, July 1, 2011	6,275,306	6,275,306	6,275,306	-
Add: Purchase Method Inventory Adjustment	-	-	2,285	2,285
Fund Balance, July 1, 2011 (Restated)	<u>6,275,306</u>	<u>6,275,306</u>	<u>6,277,591</u>	<u>2,285</u>
Fund Balance, June 30, 2012	<u>\$ 4,361,866</u>	<u>3,595,816</u>	<u>5,912,647</u>	<u>2,316,831</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2012

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>ASSETS</u>							
<u>Current Assets</u>							
Cash on Hand	\$ -	100	19,300	-	2,681	22,081	-
Cash on Deposit with Paying Agent	224,542	-	-	-	-	224,542	-
Cash in Bank	545,793	-	16,567,665	438,310	-	17,551,768	11,427,485
Cash on Deposit with State of Tennessee	2,416,187	-	-	586,538	-	3,002,725	-
Cash Due from Central Depository	4,486,965	2,796,332	-	-	3,304,932	10,588,229	551,797
Accounts Receivable (Net)	1,371,435	466,723	7,146,474	91,620	154,901	9,231,153	51,421
Notes Receivable	-	-	27,473	-	-	27,473	-
Due from Other Funds	-	-	611,340	-	-	611,340	85,086
Due from Federal Government	-	-	-	-	419,584	419,584	-
Due from State of Tennessee	10,345	-	-	-	131,906	142,251	-
Inventories	1,512,344	-	4,013,690	-	79,321	5,605,355	520,070
Prepaid Expenses	-	-	68,795	18,459	2,250	89,504	26,864
<b>Total Current Assets</b>	<b>10,567,611</b>	<b>3,263,155</b>	<b>28,454,737</b>	<b>1,134,927</b>	<b>4,095,575</b>	<b>47,516,005</b>	<b>12,662,723</b>
<u>Noncurrent Assets</u>							
<u>Capital Assets</u>							
Land	3,101,191	2,100,747	5,255,030	2,281,070	4,343,117	17,081,155	-
Buildings and Improvements	402,797	1,125,249	27,915,580	18,790,894	4,479,123	52,713,643	-
Plant in Service	208,952,216	-	194,060,083	-	-	403,012,299	-
Equipment and Vehicles	9,553,405	7,645,787	11,291,875	1,944,801	8,342,520	38,778,388	5,474,292
Less: Accumulated Depreciation	(78,445,119)	(5,244,252)	(65,796,064)	(7,723,803)	(7,584,557)	(164,793,795)	(1,183,594)
Construction In Progress	6,048,632	-	8,968,434	-	1,889,752	16,906,818	-
<b>Net Capital Assets</b>	<b>149,613,122</b>	<b>5,627,531</b>	<b>181,694,938</b>	<b>15,292,962</b>	<b>11,469,955</b>	<b>363,698,508</b>	<b>4,290,698</b>
<u>Restricted Assets</u>							
Cash and Cash Equivalents	50	11	19,201,612	-	-	19,201,673	-
Investments	3,929,469	-	1,993,289	-	-	5,922,758	-
<b>Total Restricted Assets</b>	<b>3,929,519</b>	<b>11</b>	<b>21,194,901</b>	<b>0</b>	<b>0</b>	<b>25,124,431</b>	<b>0</b>

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2012**

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<b>ASSETS (CONTINUED)</b>							
<b>Noncurrent Assets (Continued)</b>							
<b>Other Assets</b>							
Customer Base (Net)	34,115	-	-	-	-	34,115	-
Note Receivable	-	-	64,024	-	-	64,024	-
Total Other Assets	34,115	0	64,024	0	0	98,139	0
Total Noncurrent Assets	153,576,756	5,627,542	202,953,863	15,292,962	11,469,955	388,921,078	4,290,698
Total Assets	164,144,367	8,890,697	231,408,600	16,427,889	15,565,530	436,437,083	16,953,421
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred Bond Refunding Costs	544,983	30,484	-	416,746	28,318	1,020,531	-
Total Deferred Outflows of Resources	544,983	30,484	0	416,746	28,318	1,020,531	0
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Cash Due to Central Depository	-	-	-	-	2,121,210	2,121,210	1,228,543
Accounts Payable	1,349,399	240,149	12,425,164	158,621	270,510	14,443,843	316,033
Accrued Payroll Expenses	422,629	87,155	425,019	-	185,762	1,120,565	83,776
Accrued Expenses	429,197	23,326	844,759	213,185	9,491	1,519,958	3,922,808
Due to Other Funds	201,783	-	-	468,489	-	670,272	-
Deposits Payable	-	-	3,407,908	10,000	-	3,417,908	-
Deferred Revenue	1,074	20,715	-	-	31,299	53,088	-
Matured Bonds and Interest Payable	33,253	-	-	-	-	33,253	-
Retainages Payable	281,875	-	-	-	29,263	311,138	-
Contractor Deposits	472,885	-	-	-	-	472,885	-
Customer Deposits	-	975	-	-	-	975	-
Special Commission Bonds	-	-	-	-	11,756	11,756	-
Notes and Bonds Payable - Current Portion	3,982,442	471,233	2,611,450	825,000	220,000	8,110,125	368,000
Plus: Bond Premiums and Discounts (Net)	53,198	10,564	(13,550)	4,165	-	54,377	-
Compensated Absences - Current Portion	356,812	68,784	400,310	-	134,859	960,765	49,214
Deferred Landfill Postclosure	-	-	-	-	-	-	-
Cost - Current Portion	-	37,380	-	-	-	37,380	-
Total Current Liabilities	7,584,547	960,281	20,101,060	1,679,460	3,014,150	33,339,498	5,968,374

(Continued)

CITY OF JOHNSON CITY, TENNESSEE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2012

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>LIABILITIES (CONTINUED)</u>							
<u>Noncurrent Liabilities</u>							
Compensated Absences Payable	73,082	14,088	2,207,554	-	27,622	2,322,346	10,080
OPEB Liability	-	-	2,176,020	-	-	2,176,020	-
Advances from Other Funds	-	-	-	295,000	-	295,000	-
Notes and Bonds Payable	65,473,377	1,670,793	49,163,550	11,640,000	725,000	128,672,720	2,629,000
Plus: Bond Premiums and Discounts (Net)	212,387	31,689	(265,415)	17,463	-	(3,876)	-
Deferred Landfill Postclosure Cost	-	411,180	-	-	-	411,180	-
Total Noncurrent Liabilities	<u>65,758,846</u>	<u>2,127,750</u>	<u>53,281,709</u>	<u>11,952,463</u>	<u>752,622</u>	<u>133,873,390</u>	<u>2,639,080</u>
Total Liabilities	73,343,393	3,088,031	73,382,769	13,631,923	3,766,772	167,212,888	8,607,454
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Deferred Gain on Bond Refunding	-	-	343,271	-	-	343,271	-
Total Deferred Inflows of Resources	0	0	343,271	0	0	343,271	0
<u>NET POSITION</u>							
Invested in Capital Assets, Net of Related Debt	84,036,787	3,497,285	129,163,626	2,393,753	10,549,531	229,640,982	925,698
Unrestricted	7,309,170	2,335,865	28,518,934	818,959	1,277,545	40,260,473	7,420,269
Total Net Position	<u>\$ 91,345,957</u>	<u>5,833,150</u>	<u>157,682,560</u>	<u>3,212,712</u>	<u>11,827,076</u>	<u>269,901,455</u>	<u>8,345,967</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<b>Operating Revenues</b>							
Charges for Services (Net)	\$ 28,097,727	8,892,254	182,252,138	183,240	6,007,427	225,432,786	24,725,270
Other Revenue	139,974	8,300	3,773,410	-	80,411	4,002,095	233,978
<b>Total Operating Revenues</b>	<b>28,237,701</b>	<b>8,900,554</b>	<b>186,025,548</b>	<b>183,240</b>	<b>6,087,838</b>	<b>229,434,881</b>	<b>24,959,248</b>
<b>Operating Expenses</b>							
Administration	398,948	171,680	-	-	164,553	735,181	-
Personnel Services	8,114,990	2,376,311	-	-	4,198,430	14,689,731	2,133,412
Contractual Services	1,638,219	2,791,716	-	9,112	632,959	5,072,006	18,430,853
Materials and Supplies	1,231,990	184,240	-	2,152	414,223	1,832,605	38,784
Repairs and Maintenance	2,520,271	1,779,543	8,917,468	15,652	1,360,071	14,593,005	4,997,425
Items for Resale	-	-	-	-	39,246	39,246	-
Other Operating Expenses	4,094,261	258,093	155,972,803	737,258	310,244	161,372,659	123,070
Depreciation and Amortization	5,058,621	733,186	8,107,781	514,055	1,355,967	15,769,610	512,502
Tax Equivalents	-	-	1,056,061	-	-	1,056,061	-
<b>Total Operating Expenses</b>	<b>23,057,300</b>	<b>8,294,769</b>	<b>174,054,113</b>	<b>1,278,229</b>	<b>8,475,693</b>	<b>215,160,104</b>	<b>26,236,046</b>
<b>Operating Income (Loss)</b>	<b>5,180,401</b>	<b>605,785</b>	<b>11,971,435</b>	<b>(1,094,989)</b>	<b>(2,387,855)</b>	<b>14,274,777</b>	<b>(1,276,798)</b>
<b>Nonoperating Revenue (Expenses)</b>							
Investment Income	484,852	5,722	175,702	1,204	5,305	672,785	11,358
Operating Grants	-	-	-	-	2,045,037	2,045,037	-
Insurance Recoveries	-	-	-	349,213	-	349,213	-
Interest Expenses and Commissions	(2,779,960)	(101,002)	(2,443,397)	(616,946)	(57,744)	(5,999,049)	(18,978)
Amortization of Loss on Refunding	(87,892)	(7,867)	(13,551)	(43,902)	(7,789)	(161,001)	-
Amortization of Gain on Refunding	-	-	16,882	-	-	16,882	-
Asset Impairment	-	-	-	(274,694)	-	(274,694)	-
Gain (Loss) on Sale of Capital Assets	(1,201)	3,888	-	-	(14,674)	(11,987)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(2,384,201)</b>	<b>(99,259)</b>	<b>(2,264,364)</b>	<b>(585,125)</b>	<b>1,970,135</b>	<b>(3,362,814)</b>	<b>(7,620)</b>

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
Income (Loss) Before Transfers and Capital Contributions	2,796,200	506,526	9,707,071	(1,680,114)	(417,720)	10,911,963	(1,284,418)
<u>Transfers and Capital Contributions:</u>							
Transfers In	78,728	304,474	-	1,863,122	1,312,351	3,558,675	389,893
Transfers Out	(547,080)	(218,747)	(3,440,950)	-	(351,068)	(4,557,845)	(11,696)
Federal Capital Grant Revenue	-	-	-	-	545,316	545,316	-
State Capital Grant Revenue	199,823	-	-	-	16,968	216,791	-
Total Transfers and Capital Contributions	(268,529)	85,727	(3,440,950)	1,863,122	1,523,567	(237,063)	378,197
Change in Net Position	2,527,671	592,253	6,266,121	183,008	1,105,847	10,674,900	(906,221)
Net Position, July 1, 2011	89,647,202	5,264,501	152,226,893	3,051,305	10,730,974	260,920,875	8,538,596
Prior Period Adjustments							
Plus: Reclassification of Revenues Classified As Liabilities in the Prior Year	-	-	-	150,000	-	150,000	-
Plus: Prior Period Adjustment to Record Radios and Related Debt from 2011 to be Properly Reflected in 2012	-	-	-	-	-	-	713,592
Less: Write-off of Bond Issue Costs in Accordance with GASB 65	(828,916)	(23,604)	(810,454)	(171,601)	(9,745)	(1,844,320)	-
Net Position, July 1, 2011 (Restated)	88,818,286	5,240,897	151,416,439	3,029,704	10,721,229	259,226,555	9,252,188
Net Position, June 30, 2012	\$ 91,345,957	5,833,150	157,682,560	3,212,712	11,827,076	269,901,455	8,345,967

The notes to the financial statements are an integral part of this statement.

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<b>Cash Flows from Operating Activities</b>							
Receipts from Customers and Users	\$ 27,368,105	8,838,034	182,263,211	91,620	6,080,696	224,641,666	380,926
Receipts from Interfund Services Provided	795,852	85,486	5,964,819	-	-	6,846,157	24,628,823
Payments to Employees	(8,062,635)	(2,399,619)	(8,341,244)	-	(4,150,886)	(22,954,384)	(2,130,479)
Payments from (for) Contractor Deposits	149,710	-	-	-	-	149,710	-
Payments to Suppliers	(6,306,638)	(3,243,171)	(156,541,680)	(815,229)	(1,859,650)	(168,766,368)	(22,503,891)
Payments for Interfund Services Used	(5,072,465)	(2,001,551)	-	-	(933,821)	(8,007,837)	(46,287)
Payments for Tax Equivalents	-	-	(1,056,061)	-	-	(1,056,061)	-
Change in Customer Deposits	-	-	323,404	-	-	323,404	-
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>8,871,929</b>	<b>1,279,179</b>	<b>22,612,449</b>	<b>(723,609)</b>	<b>(863,661)</b>	<b>31,176,287</b>	<b>329,092</b>
<b>Cash Flows from Noncapital Financing Activities</b>							
Transfers to Other Funds	(547,080)	(218,747)	(3,440,950)	-	(351,068)	(4,557,845)	(11,696)
Purchase of/receipt for Equipment - Interfund	-	153,309	-	-	-	153,309	-
Advances from Other Funds	78,728	304,474	-	2,030,434	1,159,042	3,572,678	-
Operating Grants Received	-	-	-	-	2,028,576	2,028,576	-
Loans from Other Funds	-	-	-	-	-	-	389,893
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(468,352)</b>	<b>239,036</b>	<b>(3,440,950)</b>	<b>2,030,434</b>	<b>2,836,550</b>	<b>1,196,718</b>	<b>378,197</b>
<b>Cash Flows from Capital and Related Financing Activities</b>							
Purchase of Capital Assets	(10,737,548)	(939,201)	(12,950,752)	(531,648)	(3,016,827)	(28,175,976)	(9,474)
Deposit on Capital Asset	-	-	-	(18,459)	-	(18,459)	-
Construction Retainages	(88,470)	-	-	-	-	(88,470)	-
Capital Grants Received	189,478	-	-	-	643,515	832,993	-
Principal Paid on Capital Debt	(3,840,002)	(441,174)	(2,530,000)	(725,000)	(210,000)	(7,746,176)	-
Interest Paid on Capital Debt	(3,362,550)	(115,963)	(2,460,264)	(611,973)	(54,757)	(6,605,507)	-
Deposit Received for Sale of Land	-	-	-	10,000	-	10,000	-
Insurance Recoveries	-	-	-	349,213	-	349,213	-
Sale of Capital Assets	-	120,683	-	-	136,039	256,722	-
Reclassification of Communication Equipment	-	-	-	-	-	-	(4,618,050)
Bonds Payable Related to Communication Equipment	-	-	-	-	-	-	2,997,000
Communication Equipment	-	-	-	-	-	-	713,592
Proceeds from Notes Receivable	-	-	27,432	-	-	27,432	-
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(17,839,092)</b>	<b>(1,375,655)</b>	<b>(17,913,584)</b>	<b>(1,527,867)</b>	<b>(2,502,030)</b>	<b>(41,158,228)</b>	<b>(916,932)</b>

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<b>Cash Flows from Investing Activities</b>							
Interest and Related Income/Expenses on Investments	9,409,359	5,722	175,702	1,204	1,495	9,593,482	(7,621)
Sale of Investments	-	-	(672,826)	-	-	(672,826)	-
Net Cash Provided by (Used for) Investing Activities	9,409,359	5,722	(497,124)	1,204	1,495	8,920,656	(7,621)
Net Increase (Decrease) in Cash and Cash Equivalents	(26,156)	148,282	760,791	(219,838)	(527,646)	135,433	(217,264)
Cash and Cash Equivalents, July 1, 2011	7,699,693	2,648,161	35,027,786	1,244,686	3,835,259	50,455,585	12,196,546
Cash and Cash Equivalents, June 30, 2012	<u>\$ 7,673,537</u>	<u>2,796,443</u>	<u>35,788,577</u>	<u>1,024,848</u>	<u>3,307,613</u>	<u>50,591,018</u>	<u>11,979,282</u>
Classified as:							
Current Assets	\$ 7,673,487	2,796,432	16,586,965	1,024,848	3,307,613	31,389,345	11,979,282
Restricted Assets	50	11	19,201,612	-	-	19,201,673	-
Totals	<u>\$ 7,673,537</u>	<u>2,796,443</u>	<u>35,788,577</u>	<u>1,024,848</u>	<u>3,307,613</u>	<u>50,591,018</u>	<u>11,979,282</u>
<b>Reconciliation of Operating Income (Loss) to Net</b>							
<b>Cash Provided by (Used for) Operating Activities:</b>							
Operating Income (Loss)	\$ 5,180,401	605,785	11,971,435	(1,094,989)	(2,387,855)	14,274,777	(1,276,798)
Adjustments:							
Depreciation	5,035,878	733,186	8,107,781	514,055	1,355,967	15,746,867	512,502
Amortization of Customer Base	22,743	-	-	-	-	22,743	-
Landfill Postclosure Cost	-	(37,380)	-	-	-	(37,380)	-
Changes in the Allowance for Uncollectible Receivables	20,707	-	29,985	-	-	50,692	-
Changes in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	(99,347)	2,251	2,202,482	(91,620)	(3,441)	2,010,325	50,501
(Increase) Decrease in Inventories	(46,376)	-	(289,176)	-	9,511	(326,041)	(64,367)
(Increase) Decrease in Customer Base	22,743	-	-	-	-	22,743	-
(Increase) Decrease in Prepaid Expenses	-	-	105,514	-	-	105,514	(1,715)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(1,452,705)	(22,815)	(462,730)	(51,055)	84,655	(1,904,650)	1,106,036
Increase (Decrease) in Accrued Payroll Expenses	45,143	-	17,402	-	60,791	123,336	4,453
Increase (Decrease) in Compensated Absences	7,212	(6,451)	55,152	-	20,412	76,325	(1,520)
Increase (Decrease) in Customer Deposits	149,710	-	323,404	-	-	473,114	-
Increase (Decrease) in Other Payables	3,667	4,603	551,200	-	-	559,470	-
Increase (Decrease) in Deferred Revenue	(17,847)	-	-	-	(3,701)	(21,548)	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 8,871,929</u>	<u>1,279,179</u>	<u>22,612,449</u>	<u>(723,609)</u>	<u>(863,661)</u>	<u>31,176,287</u>	<u>329,092</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>Reconciliation of Cash and Cash Equivalents to Statement of Cash Flows</u>							
Cash on Hand	\$ -	100	19,300	-	2,681	22,081	-
Cash on Deposit with Paying Agent	224,542	-	-	-	-	224,542	-
Cash in Bank	545,793	-	16,567,665	438,310	-	17,551,768	11,427,485
Cash on Deposit with State of Tennessee	2,416,187	-	-	586,538	-	3,002,725	-
Cash Due From Central Depository	4,486,965	2,796,332	-	-	3,304,932	10,588,229	551,797
Restricted Cash	50	11	19,201,612	-	-	19,201,673	-
	<u>\$ 7,673,537</u>	<u>2,796,443</u>	<u>35,788,577</u>	<u>1,024,848</u>	<u>3,307,613</u>	<u>50,591,018</u>	<u>11,979,282</u>

Non-Cash Capital and Related Financing Activities

Water and Sewer:

- Amortization of Deferred Bond Refunding totaling \$87,892 as shown on the Statement of Revenues, Expenses, and Changes in Net Position.
- Interest paid on capital debt includes \$552,546 that was capitalized.
- Changes in the fair value of investments not reported as cash equivalents have been excluded from this statement.

City Solid Waste:

- Amortization of Deferred Bond Refunding totaling \$7,867 as shown on the Statement of Revenues, Expenses, and Changes in Net Position.

Johnson City Public Building Authority:

- Impairment of Capital Assets of \$274,694 and Amortization of Deferred Bond Refunding of \$43,902 were reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Johnson City Power Board:

- Amortization of Deferred Gain on Bond Refunding totaling \$16,882 as shown on the Statement of Revenues, Expenses, and Changes in Net Position.
- Changes in the fair value of investments not reported as cash equivalents have been excluded from this statement.

Other Nonmajor Funds:

- Amortization of Deferred Bond Refunding totaling \$7,789 as shown on the Statement of Revenues, Expenses, and Changes in Net Position.

The notes to the financial statements are an integral part of this statement.

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUND**  
**June 30, 2012**

	<u>NETCO</u> <u>Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 42,195
Total Assets	\$ 42,195
<u>LIABILITIES</u>	
Due to Cooperative	\$ 42,195
Total Liabilities	\$ 42,195

The notes to the financial statements are an integral part of this statement.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Johnson City, Tennessee (the City) was incorporated in 1869 and operates under a Board of Commission – City Manager form of government. 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. 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.

***A. Description of Government-Wide Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

***B. Reporting Entity***

The accompanying financial statements present the City (primary government) and its component unit, an entity 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 potential for the organization 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 unit. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. *Reporting Entity (Continued)***

**Blended Component Unit**

*Johnson City Public Building Authority (PBA)* - The Johnson City Public Building Authority's Board of Directors is appointed by the City of Johnson City Commission. The PBA is organized to engage in activities necessary to implement functions or projects delegated to it by the Board of Commissioners of the City of Johnson City, including but not limited to the acquisition of, design, planning, construction, maintenance and operation of a project commonly known as the Continuing Education Center. The PBA is reported as a blended component unit of the City because the services it provides almost entirely benefit the primary government. It is reported as an enterprise fund of the City because its principal operating revenues are charges for services, and thus, it does not issue separate financial statements.

**Discretely Presented Component Unit**

*Johnson City Public Library* - The Johnson City Public Library is a non-profit organization under IRC Section 501(c)(3) incorporated in September 1989. The Library's Board of Directors is appointed by the City Commission and an appropriation of at least 85% of its annual support is provided by the City of Johnson City. The City is obligated to finance any deficits and all debt is financed by the City. The Library property is also owned and titled to the City of Johnson City. Separately issued financial statements may be requested from: Johnson City Public Library; 100 West Millard Street; Johnson City, Tennessee 37604.

**C. *Basis of Presentation – Government-Wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer, solid waste, power distribution, and building 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.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. *Basis of Presentation – Fund Financial Statements***

The fund financial statements provided information about the government's funds, including its fiduciary fund and blended component unit. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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 revenue for this fund are state-shared revenues and local property and sales taxes.

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 and the general obligation debt used to construct educational facilities.

The *Educational Facilities Debt Service Fund* accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt for the construction of educational facilities.

The City reports the following nonmajor governmental funds:

The *Freedom Hall Civic Center Fund* accounts for the revenues generated from the Civic Center's operations. Fee revenues are supplemented by the General Fund to the extent of the Center's costs.

The *School Federal Projects Fund* accounts for all revenues received under this law.

The *Special School Projects Fund* accounts for all revenues received for various special projects for the schools.

The *School Food Service Fund* accounts for the revenues and expenditures of the school cafeterias.

The *School Site Based Fund* accounts for the revenue and expenditures of the school activity funds.

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. *Basis of Presentation – Fund Financial Statements (Continued)*

The *Transportation Planning Fund* accounts for special state and federal transportation planning projects through state and federal revenues.

The *Drug Fund* accounts for drug fines awarded by court action.

The *Police Grant Fund* accounts for all police grants from the federal, state and local governments.

The *Police Technology Fund* accounts for fees provided by moving violations to fund safety equipment and technology for the police department.

The *Community Development Fund* accounts for federal and state Housing and Urban Development Funds.

The *Senior Citizens Fund* accounts for contributions and fundraising for the Senior Citizens Center.

The *Employee Scholarship Fund* accounts for donations from City employees to fund scholarships for children of City employees who are entering college.

Various Capital Project Funds include the *Equipment, Parks, Public Facilities, Schools* and *Infrastructure Funds* which account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The *Permanent Fund (School Trust Fund)* accounts for nonexpendable assets left to the City by the late Paul Gollong. The fund's earnings are used for awarding scholarships to graduating high school students.

The City reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the activities of the City's production, storage and transportation of potable water and the City's collection, transportation, treatment and disposal of wastewater.

The *City Solid Waste Fund* accounts for the activities of the City's residential garbage refuse collection and recycling activities within City limits.

The *Johnson City Power Board Fund* accounts for the activities of the City's electric distribution operations.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. *Basis of Presentation – Fund Financial Statements (Continued)***

The *Johnson City Public Building Authority Fund* accounts for the activities of the PBA, a blended component unit of the City. The PBA's main activity is to design, plan, acquire property and construct projects delegated to the authority by the Board of Commissioners. The primary source of revenue is rental income.

The City reports the following nonmajor proprietary funds:

The *Golf Course Fund* accounts for the activities of the City's two 18-hole golf courses.

The *Regional Solid Waste Fund* accounts for the activities of the City's regional residential garbage, refuse collection and recycling activities.

The *Mass Transit Fund* accounts for activities funded by federal grants from the Federal Transportation Administration and state grants provided from federal funds for support of local government transportation programs.

The *Stormwater Management Fund* accounts for the activities of the City's stormwater and drainage management system.

The City reports the following fiduciary fund:

The *Northeast Tennessee Cooperative (NETCO) Fund* is new in the current year and accounts for the purchase of food-related materials, supplies, equipment, and services jointly by combining the purchasing requirements of five cities and seven counties in the surrounding area. Processing costs are allocated to each member district and reimbursed to NETCO.

Additionally, the City reports the following fund type:

The *Internal Service Funds (Motor Transport Fund and Insurance Fund)* account for fleet management and insurance services provided to other departments or agencies of the government on a cost reimbursement basis.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from / to other funds and advances to / from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***D. Basis of Presentation – Fund Financial Statements (Continued)***

Further, certain activity occurs during the fiscal year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in / out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

***E. Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 fiscal 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.

The 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 360 days for expenditure-driven 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

In general, taxes, licenses, federal and state grant funds, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in 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 proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The fiduciary fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***F. Budgetary Information***

***Budgetary Basis of Accounting***

The City Manager is required by charter to present to the Board of Commissioners an estimate of expenditures and revenue of the City for the ensuing fiscal year. The estimates are to be compiled from detailed information obtained from the departments of the City. The Board of Commissioners then prepares a tentative appropriation ordinance. Three readings of the appropriation ordinance must be approved on or before June 30th, after which date the new budget goes into effect.

As a management control, annual budgets are prepared by City departments for approval by the City Commission for all funds except for the Senior Citizens, Employee Scholarship, School Site Based, and Johnson City Power Board Funds. The budget for the Johnson City Public Building Authority is not prepared by the City. Appropriations for the General Fund and applicable Special Revenue Funds are authorized at the departmental level except for the Community Development Fund, which is authorized on the project level on an annual basis to satisfy U.S. Department of Housing and Urban Development requirements. Appropriations for the Debt Service, Educational Facilities Debt Service, and the proprietary funds are authorized at the fund level. Supplemental appropriations may be authorized by ordinance during the fiscal year.

Annual budgets for the General Fund, certain Special Revenue Funds (Freedom Hall Civic Center, School Federal Projects, Special School Projects, School Food Service, Transportation Planning, Drug, Police Grant, Police Technology, and Community Development), the Debt Service Fund, and the Educational Facilities Debt Service Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). An annual budget is also adopted for the General Purpose School Fund, which is adopted on the modified accrual basis of accounting plus encumbrances. All annual appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the General Purpose School Fund. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at fiscal year end, valid outstanding encumbrances (those for which performance under the executor contract is expected in the next fiscal year) are re-appropriated and become part of the subsequent fiscal year's budget pursuant to state regulations.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***F. Budgetary Information***

***Budgetary Basis of Accounting (Continued)***

Though utilization of encumbrance accounting ceased during the current fiscal year, the effect of prior fiscal year carryovers are reflected in assigned fund balance. Additionally, expenditures for the General Purpose School Fund shown on the statement of revenues, expenditures, and changes in fund balance – governmental funds differs from the expenditures shown on the statement of revenues, expenditures, and changes in fund balance – budget and actual – general purpose school fund due to encumbrances a follows:

	General Purpose School Fund
Expenditures - Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 53,988,721
Less: Encumbrances	(391,309)
Expenditures - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	\$ 53,597,412

***G. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance***

***1. Cash and Cash Equivalents***

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 and its component units' 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.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G *Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)***

***1. Cash and Cash Equivalents (Continued)***

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.

The City utilizes a cash management plan for all cash in checking for all funds, except for the school funds which have their own bank accounts. One bank account is used for disbursements for the City. Other accounts are maintained for utility collections of the regional systems, which are periodically transferred to the General Disbursement Account and for Debt Service. The balance of cash in each fund is maintained on the City's records and reconciled to the total in the General Disbursement Account. Cash overdrafts are reflected in the financial statements as Cash Due to Central Depository.

The cash management plan provides that the balance in the bank is invested on a daily basis at the current interest rates. Interest income is allocated to the individual funds based on the average cash balance of the individual funds. Likewise, interest expense is charged to funds with an overdraft. The plan is presently with First Tennessee Bank. Bids are obtained from all banks to obtain the best possible rates.

***2. Investments***

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in the Local Government Investment Pool (LGIP). Specifically, the LGIP was established under *Tennessee Code Annotated* Title 9, Chapter 4, Part 7.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G *Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)***

***2. Investments (Continued)***

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. 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 LGIP has been classified as Cash on Deposit with State of Tennessee since they are comprised of short-term investments. The Tennessee LGIP has not been rated by a nationally recognized statistical rating organization.

***3. Inventories and Prepaid Items***

All inventories of governmental funds are valued at cost using the first-in/first-out (FIFO) method and are recorded as expenditures at the time purchased. All such inventories on hand at year end are reported as assets and nonspendable fund balance in the fund financial statements.

All inventories of proprietary funds are valued at cost utilizing the weighted average or FIFO method, and are expensed 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 the government-wide and proprietary fund financial statements. The cost of prepaid items is recorded as expenditures / expenses when consumed rather than when purchased.

***4. Restricted Assets***

Certain cash and investment balances of the City are classified as restricted assets on the Statement of Net Position 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 bond issues, escrow for construction contractors established to fund retainages of outstanding construction projects upon their completion, and savings accounts for tax equivalent payments, capital improvements, and unexpected expenses. Restricted investments include securities held for larger claims of a self-insurance program.

***5. Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G *Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)***

**5. *Capital Assets (Continued)***

Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$5,000 and an estimated useful life in excess of one year for property, plant and equipment, and assets with an initial, individual cost of more than \$100,000 for infrastructure.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. 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 asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Significant interest and related fees incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Total interest and related fees incurred by the Water and Sewer Fund during the current fiscal year were \$3,332,506. During the fiscal year ended June 30, 2012, \$552,546 of interest and related fees were capitalized in connection with capital improvements and additions.

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

<u>Assets</u>	<u>Years</u>
Roads and bridges	40
Buildings and building improvements	30
Golf course improvements	15
Landfill improvements	25
Fire trucks	20
Utility lines	45
School buses, passenger vans	15
Machinery, equipment and heavy vehicles	10
Office equipment/automobiles	7
Computer equipment/software licenses	3

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. *Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)***

**5. *Capital Assets (Continued)***

Assets of the Johnson City Power Board are depreciated over the useful lives per guidelines of the Federal Energy Regulatory Commission. When property is retired or otherwise disposed of, its average cost, together with its cost of removal less salvage, is charged to accumulated depreciation; no gain or loss is recognized as per federal energy regulations. The useful lives range from 3 years to 50 years. The Power Board's total depreciation expense for the fiscal year ended June 30, 2012 was \$8,107,781. In a separately issued report dated November 20, 2012, the Johnson City Power Board reported \$425,966 to Other Operating Expenses as required by the TVA.

**6. *Deferred Outflows / Inflows of Resources***

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred bond refunding costs reported in the government-wide Statement of Net Position. Deferred bond refunding costs result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category. The deferred gain on bond refunding is reported as a deferred inflow and being amortized over the life of the bonds. The fair value of the interest rate swap is recorded as a deferred inflow. Under the modified accrual basis of accounting, unavailable revenue is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from three sources: property taxes, sales taxes, and other deferred revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**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 Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G *Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)***

***7. Long-Term Obligations (Continued)***

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. Net Position Flow Assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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

***9. Fund Balance Flow Assumptions***

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's practice to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***10. Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G** *Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)*

**10. Fund Balance Policies (Continued)**

- Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance – amounts constrained to specific purposes by which the City Commission, the City's highest level of decision-making authority, approves an ordinance. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.
- Unassigned Fund Balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

**11. Reclassifications**

Certain reclassifications have been made to the June 30, 2011 financial statements in order for them to conform to the June 30, 2012 financial statement presentation.

**12. Accounting Changes**

In the fiscal year ended June 30, 2012, the City early implemented the provisions of three new Governmental Accounting Standards Board (GASB) Statements. These are summarized as follows:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, contributes to the GASB's efforts to codify all sources of generally accepted accounting principles (GAAP) for state and local governments so that they derive from a single source. This effort brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of government financial statement users.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, collectively recognized certain elements of the financial statements as a consumption of net assets by the entity that are applicable to a future reporting period. These financial elements are distinct from assets and liabilities.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G *Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)***

***12. Accounting Changes (Continued)***

As a result of the adoption of these Statements, 1) the City now uses the term "Net Position" within the government-wide and proprietary fund financial statements, 2) deferred bond refunding costs were reclassified from noncurrent other assets to deferred outflows of resources on the proprietary funds Statement of Net Position and government-wide Statement of Net Position, 3) unavailable deferred revenues from taxes, grants, and other sources were reclassified from unearned revenue to deferred inflows of resources on the governmental funds Balance Sheet, 4) the deferred gain on bond refunding was reclassified from noncurrent liabilities to a deferred inflow of resources on the proprietary funds Statement of Net Position and government-wide Statement of Net Position, and 5) debt issuance costs were reported as a Prior Period Adjustment (see Note 4.R). In the future, the latter will be expensed in the fiscal year incurred. There is one new GASB statement that has been issued that will be effective in a future year. The City has not yet evaluated the effects, if any, of adopting this standard

***13. 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.

***14. Concentration***

The City depends upon financial resources flowing from, or associated with, both the Federal Government and the State of Tennessee. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

**H. *Revenues and Expenditures / Expenses***

***1. Program Revenues***

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. *Revenues and Expenditures / Expenses (Continued)***

**2. *Property Taxes***

Property taxes are levied on September 1<sup>st</sup> on property values assessed as of January 1<sup>st</sup>. The billings are mailed by September 1<sup>st</sup> and a 1% discount is allowed through September 30<sup>th</sup>. After December 31<sup>st</sup>, the tax bill becomes delinquent and penalty and interest are assessed. Property taxes are declared to be a lien on the property after January 10<sup>th</sup> of the fiscal year of assessment.

**3. *Compensated Absences***

*Policy of the City (except for Schools and Johnson City Power Board).* Vacation benefits apply to all full-time and regular part-time employees who have completed six months of continuous employment.

Vacation accrues as follows:

<u>Years of Service</u>	<u>Vacation Days</u>	<u>Monthly Hourly Accrual</u>
Under 10 years of service	10	6.67
10 to 15 years of service	15	10.00
15 years of service	16	10.67
17 years of service	17	11.34
19 years of service	18	12.00
21 years of service	19	12.67
23+ years of service	20	13.34

Vacation accruals for members of the Fire Bureau are based on a 24-hour day. Current hours earned per month are multiplied by 1.477 to reach an hourly vacation accrual.

Sick leave accumulates at the rate of eight hours per month for regular full-time and on a pro-rata basis for regular part-time employees. For Fire Bureau employees, a day equals 24 hours and sick leave will accrue at 24 hours a month unless Fire Bureau employees are assigned to an eight-hour shift, then they will accumulate at the rate of eight hours per month. Sick leave may be accumulated with no maximum on number of days. There is no liability for unpaid accumulated sick leave since no obligation exists for payment of accumulated sick leave upon termination for reasons other than death or retirement. Upon retirement for an employee who has completed 15 years of service, the sick leave accumulated is credited to the years of service or the employee may elect to receive compensation at the rate of two days of sick leave at the employee's regular rate for every completed year of service, not to exceed the days accumulated in the employee's account. In the event of death, one-third of the accumulated amount is paid to the beneficiary. It is also the City's policy to permit employees from certain departments of the City to accumulate earned but unused compensation for excess hours worked. All compensatory time is accrued when incurred in the government-wide and fund financial statements.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. *Revenues and Expenditures / Expenses (Continued)***

**3. *Compensated Absences (Continued)***

***Policy of Schools.*** Teachers' vacation and sick leave are in accordance with state policies. Most other school employees do not accumulate vacation or sick leave in excess of a normal year's accumulation. Vacation is earned and accumulates at one day per month. Administrative personnel are allowed to accumulate vacation days and may earn up to 20 days per year after 10 years of service. Employees have eighteen months to use the vacation time or it is lost. Five days of vacation can be converted to sick time for carryover for retirement. Unused sick time is not compensated. Accrued vacation has been recorded for the twelve month administrative personnel in the government-wide financial statements. It is estimated that any accrual for ten month employees would be immaterial.

***Policy of the Johnson City Power Board.*** Employees earn various vacation days determined on years of service. Vacation days can be accumulated to a maximum of 40 days, which are payable upon separation of employment. Sick leave is granted after 90 days of employment. The employee earns one day for each one full month employed. Sick leave can be accumulated with no limitation as to the number of days. No obligation exists for payment of accumulated sick leave upon termination for reasons other than death or retirement. On date of retirement or death, the Power Board is obligated for 75% of accumulated days. A liability for compensated absences and related fringe benefits is reflected in the Statement of Net Position and in the proprietary fund financial statements. The portion of this liability expected to be paid within one year is classified as a current liability and the remainder as a long-term liability.

**4. *Proprietary Funds Operating and Nonoperating Revenues and Expenses***

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 principal 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 fund also recognizes 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.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**A. *Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position***

The governmental funds balance sheet includes a reconciliation between *fund balances - total governmental funds* and *net position - governmental activities* as reported in the government-wide Statement of Net Position. 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.” This difference does not include capital assets from the internal service funds. The details of this \$271,420,444 difference are as follows:

Governmental Funds Capital Assets	\$ 456,919,546
Less: Accumulated Depreciation	(181,208,404)
Less: Internal Service Funds Net Capital Assets	<u>(4,290,698)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 271,420,444</u></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 governmental funds.” The details of this \$(136,519,139) difference are as follows:

Bonds Payable (net of Deferred Refunding)	\$ 138,971,648
Notes Payable	350,000
Capital Leases	355,092
Less: Internal Service Funds Notes and Bonds Payable	(2,997,000)
Less: Deferred Charge on Refunding	<u>(160,601)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 136,519,139</u></u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**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 position 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 capital outlays of general capital assets in the current period exceeded depreciation.” This difference does not include depreciation expense of \$512,502 relating to internal service funds. The details of this \$10,029,743 difference are as follows:

Capital Outlay	\$ 20,717,402
Depreciation Expense	(10,687,659)
	_____
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 10,029,743
	_____

Another element of that reconciliation states that “the net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.” In the Statement of Activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. The details of this \$723,350 difference are as follows:

Cost of Capital Assets	\$ 852,907
Less: Sales Proceeds	(129,557)
	_____
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 723,350
	_____

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**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 “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 \$(144,884) difference are as follows:

Deferred Property Taxes as of June 30, 2012	\$ (1,572,289)
Deferred Property Taxes as of June 30, 2011	1,471,209
Deferred Other Taxes as of June 30, 2012	(343,031)
Deferred Other Taxes as of June 30, 2011	299,227
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (144,884)

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 position. Also, governmental funds report the effect of 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 \$(1,014,804) difference are as follows:

Principal Repayments	\$ (6,940,111)
Increases Due to Compounded Interest	987,237
Refunding Payments	(11,012,803)
Proceeds from Bonds and Leases	3,239,146
Proceeds from Refunding	11,722,974
Premiums, Amortization, and Deferred Refunding	988,753
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (1,014,804)

Included in the Internal Service Fund is an additional \$350,000 of debt reduction which is not reflected above since it is included in the Internal Service Fund adjustment.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

*Deficit Fund Equity*

The following fund had a deficit net position at June 30, 2012:

Enterprise Funds:	Golf Course Fund	\$ (528,301)
-------------------	------------------	--------------

The deficit in the Golf Course Fund is due to expenses consistently exceeding revenues. It will be eliminated by future operations and transfers from the General Fund at a rate of \$100,000 per fiscal year in accordance with a plan approved by the State of Tennessee.

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

***A. Cash Deposits with Financial Institutions***

Cash deposits on the Statement of Net Position include demand deposits, certificates of deposit, savings accounts, cash on deposit with paying agents, cash on deposit with the State of Tennessee, and cash deposited in escrow accounts.

*Custodial Credit Risk*

The City's policy for custodial credit rate risk on deposits is to follow state guidelines.

At fiscal year end, the City had \$35,330 of cash on hand which has been included in cash and cash equivalents. The City's carrying amount of deposits was \$65,980,043 and the bank balance was \$72,818,766. Of the City's bank balance, \$72,608,480 was covered by the State of Tennessee Collateral Pool, which is a multiple financial institution collateral pool, or by amounts insured by the Federal Deposit Insurance Corporation (FDIC) and \$167,941 was covered by the National Credit Union Share Insurance Fund. State statutes require collateral pledged by each financial institution to equal a certain percentage of the uninsured public deposits it holds. Members of the pool can be assessed if the collateral is inadequate to cover a loss. This is similar to depository insurance. Of the remaining City balance, \$42,345 represents cash in trust accounts which are insured by the FDIC.

In addition to the above deposits, the City has \$3,022,147 on deposit with the State of Tennessee, which is held in the Local Government Investment Pool at June 30, 2012.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**B. *Investments***

*Custodial Credit Risk*

The City's investment policy is to ensure the preservation of capital in the overall investment portfolio. The City will emphasize the safety of capital first, maintain sufficient liquidity to meet obligations second, and gain the highest possible yield third. All investments made by the City will be in accordance with applicable state guidelines. The City does not allow for an investment in securities maturing more than two years from the date of issue.

At June 30, 2012, the City's investments were as follows:

	Primary Government	
	Reported Amount	Fair Value
Investment Type:		
Certificates of Deposit - Investments	\$ 3,750,000	3,750,000
Cash with Investment Firm	225,791	225,791
Federated Money Market Obligations	479,270	479,270
Total Bond Fund Investments	29,406,759	29,406,759
Total Investments	\$ 33,861,820	33,861,820
Classified as:		
Investments	\$ 18,295,625	
Restricted Investments	15,566,195	
Total Investments	\$ 33,861,820	

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**B. *Investments (Continued)***

The bond fund investments had the following credit risk structure as of June 30, 2012:

Investment Type:	Moody's Credit Rating	Fair Value	Percent of Total
<b>Municipal Securities</b>			
Alabama State Bonds	AA2	\$ 100,386	0.3%
Blount County PBA	AA1	7,120,000	24.2%
California State Bonds	AA3	100,282	0.3%
Illinois State Bonds	AA2	101,146	0.3%
Kentucky State Bonds	AA1	253,425	0.9%
Massachusetts State Bonds	AA3	307,389	1.0%
Mississippi State Bonds	AA1	100,000	0.3%
New Jersey State Bonds	AA3	900,000	3.1%
New York State Bonds	AA1	302,586	1.0%
Sevier County PBA	AA1	2,000,000	6.8%
Texas State Bonds	AA3	200,796	0.7%
Wisconsin State Bonds	AA1	111,105	0.4%
Total Municipal Securities		11,597,115	
<b>Fixed Rate Agency Securities</b>			
Federal Farm Credit	AAA	1,278,276	4.3%
Federal Home Loan Bank	AAA	3,778,346	12.8%
Federal Home Loan Mortgage Corporation	AAA	2,551,998	8.7%
Federal National Mortgage Association	AAA	10,049,329	34.2%
Total Fixed Rate Agency Securities		17,657,949	
<b>Treasury Securities</b>			
U.S. Treasury Bill	Unrated	151,695	0.5%
Total Bond Fund Investments		\$ 29,406,759	

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**B. *Investments (Continued)***

*Interest Rate Risk*

Under its loan agreement, the Public Building Authority of Blount County, Tennessee (the Authority), at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series D-9-A.

*Objective of the Interest Rate Swap.* In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$29.085 million Series D-9-A variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate. The Series D-9-A bonds have since been refunded with a portion of the proceeds of the Series VII-I-1 bonds and the interest rate swap is now associated with the Series VII-I-1 bonds.

*Terms.* Under the swap, the Authority pays the counterparty a fixed payment of 3.746% and receives a variable equal to the Securities Industry and Financial Markets Association Index (SIFMA). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$29.085 million. At no time will the notional amount of the interest rate swap agreement exceed the outstanding principal amount on the associated hedged bonds. The related swap agreement matures on June 1, 2021. As of June 30, 2012, rates were as follows:

	Terms	Rates
Interest Rate Swap		
Fixed Payment to Counterparty	Fixed	3.746%
Variable Payment from Counterparty		-0.180%
Net Interest Rate Swap Payments		3.566%
Variable-Rate Bond Coupon Payments		1.516%
Synthetic Interest Rate on Bonds		5.082%

*Fair Value.* As of June 30, 2012, the swap had a negative fair value of (\$3,945,145). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

*Credit Risk.* As of June 30, 2012, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the swap agreement's fair value. The swap counterparty, Morgan Keegan Financial Products (MKFP), was rated A+ by Standard and Poor's as of June 30, 2012, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ by Moody's, Standard & Poor's and Fitch, respectively.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**B. *Investments (Continued)***

*Interest Rate Risk (Continued)*

*Basis Risk.* As noted above, the swap exposes the City to basis risk should the rate on the underlying bonds increase above SIFMA, thus increasing the synthetic rate on the bonds. If a change occurs that results in the underlying rate on the bonds to be below SIFMA, then the synthetic rate on the bonds will decrease.

*Termination Risk.* The swap agreement contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

*Swap Payments and Associated Debt.* As of June 30, 2012, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate	
	Principal	Interest	Swap Payment	Total
2013	\$ 425,000	412,799	970,844	1,808,643
2014	2,700,000	406,355	955,688	4,062,043
2015	3,000,000	365,416	859,406	4,224,822
2016	3,350,000	319,929	752,426	4,422,355
2017	3,750,000	269,134	632,965	4,652,099
2018-2021	14,000,000	462,456	1,087,630	15,550,086
	<u>\$ 27,225,000</u>	<u>2,236,089</u>	<u>5,258,959</u>	<u>34,720,048</u>

**C. *Receivables***

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the City's individual major funds, and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts:

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**C. *Receivables (Continued)***

	<u>General</u>	<u>General Purpose School</u>	<u>Educational Facilities Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables					
Taxes	\$ 30,458,009	-	-	-	30,458,009
Accounts	1,026,670	38,304	613,192	47,688	1,725,854
Notes	9,947	-	-	29,194	39,141
Intergovernmental	5,645,824	12,729,659	-	2,145,582	20,521,065
Gross Receivables	<u>37,140,450</u>	<u>12,767,963</u>	<u>613,192</u>	<u>2,222,464</u>	<u>52,744,069</u>
Less: Allowances for Uncollectibles	(190,257)	-	-	-	(190,257)
Net Total Receivables	<u>\$ 36,950,193</u>	<u>12,767,963</u>	<u>613,192</u>	<u>2,222,464</u>	<u>52,553,812</u>

	<u>Water and Sewer</u>	<u>City Solid Waste</u>	<u>Johnson City Power Board</u>	<u>Johnson City Public Building Authority</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Receivables						
Accounts	\$ 2,719,051	792,010	8,127,970	91,620	301,036	12,031,687
Notes	-	-	91,497	-	-	91,497
Intergovernmental	10,345	-	-	-	551,490	561,835
Gross Receivables	<u>2,729,396</u>	<u>792,010</u>	<u>8,219,467</u>	<u>91,620</u>	<u>852,526</u>	<u>12,685,019</u>
Less: Allowance for Uncollectibles	(1,347,616)	(325,287)	(981,496)	-	(146,135)	(2,800,534)
Net Total Receivables	<u>\$ 1,381,780</u>	<u>466,723</u>	<u>7,237,971</u>	<u>91,620</u>	<u>706,391</u>	<u>9,884,485</u>

	<u>Total Governmental Funds</u>	<u>Total Proprietary Funds</u>	<u>Internal Service Funds</u>	<u>Total Primary Government</u>
Receivables				
Taxes	\$ 30,458,009	-	-	30,458,009
Accounts	1,725,854	12,031,687	51,421	13,808,962
Notes	39,141	91,497	-	130,638
Intergovernmental	20,521,065	561,835	-	21,082,900
Gross Receivables	<u>52,744,069</u>	<u>12,685,019</u>	<u>51,421</u>	<u>65,480,509</u>
Less: Allowances for Uncollectibles	(190,257)	(2,800,534)	-	(2,990,791)
Net Total Receivables	<u>\$ 52,553,812</u>	<u>9,884,485</u>	<u>51,421</u>	<u>62,489,718</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**C. *Receivables (Continued)***

Uncollectible amounts of the General Fund are reported under general governmental expenditures. Uncollectible amounts of Nonmajor Governmental services are reported under Public Welfare. Uncollectible amounts for Water and Sewer, City Solid Waste services and Public Building Authority are reported under operating expenses. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to:	General Services	\$ (272)
	Water and Sewer Services	164,098
	City Solid Waste Services	42,459
	Regional Solid Waste Services	14,394
	Stormwater	5,127
		<u>\$ 225,806</u>

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues 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)	\$ -	28,504,111
Delinquent Property Taxes Receivable (General Fund)	1,572,289	-
State Income Taxes Receivable (General Fund)	297,892	-
Other Deferred Revenue (General Fund)	45,139	-
Property Taxes Receivable (General Purpose School Fund)	-	9,868,793
Taxes Receivable (School Federal and Special Projects Funds)	-	2,276
Grant Drawdowns Prior to Meeting All Eligibility Requirements (Transportation Planning, Police Grant and Community Development Funds)	-	841,515
	<u>\$ 1,915,320</u>	<u>39,216,695</u>

Property taxes which are delinquent at year end are earned but not available. The tax year 2012 property taxes are unearned and unavailable, but are recorded as receivable on the levy date, as described in Note 1.H.2.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**D. *Capital Assets***

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<b>Primary Government</b>			Ending Balance
	Beginning Balance	Additions	Deletions	
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 20,459,995	584,438	(31,350)	21,013,083
Construction in Progress	58,808,863	18,307,983	(26,187,237)	50,929,609
<b>Total Capital Assets, Not Being Depreciated</b>	<b>79,268,858</b>	<b>18,892,421</b>	<b>(26,218,587)</b>	<b>71,942,692</b>
Capital Assets, Being Depreciated:				
Buildings and Improvements	161,099,644	23,118,154	(3,788,112)	180,429,686
Equipment and Vehicles	38,887,922	8,928,262	(6,043,056)	41,773,128
Infrastructure	161,144,578	1,636,818	(7,356)	162,774,040
<b>Total Capital Assets, Being Depreciated</b>	<b>361,132,144</b>	<b>33,683,234</b>	<b>(9,838,524)</b>	<b>384,976,854</b>
Accumulated Depreciation:				
Buildings and Improvements	(78,818,015)	(4,762,434)	2,570,349	(81,010,100)
Equipment and Vehicles	(24,014,469)	(2,762,059)	1,182,035	(25,594,493)
Infrastructure	(70,940,831)	(3,675,668)	12,688	(74,603,811)
<b>Total Accumulated Depreciation</b>	<b>(173,773,315)</b>	<b>(11,200,161)</b>	<b>3,765,072</b>	<b>(181,208,404)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>187,358,829</b>	<b>22,483,073</b>	<b>(6,073,452)</b>	<b>203,768,450</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 266,627,687</b>	<b>41,375,494</b>	<b>(32,292,039)</b>	<b>275,711,142</b>

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

Governmental Activities:

General Government	\$ 589,992
Education	4,662,452
Public Welfare	826,559
Public Works	3,983,089
Public Safety	419,590
City Services	205,977
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of that assets	512,502
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 11,200,161</b>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**D. *Capital Assets (Continued)***

	<b>Primary Government</b>			Ending Balance
	Beginning Balance	Additions	Deletions	
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 15,668,302	1,499,491	(86,638)	17,081,155
Construction in Progress	19,989,145	9,910,568	(12,992,895)	16,906,818
Total Capital Assets, Not Being Depreciated	<u>35,657,447</u>	<u>11,410,059</u>	<u>(13,079,533)</u>	<u>33,987,973</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	51,502,681	1,241,747	(30,785)	52,713,643
Plant in Service	380,583,534	25,314,324	(2,885,559)	403,012,299
Equipment and Vehicles	36,712,397	2,819,747	(753,756)	38,778,388
Total Capital Assets, Being Depreciated	<u>468,798,612</u>	<u>29,375,818</u>	<u>(3,670,100)</u>	<u>494,504,330</u>
Accumulated Depreciation:				
Buildings and Improvements	(14,336,235)	(1,294,945)	(175,216)	(15,806,396)
Plant in Service	(118,084,470)	(11,117,324)	3,605,753	(125,596,041)
Equipment and Vehicles	(20,695,114)	(3,334,598)	638,354	(23,391,358)
Total Accumulated Depreciation	<u>(153,115,819)</u>	<u>(15,746,867)</u>	<u>4,068,891</u>	<u>(164,793,795)</u>
Total Capital Assets, Being Depreciated, Net	<u>315,682,793</u>	<u>13,628,951</u>	<u>398,791</u>	<u>329,710,535</u>
Business-Type Activities Capital Assets, Net	<u>\$ 351,340,240</u>	<u>25,039,010</u>	<u>(12,680,742)</u>	<u>363,698,508</u>

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

**Business-Type Activities:**

Water and Sewer	\$ 5,035,878
City Solid Waste	733,186
Johnson City Power Board	8,107,781
Johnson City Public Building Authority	514,055
Golf Course	90,802
Regional Solid Waste	264,907
Mass Transit	889,359
Stormwater Management	110,899

Total Depreciation Expense - Business-Type Activities \$ 15,746,867

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**E. *Pension Plan***

*City of Johnson City*

***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, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The City withdrew from TCRS effective July 1, 2010. Employees hired after the date of withdrawal are not eligible to participate in TCRS. These employees are eligible to participate in the City of Johnson City, Tennessee 401(a) Defined Contribution Retirement Plan. The employee must be 18 years of age and complete six months of service before beginning participation. Employees are required to contribute 5.00% of eligible compensation, with the City providing an equivalent match plus a match of 3.00% for contributions made into the 457(b) plan. Compensation is defined as W-2 wages plus elective deferrals and Section 125 deductions, less fringe benefits. Employees active as of the withdrawal date will continue to accrue salary and service credit in TCRS. The employer remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the employer. Employee and employer contributions totaled \$80,543 and \$101,804, respectively, for the fiscal year ended June 30, 2012.

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

***E. Pension Plan (Continued)***

*City of Johnson City (Continued)*

***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, 2012 was 19.23% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

***Annual Pension Cost***

For the fiscal year ending June 30, 2012, the City's annual pension cost of \$7,193,297 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50% a year compounded annually, (b) projected 3.00% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.50% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.50% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 7,193,297	100%	\$ -
June 30, 2011	7,158,539	100%	-
June 30, 2010	7,442,509	100%	-

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**E. *Pension Plan (Continued)***

*City of Johnson City (Continued)*

***Funded Status and Funding Progress***

As of July 1, 2011, the most recent actuarial valuation date, the plan was 76.63% funded. The actuarial accrued liability for benefits was \$202.50 million, and the actuarial value of assets was \$155.18 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$47.33 million. The covered payroll (annual payroll of active employees covered by the plan) was \$37.78 million, and the ratio of the UAAL to the covered payroll was 125.27% percent.

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2011	\$ 155,179	\$ 202,504	\$ 47,325	76.63%	\$ 37,778	125.27%
July 1, 2009	127,885	135,339	7,454	94.49%	38,691	19.26%
July 1, 2007	120,065	129,365	9,300	92.81%	34,866	26.67%

The statute governing TCRS allows the Board of Trustees to reestablish the unfunded accrued liability for actuarial gains and losses. For the July 1, 2011 actuarial valuation, the Board reestablished the unfunded accrued liability. The cost of the plan has two components: normal cost and supplemental liability. The normal cost is the cost of the next year of service and the supplemental liability is the unfunded cost of past service. The supplemental liability can roll forward from valuation to valuation or can be reestablished. In a year the liability is reestablished, the past service cost is reported as supplemental liability in the *Present Value of Prospective Contributions Payable* calculations. In the table above, only the supplemental liability is reflected. This could result in large increases in the *Unfunded AAL and UAAL as a Percentage of Covered Payroll*. The *Total Present Value (in thousands) of Prospective Contributions Payable* is shown in the following table:

	July 1, 2011	July 1, 2009
Employer		
Normal	\$ -	55,703
Supplemental Liability	47,325	7,454
Total	\$ 47,325	63,157

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**E. *Pension Plan (Continued)***

*City of Johnson City (Continued)*

In addition, the supplemental liability from the July 1, 2009 actuarial valuation was based on a six-year amortization, and the July 1, 2011 actuarial valuation was based on a nine-year amortization. Total present assets at actuarial value (in thousands) increased from \$127,885 at July 1, 2009 to \$155,179 at July 1, 2011.

*Johnson City Schools*

***Plan Description***

The Johnson 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 Tennessee Consolidated Retirement System (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 a result of an accident or injury occurring while the member was in the performance of duty. Members joining prior to July 1, 1979 are vested after 5 years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at 3.00%.

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

***E. Pension Plan (Continued)***

*Johnson City Schools (Continued)*

***Funding Policy***

Most teachers are required by state statute to contribute 5.00% of salary to the plan. The employer contribution rate for the Johnson City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2012 was 9.05% of annual covered payroll. The employer contribution requirement for the Johnson City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the fiscal years ending June 30, 2012, 2011, and 2010 were \$2,824,933, \$2,873,082, and \$1,972,906, respectively, equal to the required contributions for each fiscal year.

*Johnson City Power Board*

***Plan Description***

Employees of the Johnson City Power Board 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, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Johnson City Power Board 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 <http://www.tn.gov/treasury/tcrs/PS/>.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**E. *Pension Plan (Continued)***

*Johnson City Power Board (Continued)*

***Funding Policy***

The Power Board requires employees to contribute 5.00% of earnable compensation.

The Power Board is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 13.88% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Power Board is established and may be amended by the TCRS Board of Trustees.

***Annual Pension Cost***

For the fiscal year ending June 30, 2012, the Johnson City Power Board's annual pension cost of \$1,466,085 to TCRS was equal to the required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50% a year compounded annually, (b) projected 3.00% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.50% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.50% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The Power Board's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 15 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 1,466,085	100%	\$ -
June 30, 2011	1,400,039	100%	-
June 30, 2010	1,467,948	100%	-

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**E. *Pension Plan (Continued)***

*Johnson City Power Board (Continued)*

***Funded Status and Funding Progress***

As of July 1, 2011, the most recent actuarial valuation date, the plan was 79.72% percent funded. The actuarial accrued liability for benefits was \$43.77 million, and the actuarial value of assets was \$34.89 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.88 million. The covered payroll (annual payroll of active employees covered by the plan) was \$10.51 million, and the ratio of the UAAL to the covered payroll was 84.51%.

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2011	\$ 34,891	\$ 43,769	\$ 8,878	79.72%	\$ 10,505	84.51%
July 1, 2009	28,936	38,581	9,645	75.00%	9,303	103.68%
July 1, 2007	27,950	31,206	3,256	89.57%	8,432	38.61%

**F. *Post-Employment Healthcare Benefits***

*City of Johnson City*

***Plan Description***

In 1984, the City Commission approved a resolution which offers post-employment healthcare benefits to eligible employees who retire from the City with 20 years of service. The retiree can carry this coverage until they turn 65. There are currently approximately 760 employees that qualify for this coverage.

In 2008, the City Commission approved a resolution which amends the post-employment healthcare benefits. Under the amendment, active employees with at least 35 years of continuous full-time service solely to the City as of July 1, 2008, shall be eligible to receive post age 65 coverage in the City's group health plan when they retire with 40 years or more of service at no charge to the employee. Currently, two City retirees receive this benefit.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

***F. Post-Employment Healthcare Benefits (Continued)***

*City of Johnson City (Continued)*

***Plan Description (Continued)***

Active employees with 30 to 34 years of full-time continuous service solely to the City as of July 1, 2008, who retire with 40 years of service prior to reaching Medicare eligibility, may remain in the group health plan at employee rates until reaching Medicare eligibility. There are currently 78 retirees covered for this health benefit. The quarterly charge for employees is \$354 for individual and \$909 for family. The co-insurance rate of reimbursement depends on the plan the employee is covered by. The Preferred Network has a \$550 deductible with an 80% co-insurance rate. The Select Network has a \$475 deductible and a 90% co-insurance rate. During the fiscal year ended June 30, 2012, contributions received from active employees were \$1,486,867 and contributions received from retirees were \$218,256. Upon reaching Medicare eligibility, these employees shall be eligible to be reimbursed up to \$3,000 per fiscal year for the costs of a Medicare supplemental plan, if they choose to procure such a plan.

Active full-time employees with less than 30 years of full-time continuous service solely to the City as of July 1, 2008, shall not be eligible for any of the retiree health benefits as set forth in the above paragraphs.

***Funding Policy***

The contribution requirements of plan members and the City of Johnson City are based on pay-as-you go financing requirements.

***Annual OPEB Cost and Net OPEB Obligation***

The City's other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each fiscal year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the City's OPEB obligation.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**F. *Post-Employment Healthcare Benefits (Continued)***

*City of Johnson City (Continued)*

***Annual OPEB Cost and Net OPEB Obligation (Continued)***

	Fiscal Year Ended June 30, 2012
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 1,436,479
2. Interest on net OPEB Obligation	37,515
3. Adjustment to ARC	(27,935)
4. Annual OPEB Cost (Expense) (1+2+3)	1,446,059
5. Contribution made (assumed end of year)*	(1,056,166)
6. Increase in net OPEB Obligation (4 - 5)	389,893
7. Net OPEB Obligation - Beginning of Year	789,793
8. Net OPEB Obligation - End of Year (6 + 7)	\$ 1,179,686

*\*Contribution made was assumed to equal Expected Benefit Payments*

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2012, 2011 and 2010 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 1,446,059	73.00%	\$ 1,179,686
June 30, 2011	1,386,880	67.00%	789,793
June 30, 2010	981,313	102.00%	337,365

***Funded Status and Funding Progress***

As of July 1, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$20,721,781. The covered payroll (annual payroll of active employees covered by the plan) was \$28,300,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 73.22%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

F. *Post-Employment Healthcare Benefits (Continued)*

*City of Johnson City (Continued)*

*Funded Status and Funding Progress (Continued)*

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following methods and assumptions were used.

In the July 1, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75% investment rate of return which is equivalent to the expected return on the general assets for the City and an annual healthcare cost trend rate of 10.00%, initially in 2008, reduced by decrements of one-half percent to an ultimate rate of 4.50% in 2019. There is a 30-year closed amortization of the UAAL increasing at 5.00% per fiscal year (the payroll growth rate).

*Johnson City Schools*

*Plan Description*

The Johnson City Schools have two arrangements for post-employment health care benefits. If the school employee retires with full benefits (30 years or age 60 with 5 years of service), has 10 years of service with the Johnson City Schools and has carried insurance for the past 5 consecutive years, then the quarterly charge is \$0 for individual, \$345 for employee plus one coverage and \$694 for family coverage. If the school employee does not retire with full benefits, but has 20 years of service with the Johnson City Schools and has carried insurance for the past 5 consecutive years, then the quarterly charge is \$354 for individual and \$909 for family. There are approximately 100 school employees participating in the post-employment health care benefit arrangements. The co-insurance rate of reimbursement depends on the plan the employee is covered by.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**F. *Post-Employment Healthcare Benefits (Continued)***

*Johnson City Schools (Continued)*

***Plan Description (Continued)***

The Preferred Network has a \$425 deductible with an 80% co-insurance rate. The Select Network has a \$350 deductible and a 90% co-insurance rate.

During the fiscal year ended June 30, 2012, premiums of \$1,914,842 were collected from active employees and \$89,685 was collected from retirees.

***Funding Policy***

The contribution requirements of plan members and the Johnson City Schools are based on pay-as-you-go financing requirements.

***Annual OPEB Cost and Net OPEB Obligation (Benefit)***

The School's other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each fiscal year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the School's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the School's OPEB obligation (benefit).

	Fiscal Year Ended June 30, 2012
Annual OPEB Cost and Net OPEB Obligation (Benefit)	
1. Annual Required Contribution (ARC)	\$ 1,381,311
2. Interest on net OPEB Obligation (Benefit)	(1,951)
3. Adjustment to ARC	1,747
4. Annual OPEB Cost (Expense) (1+2+3)	1,381,107
5. Contribution made (assumed end of year)*	(1,452,315)
6. Increase in net OPEB Obligation (Benefit) (4 - 5)	(71,208)
7. Net OPEB Obligation (Benefit)- Beginning of Year	(41,076)
8. Net OPEB Obligation (Benefit) - End of Year (6 + 7)	\$ (112,284)

\*Contribution made was assumed to equal Expected Benefit Payments

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

***F. Post-Employment Healthcare Benefits (Continued)***

*Johnson City Schools (Continued)*

***Annual OPEB Cost and Net OPEB Obligation (Benefit) (Continued)***

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (benefit) for fiscal years 2012, 2011 and 2010 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation (Benefit)
June 30, 2012	\$ 1,381,107	105.00%	\$ (112,284)
June 30, 2011	1,348,511	101.00%	(41,076)
June 30, 2010	1,048,122	96.00%	(24,570)

***Funded Status and Funding Progress***

As of July 1, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$18,184,188. The covered payroll (annual payroll of active employees covered by the plan) was \$30,900,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 58.85%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following methods and assumptions were used.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**F. *Post-Employment Healthcare Benefits (Continued)***

*Johnson City Schools (Continued)*

*Actuarial Methods and Assumptions (Continued)*

In the July 1, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75% investment rate of return which is equivalent to the expected return on the general assets for the Schools and an annual healthcare cost trend rate of 10.00% initially in 2008, reduced by decrements of one-half a percent to an ultimate rate of 4.50% in 2019. There is a 30-year closed amortization of the UAAL increasing at 5.00% a year (the payroll growth rate).

Governmental activities reflect the City and Schools net OPEB obligations (benefits). These obligations (benefits) will be liquidated by the Internal Service Funds.

*Johnson City Power Board*

*A Brief Description of the Retiree Medical and Life Insurance Plan:*

- a. *Plan Types:* Presently, employees have the choice of two insurance plans (a co-pay plan and a deductible plan). The deductible plan is the primary plan for the Power Board. At age 65, each retiree covered will move to Medicare coverage Part A and B.
- b. *Eligibility:* 30 years of service or age 60 with 5 years of service.
- c. *Benefit/Cost Sharing:* 80% of the pre-65 plan paid by the Board.
- d. *Spouse Benefit:* Spouse pays 100% of the medical premium.
- e. *Surviving Spouse Benefit:* No
- f. *Annual Medical Premium:*

Pre-65 Retiree	\$5,924
Pre-65 Retiree plus Spouse	\$6,516
Medicare Eligible Single	\$972
- g. *Medicare Part B:* The Board reimburses the retiree for payment of the Medicare Part B premium: \$1,157 for retirees who retired prior to December 31, 2009 and \$1,326 for retirees after December 31, 2010.
- h. *Life:* Upon retirement, each retiree receives a paid-up life insurance policy.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**F. *Post-Employment Healthcare Benefits (Continued)***

*Johnson City Power Board (Continued)*

***Funding Policy***

The contribution requirements of plan members and the Johnson City Power Board are based on pay-as-you-go financing requirements.

***Annual OPEB Cost and Net OPEB Obligation***

The Power Board's other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each fiscal year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the Power Board's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Power Board's OPEB obligation.

***Annual OPEB Cost and Net OPEB Obligation (Continued)***

	Fiscal Year Ended June 30, 2012
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 850,402
2. Interest on net OPEB Obligation	65,327
3. Adjustment to ARC	(77,184)
4. Annual OPEB Cost (Expense) (1+2+3)	838,545
5. Contribution made (assumed end of year)*	(295,710)
6. Increase in net OPEB Obligation (4 - 5)	542,835
7. Net OPEB Obligation - Beginning of Year	1,633,185
8. Net OPEB Obligation - End of Year (6 + 7)	\$ 2,176,020

*\*Contribution made was assumed to equal Expected Benefit Payments*

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**F. *Post-Employment Healthcare Benefits (Continued)***

*Johnson City Power Board (Continued)*

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2012, 2011 and 2010 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 838,545	35.30%	\$ 2,176,020
June 30, 2011	783,757	46.10%	1,633,185
June 30, 2010	749,468	44.70%	1,210,840

***Funded Status and Funding Progress***

As of July 1, 2011, the plan was not funded. The actuarial accrued liability for benefits was \$9,062,060. The covered payroll (annual payroll of active employees covered by the plan) was not available for 2011.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

***Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following methods and assumptions were used.

In the July 1, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return which is equivalent to the expected return on the general assets for the Power Board and an annual healthcare cost trend rate of 5.00%. There is a 25.52-year closed amortization of the UAAL increasing at 2.50% a year (the payroll growth rate).

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**G. *Risk Management***

The City carries insurance coverage through TML Risk Management Pool for general liability, automobile coverage, and errors and omission coverage. The City also carries auto physical damage coverage with TML Risk Management Pool. There was no reduction in insurance coverage from the prior fiscal year and the City has not had any settlements in the last three years which were not covered by insurance. The City participates in a self-insured retention plan through TML for the liability program. With the TML coverage, the City has an aggregate limit of \$650,000 for liability retention. As of June 30, 2012, the general liability program had \$151,692 in claims incurred during the fiscal year for the City, but not yet settled. The amounts are not recorded in the financial statements until settlement is made. For the July 1, 2011 to June 30, 2012 policy period, the City received a dividend of \$28,422 from TML.

The City carried workers' compensation coverage through TML Risk Management Pool prior to October 15, 2002. After October 15, 2002, the City provided workers' compensation coverage through a self-insured plan. The City carries stop-loss insurance with an individual specific amount of \$550,000 and an aggregate limit of 85% of expected claims. The total paid out for workers' compensation during fiscal year 2012 was \$860,704 for the City and \$156,414 for the Schools. A reconciliation of claims for the fiscal years ended June 30, 2012 and 2011 are as follows:

	<u>June 30, 2012</u>			<u>June 30, 2011</u>	<u>Variance</u>
	<u>City</u>	<u>Schools</u>	<u>Total</u>		
Claims Incurred	\$ 679,311	54,067	733,378	498,974	234,404
Claims Paid	(296,093)	(36,422)	(332,515)	(304,015)	(28,500)
Claims Ending	<u>\$ 383,218</u>	<u>17,645</u>	<u>400,863</u>	<u>194,959</u>	<u>205,904</u>

The above represent current year liabilities and are reflected in the Internal Service Funds. Prior fiscal year amounts have been reflected as a liability in the Internal Service Funds for a total liability of \$1,746,000.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**G. *Risk Management (Continued)***

In addition to the above insurance, the City provides medical insurance to employees as well as post-employment health care benefits through a partially self-funded health insurance plan. Participants in the plan pay premiums as determined by the City to offset a portion of the cost of the plan. The City carries stop-loss insurance with an individual specific limit of \$150,000 and an aggregate limit of 120% of expected claims. A reconciliation of claims for the fiscal years ended June 30, 2012 and 2011 are as follows:

	<u>June 30, 2012</u>			<u>June 30, 2011</u>	<u>Variance</u>
	<u>City</u>	<u>Schools</u>	<u>Total</u>		
Claims Accrued, Beginning	\$ 421,386	483,901	905,287	1,341,461	(436,174)
Claims Incurred	9,001,155	7,794,482	16,795,637	13,764,049	3,031,588
Claims Paid	<u>(8,735,277)</u>	<u>(7,753,839)</u>	<u>(16,489,116)</u>	<u>(14,200,223)</u>	<u>(2,288,893)</u>
Claims Accrued, Ending	<u>\$ 687,264</u>	<u>524,544</u>	<u>1,211,808</u>	<u>905,287</u>	<u>306,521</u>

The above liabilities are reflected in the Internal Service Funds.

There are additional estimated losses at June 30, 2012 for both automobile and general incidents that have been reflected as liabilities in the Internal Service Funds in the amount of \$965,000.

The Power Board is self-insured for certain perils. The self-insurance program is not accounted for in a separate fund. There is a revocable trust agreement for the funds.

Since July 1, 1986, the Power Board has been self-insured for the general liability, comprehensive general automobile liability, fire and casualty, and errors and omissions coverage. There have two claims in the amount of \$179,750 paid from the fund, which was originally established at \$1,000,000, and has accumulated to \$1,993,289 at June 30, 2012.

The Power Board has workman's compensation and employee group health insurance with outside companies.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**H. *Capital Lease Obligations - Governmental Activities***

During the fiscal year ended June 30, 2009, the City entered into a lease agreement for financing a vehicle for transportation planning. The lease was entered into July 1, 2008 with minimum lease payments of \$23,000. Based on the value of the vehicle, there is no interest associated with this lease. Interest should have been imputed but would have been immaterial and was therefore, not necessary. This lease is to be repaid over 72 months.

Fiscal Year	
2013	\$ 3,840
2014	3,710
Present Value of Minimum Payments	\$ 7,550

During the fiscal year ended June 30, 2011, the City entered into a lease for a Voice over Internet Protocol (VoIP) system. The present value of the minimum lease payments was \$693,655 to be repaid over 48 months. Interest on this lease will be calculated at an annual rate of 3.02%. The future minimum lease obligations as of June 30, 2012 are as follows:

Fiscal Year	
2013	\$ 181,790
2014	181,790
Total Minimum Lease Payments	363,580
Less: Interest	(16,038)
Present Value of Minimum Payments	\$ 347,542

The assets acquired through capital leases are reflected at the government-wide level. The net book value of assets acquired through capital leases are as follows:

Computer Equipment	\$ 1,283,569
Vehicle	23,000
Less: Accumulated Depreciation	(541,619)
Total	\$ 764,950

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt***

Governmental Activities

**Note Payable:**

The general obligation note currently outstanding and the fund from which it 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, 2012</u>
Note Payable - Land				
Keefauver Farms	9/2/2009	\$ 700,000	n/a	\$ 350,000
				<u>\$ 350,000</u>

Note payable for Keefauver Farm, as issued September 2, 2009, debt service requirements to maturity in 2014 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 175,000	-	175,000
2014	175,000	-	175,000
	<u>\$ 350,000</u>	<u>0</u>	<u>350,000</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

***I. Long-Term Debt (Continued)***

Governmental Activities (Continued)

**Bonds Payable:**

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

<u>Educational Facilities Debt Service Fund:</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2012</u>
Sales Tax and Tax Refunding Bonds, Series 1997	5/1/1997	\$ 4,812,803	5.25% - 5.60%	\$ 1,823,107
Sales Tax Revenue and Unlimited Tax Refunding Bonds, Series 1998	7/15/1998	3,280,000	4.10% - 4.75%	1,250,000
Local Government Public Improvement Bonds, Series VII-I-1, 2010	12/29/2010	27,945,000	5.00%	27,535,000
Local Government Public Improvement Bonds, Series VII-J-1, 2011	2/3/2011	4,765,000	4.50% - 5.00%	4,765,000
General Obligation Refunding Bonds, Series 2012	4/30/2012	3,635,000	2.00% - 5.00%	3,635,000
				<u>39,008,107</u>
<u>Internal Service Fund - Motor Transport:</u>				
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	4,000,000	5.00%	2,997,000
				<u>2,997,000</u>
<u>General Obligation:</u>				
General Obligation Public Improvement Refunding Bonds, Series 1998	7/15/1998	20,060,000	4.10% - 4.75%	3,395,000
General Obligation Refunding Bonds, Series 2004B	12/29/2004	7,625,000	3.00% - 4.40%	335,000
General Obligation Refunding Bonds, Series 2006	3/30/2006	6,230,000	3.50% - 4.13%	4,365,000

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Governmental Activities (Continued)

**Bonds Payable (Continued):**

<u>General Obligation (Continued):</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2012</u>
Local Government Public Improvement Bonds, Series V-K-1	3/12/2009	26,645,000	2.50% - 5.00%	19,375,000
General Obligation Refunding Bonds, Series 2009	6/30/2009	11,390,000	3.00% - 5.00%	8,990,000
Qualified School Construction Bonds, Series 2009	12/1/2009	8,160,000	1.52%	7,226,520
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	14,898,315	5.00%	12,018,200
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	5,200,000	5.00%	4,440,000
General Obligation Bonds, BABs, 2010A	6/24/2010	22,500,000	3.64%	22,300,000
Local Government Public Improvement Bonds, Series VII-J-1 2011	2/24/2011	2,780,000	4.50% - 5.00%	2,300,000
General Obligation Refunding Bonds, Series 2012	4/30/2012	10,797,974	2.00% - 5.00%	10,797,974
				<u>95,542,694</u>
Total Governmental Activities General Obligation Bonds Outstanding				<u>\$ 137,547,801</u>

Sales Tax and Tax Refunding Bonds, Series 1997, as issued May 1, 1997, debt service requirements to maturity in 2013 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,823,107	216,893	2,040,000
	<u>\$ 1,823,107</u>	<u>216,893</u>	<u>2,040,000</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Governmental Activities (Continued)

**Bonds Payable (Continued):**

Sales Tax Revenue and Unlimited Tax Refunding Bonds, Series 1998, as issued July 15, 1998, debt service requirements to maturity in 2016 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 295,000	59,375	354,375
2014	305,000	45,363	350,363
2015	320,000	30,875	350,875
2016	330,000	15,675	345,675
	<u>\$ 1,250,000</u>	<u>151,288</u>	<u>1,401,288</u>

Local Government Public Improvement Bonds, Series VII-I-1, 2010, as issued December 29, 2010, debt service requirements to maturity in 2034 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 230,000	1,376,750	1,606,750
2014	240,000	1,365,250	1,605,250
2015	255,000	1,353,250	1,608,250
2016	270,000	1,340,500	1,610,500
2017	285,000	1,327,000	1,612,000
2018-2022	1,865,000	6,389,750	8,254,750
2023-2027	8,435,000	5,370,500	13,805,500
2028-2032	11,015,000	2,925,000	13,940,000
2033-2034	4,940,000	372,000	5,312,000
	<u>\$ 27,535,000</u>	<u>21,820,000</u>	<u>49,355,000</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Governmental Activities (Continued)

**Bonds Payable (Continued):**

Local Government Public Improvement Bonds, Series VII-J-1, 2011, as issued February 24, 2011, debt service requirements to maturity in 2023 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ -	238,250	238,250
2014	215,000	238,250	453,250
2015	220,000	227,500	447,500
2016	235,000	216,500	451,500
2017	590,000	204,750	794,750
2018-2022	3,215,000	566,750	3,781,750
2023	290,000	14,500	304,500
	<u>\$ 4,765,000</u>	<u>1,706,500</u>	<u>6,471,500</u>

General Obligation Refunding Bonds, Series 2012, as issued April 30, 2012, debt service requirements to maturity in 2023 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ -	119,459	119,459
2014	35,000	109,987	144,987
2015	360,000	108,588	468,588
2016	375,000	94,187	469,187
2017	390,000	75,388	465,388
2018-2022	2,050,000	234,700	2,284,700
2023	425,000	12,750	437,750
	<u>\$ 3,635,000</u>	<u>755,059</u>	<u>4,390,059</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Governmental Activities (Continued)

**Bonds Payable (Continued):**

The Tennessee Municipal Bond Fund, Series TCSLP 2008, as issued January 9, 2009, debt service requirements to maturity in 2019 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 368,000	149,850	517,850
2014	387,000	131,450	518,450
2015	406,000	112,100	518,100
2016	426,000	91,800	517,800
2017	447,000	70,500	517,500
2018-2019	963,000	72,800	1,035,800
	<u>\$ 2,997,000</u>	<u>628,500</u>	<u>3,625,500</u>

General Obligation Public Improvement Refunding Bonds, Series 1998, as issued July 15, 1998, debt service requirements to maturity in 2016 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 790,000	161,262	951,262
2014	830,000	123,738	953,738
2015	870,000	84,312	954,312
2016	905,000	42,987	947,987
	<u>\$ 3,395,000</u>	<u>412,299</u>	<u>3,807,299</u>

General Obligation Refunding Bonds, Series 2004B, as issued December 29, 2004, debt service requirements to maturity in 2013 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 335,000	224,198	559,198
	<u>\$ 335,000</u>	<u>224,198</u>	<u>559,198</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Governmental Activities (Continued)

**Bonds Payable (Continued):**

General Obligation Refunding Bonds, Series 2006, as issued March 30, 2006, debt service requirements to maturity in 2020 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 470,000	174,213	644,213
2014	490,000	156,587	646,587
2015	510,000	136,988	646,988
2016	530,000	116,587	646,587
2017	555,000	95,388	650,388
2018-2020	1,810,000	149,362	1,959,362
	<u>\$ 4,365,000</u>	<u>829,125</u>	<u>5,194,125</u>

Local Government Public Improvement Bonds, Series V-K-1, as issued March 12, 2009, debt service requirements to maturity in 2025 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 1,590,000	775,056	2,365,056
2014	1,645,000	727,356	2,372,356
2015	1,720,000	661,556	2,381,556
2016	1,795,000	592,757	2,387,757
2017	1,880,000	520,956	2,400,956
2018-2022	9,080,000	1,436,605	10,516,605
2023-2025	1,665,000	157,838	1,822,838
	<u>\$ 19,375,000</u>	<u>4,872,124</u>	<u>24,247,124</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Governmental Activities (Continued)

**Bonds Payable (Continued):**

General Obligation Refunding Bonds, Series 2009, as issued June 30, 2009, debt service requirements to maturity in 2026 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 835,000	357,600	1,192,600
2014	875,000	332,550	1,207,550
2015	910,000	304,113	1,214,113
2016	915,000	276,812	1,191,812
2017	955,000	244,787	1,199,787
2018-2022	2,530,000	733,663	3,263,663
2023-2026	1,970,000	234,975	2,204,975
	<u>\$ 8,990,000</u>	<u>2,484,500</u>	<u>11,474,500</u>

Qualified School Construction Bonds, Series 2009, as issued December 1, 2009, debt service requirements to maturity in 2026 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 509,171	123,624	632,795
2014	509,171	123,624	632,795
2015	509,171	123,624	632,795
2016	509,172	123,624	632,796
2017	509,171	123,624	632,795
2018-2022	2,545,856	618,120	3,163,976
2023-2026	2,134,808	504,798	2,639,606
	<u>\$ 7,226,520</u>	<u>1,741,038</u>	<u>8,967,558</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Governmental Activities (Continued)

**Bonds Payable (Continued):**

The Tennessee Municipal Bond Fund, Series TCSLP 2008, as issued January 9, 2009, debt service requirements to maturity in 2029 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 572,407	667,064	1,239,471
2014	599,892	638,444	1,238,336
2015	630,172	608,449	1,238,621
2016	662,451	576,941	1,239,392
2017	695,592	543,818	1,239,410
2018-2022	4,033,401	2,161,519	6,194,920
2023-2027	4,193,370	1,076,649	5,270,019
2028-2029	1,954,000	147,750	2,101,750
	<u>13,341,285</u>	<u>6,420,634</u>	<u>19,761,919</u>
Less: Amount Not Drawn	(1,323,085)	-	(1,323,085)
	<u>\$ 12,018,200</u>	<u>6,420,634</u>	<u>18,438,834</u>

The Tennessee Municipal Bond Fund, Series TCSLP 2008, as issued January 9, 2009, debt service requirements to maturity in 2024 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 279,000	222,000	501,000
2014	293,000	208,050	501,050
2015	308,000	193,400	501,400
2016	323,000	178,000	501,000
2017	339,000	161,850	500,850
2018-2022	1,967,000	537,400	2,504,400
2023-2024	931,000	70,400	1,001,400
	<u>\$ 4,440,000</u>	<u>1,571,100</u>	<u>6,011,100</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Governmental Activities (Continued)

**Bonds Payable (Continued):**

General Obligation Bonds, Series 2010A (Build America Bonds), as issued June 24, 2010, debt service requirements to maturity in 2040 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 100,000	1,211,420	1,311,420
2014	100,000	1,209,420	1,309,420
2015	100,000	1,206,920	1,306,920
2016	100,000	1,203,970	1,303,970
2017	320,000	1,200,720	1,520,720
2018-2022	2,850,000	5,723,795	8,573,795
2023-2027	3,850,000	4,900,105	8,750,105
2028-2032	4,795,000	3,754,625	8,549,625
2033-2037	5,900,000	2,265,810	8,165,810
2038-2040	4,185,000	492,420	4,677,420
	<u>\$ 22,300,000</u>	<u>23,169,205</u>	<u>45,469,205</u>

Local Government Public Improvement Bonds, Series VII-J-1 2011, as issued February 24, 2011, debt service requirements to maturity in 2020 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 275,000	115,000	390,000
2014	275,000	101,250	376,250
2015	300,000	87,500	387,500
2016	300,000	72,500	372,500
2017	325,000	57,500	382,500
2018-2020	825,000	71,250	896,250
	<u>\$ 2,300,000</u>	<u>505,000</u>	<u>2,805,000</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Governmental Activities (Continued)

**Bonds Payable (Continued):**

General Obligation Refunding Bonds, Series 2012, as issued April 30, 2012, debt service requirements to maturity in 2026 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 453,767	357,846	811,613
2014	843,682	320,407	1,164,089
2015	878,621	286,658	1,165,279
2016	918,561	251,511	1,170,072
2017	968,474	205,581	1,174,055
2018-2022	4,831,682	683,633	5,515,315
2023-2026	1,903,187	97,745	2,000,932
	<u>\$ 10,797,974</u>	<u>2,203,381</u>	<u>13,001,355</u>

Total annual debt service requirements to maturity for governmental activities general obligation bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 8,925,452	6,549,860	15,475,312
2014	7,642,745	5,831,726	13,474,471
2015	8,296,964	5,525,833	13,822,797
2016	8,594,184	5,194,351	13,788,535
2017	8,259,237	4,831,862	13,091,099
2018-2022	38,565,939	19,379,347	57,945,286
2023-2027	25,797,365	12,440,260	38,237,625
2028-2032	17,764,000	6,827,375	24,591,375
2033-2037	10,840,000	2,637,810	13,477,810
2038-2040	4,185,000	492,420	4,677,420
	<u>138,870,886</u>	<u>69,710,844</u>	<u>208,581,730</u>
Less: Amount Not Drawn	(1,323,085)	-	(1,323,085)
	<u>\$ 137,547,801</u>	<u>69,710,844</u>	<u>207,258,645</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Business-Type 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 to be repaid from enterprise funds currently outstanding and the funds from which they will be paid are as follows:

<u>Water and Sewer:</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2012</u>
Note Payable - Limestone Cove	3/13/2003	\$ 450,000	4.65%	\$ 399,873
Note Payable - Limestone Cove	4/20/2005	125,000	4.25%	113,870
Note Payable - Watauga Flats	4/20/2004	380,000	4.38%	341,491
Note Payable - ARRA Greggtown	1/24/2010	435,000	3.25%	420,265
				<u>\$ 1,275,499</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Business-Type Activities (Continued)

**Notes Payable (Continued):**

Note payable for Limestone Cove, as issued March 13, 2003, debt service requirements to maturity in 2041 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 6,824	18,494	25,318
2014	7,145	18,179	25,324
2015	7,486	17,848	25,334
2016	7,841	17,502	25,343
2017	8,210	17,139	25,349
2018-2022	47,270	79,627	126,897
2023-2027	59,575	67,610	127,185
2028-2032	75,096	52,465	127,561
2033-2037	94,653	33,373	128,026
2038-2041	85,773	9,653	95,426
	<u>\$ 399,873</u>	<u>331,890</u>	<u>731,763</u>

Note payable for Limestone Cove, as issued April 20, 2005, debt service requirements to maturity in 2043 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 1,844	4,804	6,648
2014	1,924	4,724	6,648
2015	2,007	4,641	6,648
2016	2,082	4,566	6,648
2017	2,184	4,464	6,648
2018-2022	12,414	20,826	33,240
2023-2027	15,349	17,890	33,239
2028-2032	18,971	14,269	33,240
2033-2037	23,465	9,775	33,240
2038-2042	29,014	4,227	33,241
2043	4,616	78	4,694
	<u>\$ 113,870</u>	<u>90,264</u>	<u>204,134</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Business-Type Activities (Continued)

**Notes Payable (Continued):**

Note payable for Watauga Flats, as issued April 20, 2004, debt service requirements to maturity in 2042 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 5,741	14,940	20,681
2014	5,998	14,689	20,687
2015	6,265	14,427	20,692
2016	6,506	14,153	20,659
2017	6,835	13,868	20,703
2018-2022	38,997	64,581	103,578
2023-2027	48,516	55,256	103,772
2028-2032	60,340	43,651	103,991
2033-2037	75,102	29,214	104,316
2038-2042	87,191	11,254	98,445
	<u>\$ 341,491</u>	<u>276,033</u>	<u>617,524</u>

Note payable for Greggtown, as issued January 24, 2010, debt service requirements to maturity in 2048 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 6,440	13,564	20,004
2014	6,653	13,351	20,004
2015	6,872	13,132	20,004
2016	7,063	12,941	20,004
2017	7,332	12,672	20,004
2018-2022	40,417	59,603	100,020
2023-2027	47,539	52,481	100,020
2028-2032	55,896	44,124	100,020
2033-2037	65,777	34,243	100,020
2038-2042	77,372	22,648	100,020
2043-2047	91,010	9,010	100,020
2048	7,894	62	7,956
	<u>\$ 420,265</u>	<u>287,831</u>	<u>708,096</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Business-Type Activities (Continued)

**Notes Payable (Continued):**

Total annual debt service requirements to maturity for business-type activities notes payable are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 20,849	51,802	72,651
2014	21,720	50,943	72,663
2015	22,630	50,048	72,678
2016	23,492	49,162	72,654
2017	24,561	48,143	72,704
2018-2022	139,098	224,637	363,735
2023-2027	170,979	193,237	364,216
2028-2032	210,303	154,509	364,812
2033-2037	258,997	106,605	365,602
2038-2042	279,350	47,782	327,132
2043-2047	95,626	9,088	104,714
2048	7,894	62	7,956
	<u>\$ 1,275,499</u>	<u>986,018</u>	<u>2,261,517</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Business-Type Activities (Continued)

**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:

<u>Water and Sewer:</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2012</u>
Local Government Public Improvement Bonds, Series V-K-1	3/12/2009	\$ 9,520,000	2.50% - 5.00%	\$ 7,775,000
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	901,685	5.00%	815,320
General Obligation Refunding Bonds, Series 2009	6/30/2009	35,385,000	3.00% - 5.00%	30,870,000
General Obligation Bonds, Series 2010A (BABs)	6/24/2010	22,000,000	3.62%	<u>21,800,000</u>
				<u>61,260,320</u>
<u>City Solid Waste:</u>				
Solid Waste Refunding Bonds	7/15/1998	1,640,000	Variable	630,000
Local Government Public Improvement Bonds, Series V-K-1	3/12/2009	2,350,000	2.50% - 5.00%	1,495,000
General Obligation Refunding Bonds, Series 2012	4/30/2012	17,026	2.00% - 5.00%	<u>17,026</u>
				<u>2,142,026</u>
<u>Buffalo Valley Golf Course:</u>				
Golf Course Revenue and Tax Refunding Bonds	7/15/1998	2,465,000	4.10% - 4.75%	<u>945,000</u>
<u>Johnson City Public Building Authority:</u>				
Public Facility Refunding Bonds, Series 2006A	6/29/2006	16,655,000	4.04% - 5.22%	<u>12,465,000</u>
Total Business-Type Activities General Obligation Bonds Outstanding				<u>\$ 76,812,346</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Business-Type Activities (Continued)

**Bonds Payable (Continued):**

Local Government Public Improvement Bonds, Series V-K-1, as issued March 12, 2009, debt service requirements to maturity in 2015 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 650,000	321,994	971,994
2014	685,000	301,031	986,031
2015	6,440,000	272,090	6,712,090
	<u>\$ 7,775,000</u>	<u>895,115</u>	<u>8,670,115</u>

The Tennessee Municipal Bond Fund, Series TCSLP 2008, as issued January 9, 2009, debt service requirements to maturity in 2029 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 31,593	40,786	72,379
2014	33,108	39,206	72,314
2015	34,828	37,551	72,379
2016	36,549	35,809	72,358
2017	38,408	33,982	72,390
2018-2022	222,599	139,131	361,730
2023-2027	284,135	77,619	361,754
2028-2029	134,100	10,182	144,282
	<u>\$ 815,320</u>	<u>414,266</u>	<u>1,229,586</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Business-Type Activities (Continued)

**Bonds Payable (Continued):**

General Obligation Refunding Bonds, Series 2009, as issued June 30, 2009, debt service requirements to maturity in 2031 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 1,565,000	1,340,113	2,905,113
2014	1,590,000	1,293,163	2,883,163
2015	1,625,000	1,241,488	2,866,488
2016	1,755,000	1,192,738	2,947,738
2017	1,810,000	1,131,313	2,941,313
2018-2022	6,680,000	4,601,390	11,281,390
2023-2027	7,935,000	3,088,551	11,023,551
2028-2031	7,910,000	1,009,388	8,919,388
	<u>\$ 30,870,000</u>	<u>14,898,144</u>	<u>45,768,144</u>

General Obligation Bonds, Series 2010A (Build America Bonds), as issued June 24, 2010, debt service requirements to maturity in 2040 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 100,000	1,170,422	1,270,422
2014	100,000	1,168,422	1,268,422
2015	100,000	1,165,922	1,265,922
2016	300,000	1,162,972	1,462,972
2017	515,000	1,153,222	1,668,222
2018-2022	3,175,000	5,418,666	8,593,666
2023-2027	3,635,000	4,572,447	8,207,447
2028-2032	4,430,000	3,502,575	7,932,575
2033-2037	5,510,000	2,126,560	7,636,560
2038-2040	3,935,000	464,000	4,399,000
	<u>\$ 21,800,000</u>	<u>21,905,208</u>	<u>43,705,208</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Business-Type Activities (Continued)

**Bonds Payable (Continued):**

Solid Waste Refunding Bonds, as issued July 15, 1998, debt service requirements to maturity in 2016 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 145,000	29,925	174,925
2014	155,000	23,038	178,038
2015	160,000	15,675	175,675
2016	170,000	8,075	178,075
	<u>\$ 630,000</u>	<u>76,713</u>	<u>706,713</u>

Local Government Public Improvement Bonds, Series V-K-1, as issued March 12, 2009, debt service requirements to maturity in 2016 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 325,000	60,288	385,288
2014	350,000	49,725	399,725
2015	400,000	34,850	434,850
2016	420,000	17,850	437,850
	<u>\$ 1,495,000</u>	<u>162,713</u>	<u>1,657,713</u>

General Obligation Refunding Bonds, Series 2012, as issued April 30, 2012, debt service requirements to maturity in 2023 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 1,233	564	1,797
2014	1,318	488	1,806
2015	1,379	436	1,815
2016	1,439	382	1,821
2017	1,525	314	1,839
2018-2022	8,318	990	9,308
2023	1,814	55	1,869
	<u>\$ 17,026</u>	<u>3,229</u>	<u>20,255</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Business-Type Activities (Continued)

**Bonds Payable (Continued):**

Golf Course Revenue and Tax Refunding Bonds, as issued July 15, 1998, debt service requirements to maturity in 2016 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 220,000	44,887	264,887
2014	230,000	34,438	264,438
2015	240,000	23,512	263,512
2016	255,000	12,113	267,113
	<u>\$ 945,000</u>	<u>114,950</u>	<u>1,059,950</u>

Public Facility Refunding Bonds, Series 2006A, as issued June 29, 2006, debt service requirements to maturity in 2023 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 825,000	576,898	1,401,898
2014	875,000	539,780	1,414,780
2015	935,000	499,932	1,434,932
2016	1,010,000	452,526	1,462,526
2017	1,070,000	398,336	1,468,336
2018-2022	6,600,000	1,098,191	7,698,191
2023	1,150,000	25,875	1,175,875
	<u>\$ 12,465,000</u>	<u>3,591,538</u>	<u>16,056,538</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Business-Type Activities (Continued)

**Bonds Payable (Continued):**

Total annual debt service requirements to maturity for business-type activities general obligation bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 3,862,826	3,585,877	7,448,703
2014	4,019,426	3,449,291	7,468,717
2015	9,936,207	3,291,456	13,227,663
2016	3,947,988	2,882,465	6,830,453
2017	3,434,933	2,717,167	6,152,100
2018-2022	16,685,917	11,258,368	27,944,285
2023-2027	13,005,949	7,764,547	20,770,496
2028-2032	12,474,100	4,522,145	16,996,245
2033-2037	5,510,000	2,126,560	7,636,560
2038-2040	3,935,000	464,000	4,399,000
	<u>\$ 76,812,346</u>	<u>42,061,876</u>	<u>118,874,222</u>

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

<u>Water and Sewer:</u>	Date Issued	Amount Issued	Interest Rate	Outstanding June 30, 2012
Water and Sewer Revenue and Tax Refunding Bonds	7/15/1998	\$ 19,325,000	4.10% - 4.75%	\$ 5,660,000
Water and Sewer Revenue and Tax Series 2006 Refunding Bonds	3/30/2006	1,795,000	3.50% - 4.12%	<u>1,260,000</u> <u>6,920,000</u>
<u>Johnson City Power Board:</u>				
Revenue Bonds Series A and B, 2007 Refunding	5/1/2007	33,515,000	4.00% - 5.10%	25,935,000
Electric System Revenue Bonds, Series 2008	6/30/2008	28,000,000	4.00% - 5.00%	<u>25,840,000</u> <u>51,775,000</u>
Total Business-Type Activities Revenue Bonds Outstanding				<u>\$ 58,695,000</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Business-Type Activities (Continued)

**Bonds Payable (Continued):**

Water and Sewer Revenue and Tax Refunding Bonds, as issued July 15, 1998, debt service requirements to maturity in 2016 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 1,475,000	268,850	1,743,850
2014	1,545,000	198,788	1,743,788
2015	1,615,000	125,400	1,740,400
2016	1,025,000	48,688	1,073,688
	<u>\$ 5,660,000</u>	<u>641,726</u>	<u>6,301,726</u>

Water and Sewer Revenue and Tax Series 2006 Refunding Bonds, as issued March 30, 2006, debt service requirements to maturity in 2020 are as follows.

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 140,000	50,275	190,275
2014	140,000	45,025	185,025
2015	145,000	39,425	184,425
2016	155,000	33,625	188,625
2017	160,000	27,425	187,425
2018-2020	520,000	42,875	562,875
	<u>\$ 1,260,000</u>	<u>238,650</u>	<u>1,498,650</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Business-Type Activities (Continued)

**Bonds Payable (Continued):**

Revenue Bonds, 2007 Refunding, Series A and B, as issued May 1, 2007, debt service requirements to maturity in 2032 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 1,850,000	1,161,000	3,011,000
2014	1,925,000	1,087,000	3,012,000
2015	2,005,000	1,010,000	3,015,000
2016	2,080,000	929,800	3,009,800
2017	2,185,000	825,800	3,010,800
2018-2022	7,965,000	2,881,200	10,846,200
2023-2027	4,225,000	1,287,050	5,512,050
2028-2032	3,700,000	484,500	4,184,500
	<u>\$ 25,935,000</u>	<u>9,666,350</u>	<u>35,601,350</u>

Electric System Revenue Bonds, Series 2008, as issued June 30, 2008, debt service requirements to maturity in 2033 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 775,000	1,191,038	1,966,038
2014	810,000	1,160,038	1,970,038
2015	840,000	1,127,637	1,967,637
2016	875,000	1,094,038	1,969,038
2017	910,000	1,059,038	1,969,038
2018-2022	5,140,000	4,701,125	9,841,125
2023-2027	6,425,000	3,416,587	9,841,587
2028-2032	8,185,000	1,661,400	9,846,400
2033	1,880,000	89,301	1,969,301
	<u>\$ 25,840,000</u>	<u>15,500,202</u>	<u>41,340,202</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

**Business-Type Activities (Continued)**

**Bonds Payable (Continued):**

Total annual debt service requirements to maturity for business-type activities revenue bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 4,240,000	2,671,163	6,911,163
2014	4,420,000	2,490,851	6,910,851
2015	4,605,000	2,302,462	6,907,462
2016	4,135,000	2,106,151	6,241,151
2017	3,255,000	1,912,263	5,167,263
2018-2022	13,625,000	7,625,200	21,250,200
2023-2027	10,650,000	4,703,637	15,353,637
2028-2032	11,885,000	2,145,900	14,030,900
2033	1,880,000	89,301	1,969,301
	<u>\$ 58,695,000</u>	<u>26,046,928</u>	<u>84,741,928</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Bonds	\$ 139,345,150	14,962,120	(16,759,469)	137,547,801	8,925,452
Plus: Premiums	651,948	1,034,541	(80,883)	1,605,606	119,926
Less: Discounts	(229,168)	-	47,409	(181,759)	(22,720)
Total Bonds Payable	<u>139,767,930</u>	<u>15,996,661</u>	<u>(16,792,943)</u>	<u>138,971,648</u>	<u>9,022,658</u>
Note Payable - Land	525,000	-	(175,000)	350,000	175,000
Capital Outlay Note	98,000	-	(98,000)	-	-
Capital Leases	638,300	-	(283,208)	355,092	175,351
OPEB Liability	748,717	430,969	-	1,179,686	-
Termination Benefits	98,972	-	-	98,972	-
Compensated Absences	2,410,585	1,864,551	(1,727,973)	2,547,163	1,825,876
Governmental Activities Long-Term Liabilities	<u>\$ 144,287,504</u>	<u>18,292,181</u>	<u>(19,077,124)</u>	<u>143,502,561</u>	<u>11,198,885</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
General Obligation Bonds	\$ 80,468,601	17,026	(3,673,281)	76,812,346	3,862,826
Revenue Bonds	62,765,000	-	(4,070,000)	58,695,000	4,226,450
Plus: Premiums	397,826	-	(68,360)	329,466	67,927
Less: Discounts	(292,516)	-	13,551	(278,965)	(13,550)
Total Bonds Payable	<u>143,338,911</u>	<u>17,026</u>	<u>(7,798,090)</u>	<u>135,557,847</u>	<u>8,143,653</u>
Notes Payable	1,295,420	-	(19,921)	1,275,499	20,849
OPEB Liability	1,633,185	542,835	-	2,176,020	-
Compensated Absences	3,206,788	934,714	(858,391)	3,283,111	960,765
Landfill Postclosure Cost	485,940	-	(37,380)	448,560	37,380
Business-Type Activities Long-Term Liabilities	<u>\$ 149,960,244</u>	<u>1,494,575</u>	<u>(8,713,782)</u>	<u>142,741,037</u>	<u>9,162,647</u>

For the Governmental activities, compensated absences, the net pension obligation, and net OPEB liability are generally liquidated by the General Fund, General Purpose School Fund and certain Special Revenue Funds (Freedom Hall Civic Center, School Food Service Fund, Transportation Planning Fund, Police Grant Fund and Community Development).

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**I. *Long-Term Debt (Continued)***

Changes in the Deferred Bond Refunding Costs and the Deferred Gain on Bond Refunding for the fiscal year ended June 30, 2012 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Governmental Activities:</b>					
Deferred Bond Refunding Costs	\$ (147,287)	(24,689)	11,375	(160,601)	12,497
<b>Business-Type Activities:</b>					
Deferred Bond Refunding Costs	\$ (1,172,370)	-	151,839	(1,020,531)	150,109
Deferred Gain on Bond Refunding	360,153	-	(16,882)	343,271	(16,882)
	<u>\$ (812,217)</u>	<u>0</u>	<u>134,957</u>	<u>(677,260)</u>	<u>133,227</u>

**General Obligation Refunding Bonds, Series 2012**

The City refunded certain portions of its Educational Facilities Debt and other General Obligation Debt on April 30, 2012, through the issuance of General Obligation Refunding Bonds in the amount of \$14,450,000, with a reoffering premium of \$1,035,720. Included in the amount was \$2,710,000 of new debt. The remaining \$11,740,000 included \$1,725,000 which was a current refunding and \$10,015,000 which was an advance refunding. All issuance costs of the General Obligation Refunding Bonds, Series 2012, which totaled \$215,695, were paid from bond proceeds.

**Current Refunding**

The City issued \$1,725,000 to refund a portion of its outstanding Sales Tax and Tax Refunding Bonds, Series 1997 totaling \$1,855,000 which included the principal of \$809,837 and compounded interest at a rate of 5.25% to 5.60%. The rate on the new debt was from 2.00% to 5.00%. The total of \$1,855,000 was refunded with \$1,725,000 plus a reoffering premium of \$158,580. The bonds were issued with a net present value savings of \$20,584. The reacquisition price exceeded the net carrying amount of the old debt by \$915,163, which was due to the compounding of the interest, and did not result in any deferred gain or loss. The new bonds were issued to retire the refunded bonds as they came due in the current fiscal year for the Educational Facilities Debt.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

***I. Long-Term Debt (Continued)***

Advanced Refunding

The City also advance refunded the remainder of its General Obligation Refunding Bonds, Series 2004A, dated September 23, 2004, totaling \$5,010,000, carrying an interest rate of 3.00% to 4.40% and General Obligation Refunding Bonds, Series 2004B, dated December 29, 2004, totaling \$5,210,000 with refunding in the amount of \$10,015,000 and interest rates of 2.00%-5.00%. The net proceeds of \$10,555,025 (including a \$693,601 premium and payment of \$153,577 in underwriting fees and other issuance costs) were deposited in an escrow account to provide funds for the future debt service payments on the refunded bonds. As a result the Series 2004A and \$5,210,000 of the Series 2004B bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position.

The net carrying amount of the old debt exceeded the reacquisition price by \$24,689. This amount is being amortized over the remaining life of the old debt. The City advance refunded the bonds to reduce its total debt payments over the next few years, to obtain a more favorable interest rate and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,174,031.

Advanced Refunding - Prior Years

The City has defeased certain general obligation and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for 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, 2012, the remaining defeased bonds consisted of \$11,775,000 of General Obligation Public Improvement Bonds and Water and Sewer Revenue and Tax Bonds, Series 1998 and the General Obligation Refunding Bonds, Series 2004A and B, in the amount of \$10,220,000 for a total of \$21,995,000.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**J. *Fund Balance Classifications***

Fund balance classifications are presented in the Governmental Funds Balance Sheet and described in Note 1. The details of those fund balance classifications are as follows:

	General Fund	General Purpose School Fund	Educational Facilities Debt Service Fund	Other Governmental Funds	Total
<b>Fund Balances</b>					
<b>Nonspendable:</b>					
Inventories	\$ -	46,346	-	144,505	190,851
Total Nonspendable	<u>0</u>	<u>46,346</u>	<u>0</u>	<u>144,505</u>	<u>190,851</u>
<b>Restricted for:</b>					
Capital Projects	-	-	-	9,783,247	9,783,247
Debt Service	-	-	2,579,759	-	2,579,759
Education	-	3,442	-	195,845	199,287
Food Service	-	-	-	1,282,097	1,282,097
Law Enforcement	87,398	-	-	1,046,811	1,134,209
Senior Citizens	151,985	-	-	245,307	397,292
Special Purposes	11,924,178	-	-	426	11,924,604
Total Restricted	<u>12,163,561</u>	<u>3,442</u>	<u>2,579,759</u>	<u>12,553,733</u>	<u>27,300,495</u>
<b>Committed to:</b>					
Economic Development	1,041,826	-	-	-	1,041,826
Education	-	897,179	-	-	897,179
Total Committed	<u>1,041,826</u>	<u>897,179</u>	<u>0</u>	<u>0</u>	<u>1,939,005</u>
<b>Assigned to:</b>					
Compensated Absences	2,285,394	143,882	-	58,593	2,487,869
Education	-	4,821,798	-	588,489	5,410,287
Total Assigned	<u>2,285,394</u>	<u>4,965,680</u>	<u>0</u>	<u>647,082</u>	<u>7,898,156</u>
Unassigned	<u>5,793,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,793,740</u>
<b>Total</b>	<b><u>\$ 21,284,521</u></b>	<b><u>5,912,647</u></b>	<b><u>2,579,759</u></b>	<b><u>13,345,320</u></b>	<b><u>43,122,247</u></b>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**K. *Interfund Receivables and Payables***

The composition of interfund balances as of June 30, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School Fund	School Federal Projects Fund	\$ 1,041,332
General Purpose School Fund	Special School Projects Fund	255,703
School Food Service Fund	General Purpose School Fund	7,590
Debt Service Fund	General Purpose School Fund	738
Insurance Fund	General Purpose School Fund	85,086
General Fund	Johnson City Public Building Authority	468,489
Johnson City Power Board	Water and Sewer Fund	201,783
Johnson City Power Board	General Fund	186,338
Johnson City Power Board	General Purpose School Fund	223,219
Total		<u>\$ 2,470,278</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

***Advances to/from Other Funds:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Johnson City Public Building Authority	<u>\$ 295,000</u>

The balance payable to the General Fund relates to loans made to the PBA to fund operations.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**L. *Interfund Transfers***

	<u>Transfers In:</u>										
	<u>Governmental Activities</u>					<u>Internal Service Funds</u>	<u>Business-Type Activities</u>				<u>Total</u>
	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Debt Service Fund</u>	<u>Educational Facilities Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>		<u>City Solid Waste Fund</u>	<u>Water and Sewer Fund</u>	<u>Nonmajor Proprietary Funds</u>	<u>Johnson City Public Building Authority</u>	
<u>Transfers Out:</u>											
<b>Governmental Activities</b>											
General Fund	\$ -	8,190,475	9,327,726	-	2,904,814	280,723	-	-	1,159,042	1,863,122	23,725,902
General Purpose School Fund	-	-	293,754	1,123,022	942,662	-	-	-	-	-	2,359,438
Nonmajor Governmental Funds	64,702	26,234	-	-	484,592	-	-	-	-	-	575,528
<b>Internal Service Funds</b>	-	-	-	-	-	11,696	-	-	-	-	11,696
<b>Business-Type Activities</b>											
Johnson City Power Board	3,440,950	-	-	-	-	-	-	-	-	-	3,440,950
Water and Sewer Fund	473,000	-	-	-	-	74,080	-	-	-	-	547,080
City Solid Waste Fund	-	-	-	-	-	11,697	53,741	153,309	-	-	218,747
Nonmajor Proprietary Funds	-	-	-	-	9,910	11,697	304,474	24,987	-	-	351,068
<b>Totals</b>	<u>\$ 3,978,652</u>	<u>8,216,709</u>	<u>9,621,480</u>	<u>1,123,022</u>	<u>4,341,978</u>	<u>389,893</u>	<u>304,474</u>	<u>78,728</u>	<u>1,312,351</u>	<u>1,863,122</u>	<u>31,230,409</u>

Transfers are used to 1) move revenues from the fund with collections authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, or 3) move unrestricted General Fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

***M. Lease Revenue***

The City acts as a lessor for various City properties. The City collects rents on these properties and maintains signed lease agreements with the various tenants. The revenue is reflected in the fund that owns the property. During the fiscal year ended June 30, 2012, the City earned revenue from the leases in the amount of \$383,364.

***N. Closure and Post-Closure Costs***

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions for thirty years after closure. The Bowser Ridge Landfill closed during the fiscal year ended June 30, 1994 and the Iris Glen Landfill began receiving solid waste during the fiscal year ended June 30, 1995. The deferred postclosure costs recorded are for the Bowser Ridge Landfill. Since the Landfill closed during the year that *Governmental Accounting Standards Board* Statement No. 18, which requires the recording of these costs, went into effect, no investments have been set aside to cover these costs. All costs will be funded by the City government. The City has filed financial assurance with the State of Tennessee Department of Environment and Conservation for the Bowser Ridge Landfill in the form of a contract in lieu of performance bond in the amount of \$975,884 for closure and postclosure costs. An estimate of the required amounts was made by an environmental auditor for the future years, with consideration given to inflation and other potential changes. A separate operation and maintenance contract with Waste Management Systems, Inc. is in effect for the Iris Glen Landfill. The contract states that Waste Management is responsible for the closure and postclosure costs for Iris Glen. During the fiscal year ended June 30, 2012, the City paid Waste Management \$2,680,595 for Landfill Services.

***O. Deferred Compensation Plan***

The City offers its employees, including employees of Johnson City Schools, a deferred compensation plan. The City of Johnson City 457(b) Deferred Compensation Plan is available to all employees who have reached age eighteen and have achieved six months of service. It permits these eligible employees to contribute pre-tax or post-tax dollars into the Plan, via a percentage of eligible compensation, which is defined as W-2 wages plus elective deferrals and Section 125 deductions, less fringe benefits, up to certain limits prescribed by the Internal Revenue Service. The City will match the employee contribution to this plan 100%, not to exceed 3.00% of the covered compensation. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are in custodial accounts and are not subject to the claims of the City's general creditors and are not reflected in funds of the City. Employee contributions totaled \$26,542 for the fiscal year ended June 30, 2012.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

***O. Deferred Compensation Plan (Continued)***

Johnson City Schools offer a 403(b) plan to its employees. The Johnson City Schools 403(b) Plan (the Plan) allows employees that opportunity to defer pre-tax or post-tax compensation. Employees become eligible to participate immediately upon their hire. Employee contributions totaled \$441,251 for the fiscal year ended June 30, 2012. Additionally, the Plan allows for the employer to make, but is not required to make non-elective contributions. Non-elective employer contributions totaled \$13,700 for the fiscal year ended June 30, 2012.

***P. Termination Plan Benefits***

The City has an involuntary termination plan in accordance with the City Manager's contract. The estimated liability under the contract is \$98,972 at June 30, 2012, and is recorded in the government-wide financial statements.

***Q. Contingencies***

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a materially adverse effect on the financial condition of the government or the probability of an unfavorable outcome to the City cannot yet be determined.

The City has entered into several construction contracts in the various funds, which were not completed at fiscal year end. The larger of these are for road construction, water and sewer lines, power lines and schools. These amounts will be paid with bonded debt.

The City entered a lease agreement with the Johnson City Public Building Authority (PBA), an enterprise fund of the City, on December 15, 1997 to lease a facility known as the Continuing Education Center. The lease expires in 2023 in connection with the final payments on the PBA's bond issues. The annual rent due is the amount necessary to pay the maturing principal and interest due on the bond issues and any other expense or debt of the PBA that remains unpaid during the fiscal year. During the fiscal year ended June 30, 2012, the City transferred \$1,334,971 to the PBA to lease the Continuing Education Center.

***R. Prior Period Adjustment***

During the fiscal year ended June 30, 2012, the City early implemented GASB Statement No. 65 which required restatement of the bond issuance costs. Under this statement, all future bond issuance costs, other than the cost of insurance, will be expensed in the fiscal year the cost is incurred. Under prior statements, the bond issuance costs had been amortized, and therefore, the remaining bond issuance costs were written off to the unrestricted net position. Also, during the year ended June 30, 2012 a prior period adjustment was made to move communication equipment and the related debt to the Motor Transport Fund. The related cash transactions were also moved from the Motor Transport Fund to the General Fund.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**R. *Prior Period Adjustment (Continued)***

At the fund level, the prior period adjustment caused an increase to both the Motor Transport Fund and the General Fund. This equipment, which is used by Motor Transport, was originally carried in the capital assets of the Governmental Activities. Therefore, there is no prior period adjustment at the Government-Wide level.

**S. *Segment Information***

A segment is an identifiable activity (or grouping of activities) reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. Summary financial information as of June 30, 2012, for segments of the Golf Course Fund and Regional Solid Waste Fund (see Note 1.D. for description of services provided) is presented below.

**CONDENSED STATEMENT OF NET POSITION**

	Golf Course Fund	Regional Solid Waste Fund	Total
<b><u>ASSETS</u></b>			
Current Assets	\$ 82,571	2,854,913	2,937,484
Capital Assets (Net)	2,574,259	1,117,050	3,691,309
Total Assets	<u>2,656,830</u>	<u>3,971,963</u>	<u>6,628,793</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Bond Refunding Costs	28,318	-	28,318
Total Deferred Outflows of Resources	<u>28,318</u>	<u>0</u>	<u>28,318</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities	2,480,648	104,551	2,585,199
Non-Current Liabilities	732,801	16,609	749,410
Total Liabilities	<u>3,213,449</u>	<u>121,160</u>	<u>3,334,609</u>
<b><u>NET POSITION</u></b>			
Invested in Capital Assets, Net of Related Debt	1,653,835	1,117,050	2,770,885
Unrestricted	(2,182,136)	2,733,753	551,617
Total Net Position	<u>\$ (528,301)</u>	<u>3,850,803</u>	<u>3,322,502</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**5. *Segment Information (Continued)***

**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**

	Golf Couse Fund	Regional Solid Waste Fund	Total
Operating Revenues (Expenses)			
Charges for Services (Net)	\$ 882,821	2,544,525	3,427,346
Other Revenue	882	600	1,482
Depreciation and Amortization	(90,802)	(264,907)	(355,709)
Other Operating Expenses	(1,129,665)	(1,917,697)	(3,047,362)
Operating Income (Loss)	(336,764)	362,521	25,757
Nonoperating Revenues (Expenses)			
Investment Income	-	4,539	4,539
Interest Expense and Commissions	(57,744)	-	(57,744)
Amortization of Loss on Bond Refunding	(7,789)	-	(7,789)
Operating Transfers	512,042	(183,950)	328,092
Change in Net Position	109,745	183,110	292,855
Beginning Net Position	(628,301)	3,667,693	3,039,392
Prior Period Adjustments	(9,745)	-	(9,745)
Beginning Net Position (Restated)	(638,046)	3,667,693	3,029,647
Ending Net Position	\$ (528,301)	3,850,803	3,322,502

**CONDENSED STATEMENT OF CASH FLOWS**

	Golf Course Fund	Regional Solid Waste Fund	Total
Net Cash Provided by (Used for):			
Operating Activities	\$ (183,724)	636,554	452,830
Noncapital Financing Activities	512,042	(337,259)	174,783
Capital and Related Financing Activities	(324,509)	(124,127)	(448,636)
Investing Activities	(3,809)	4,538	729
Net Increase (Decrease)	-	179,706	179,706
Beginning Cash and Cash Equivalents	1,000	2,639,792	2,640,792
Ending Cash and Cash Equivalents	\$ 1,000	2,819,498	2,820,498

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

***T. Notes to the Discretely Presented Component Unit***

Johnson City Public Library

1. Summary of Significant Accounting Policies:

The Johnson City Public Library (the Library) receives support from the City of Johnson City, Tennessee and from Washington County, Tennessee. The Library is operated by the Library Board and was incorporated in September 1989. The Library is a non-profit organization under Internal Revenue Code (IRC) Section 501(c)(3), but operates as a component unit of the City of Johnson City, Tennessee. As a component unit of a municipality, the Library uses governmental fund accounting and does not follow the Financial Accounting Standards Board (FASB) *Accounting Standard Codification* (ASC).

*a. Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the Library. The Library has only *Governmental activities*, which are normally supported by intergovernmental revenues and taxes. The Library has no *business-type* activities.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

*b. 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*. Accordingly, all of the Library's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position in accordance with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was implemented during fiscal year 2012. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

4. **DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

T. *Notes to the Discretely Presented Component Unit (Continued)*

Johnson City Public Library (Continued)

1. Summary of Significant Accounting Policies (Continued):

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest and reimbursements 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. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The government reports the following major governmental funds:

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

The *Imagination Library Fund* is a special revenue fund of the Library. It accounts for all financial resources related to the Washington County Imagination Library.

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

c. Cash and Investments

Cash includes deposits with financial institutions in checking accounts and petty cash. Cash is reported at carrying value, which reasonably estimates fair value. Investments are recorded at market value.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

***T. Notes to the Discretely Presented Component Unit (Continued)***

Johnson City Public Library (Continued)

1. Summary of Significant Accounting Policies (Continued):

*d. Capital Assets*

Capital Assets, which include the book collection, building improvements, equipment, and furniture, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Library as equipment and furniture with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year and additions to the book collection. The book collection has been viewed as one item. The Library only capitalizes fiction and non-fiction works. Audio visual items and periodicals do not have long useful lives and are not capitalized. The book collection of the Library is part of the infrastructure of the organization. The initial value of the complement of books was \$1,138,049. Subsequently, additions and replacements will be expensed unless those additions and replacements exceed a significant percentage of the initial complement (amounts over \$100,000).

Building improvements, equipment and furniture are recorded at historical cost. Donated equipment and furniture items are recorded at estimated fair market value at the date of donation. The book collection value, prior to implementation of GASB 34 in 2002, has been estimated by an average cost per book based upon 2002 expenditures. New additions to the collection amount have been recorded based upon actual costs.

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

Building improvements, equipment and furniture are depreciated using the straight-line method over the following estimated useful lives:

Building Improvements	15-40 years
Computers	3-5 years
Equipment	5 years
Furniture	7 years

The book collection has not been depreciated. Books are viewed as inexhaustible assets that should not be depreciated. The collection has an economic benefit or service potential that provides for extraordinarily long lives. Efforts are usually made to preserve and protect these assets in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

The building of the Library is an asset of the City of Johnson City, Tennessee and is not owned by the Library; however, the Library is responsible for general maintenance and certain building improvements.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

***T. Notes to the Discretely Presented Component Unit (Continued)***

Johnson City Public Library (Continued)

1. Summary of Significant Accounting Policies (Continued):

*e. Accumulated Unpaid Vacation and Sick Pay*

General policy of the Library does not allow employees to accumulate vacation days in excess of a normal year's accumulation. The amount of liability for accrued vacation pay was determined by computing the total number of hours earned as of June 30, 2012 at the current rate of pay. Sick leave is accumulated at the rate of 3.693 hours per pay period or 96 hours per year.

*f. Equity Classifications*

Government-wide Statements: Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The Library reports three categories of net position, as follows:

Invested in capital assets, net of related debt – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – net assets are considered to be restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or donors to the Imagination Library Fund.

Unrestricted net position – consists of all other net assets that do not meet the definition of the above two components and are available for general use by the Library.

Fund-level Statements: Beginning with fiscal year 2011, the Library implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that cannot be spent either because they are not in spendable form or because of legal/contractual requirements.
- Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**T. *Notes to the Discretely Presented Component Unit (Continued)***

Johnson City Public Library (Continued)

1. Summary of Significant Accounting Policies (Continued):

*f. Equity Classifications (Continued)*

- Committed fund balance – amounts that are obligated to a specific purpose which are internally imposed by the government through formal action.
- Assigned fund balance – amounts that are intended to be used for specific purposes that are considered neither restricted nor committed.
- Unassigned fund balance – amounts that are available for any purpose.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use unrestricted resources first, and then restricted resources as they are needed. The Library does not have a formal minimum fund balance requirement.

*g. Budgets*

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the Library. All annual appropriations lapse at fiscal year end. Any budget amendments require board approval. The budget was amended during the 2012 fiscal year for the General Fund. An annual budget is not prepared for the Imagination Library Fund.

*h. Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue and expenditures. Actual results may differ from these estimates.

2. Deposits and Investments:

The Library has various deposits at banks at June 30, 2012. All deposits are insured by FDIC insurance up to \$250,000. Amounts in excess of \$250,000 are secured by the financial institution through the State Collateral Pool. Various restrictions on deposits and investments, including repurchase agreements, are imposed by state statutes. These restrictions are summarized as follows:

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**T. *Notes to the Discretely Presented Component Unit (Continued)***

Johnson City Public Library (Continued)

2. Deposits and Investments (Continued)

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 Library to invest in treasury bonds, notes or bills of the United States; 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 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 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; obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

The Library does not have a policy for interest rate risk or for other credit risk other than pledging securities for amounts in excess of the FDIC coverage.

Deposits

The Library had \$550 cash on hand and the following balances in the bank at June 30, 2012:

	<u>Per Bank</u>	<u>Per Books</u>
Cash in Bank	\$ 265,959	197,114

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**T. *Notes to the Discretely Presented Component Unit (Continued)***

Johnson City Public Library (Continued)

3. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Book Collection	\$ 1,138,049	-	-	1,138,049
Capital Assets, Being Depreciated:				
Building Improvements	-	179,594	-	179,594
Equipment	203,369	102,191	(37,958)	267,602
Furniture	445,327	53,923	-	499,250
Total Capital Assets, Being Depreciated	<u>648,696</u>	<u>335,708</u>	<u>(37,958)</u>	<u>946,446</u>
Less Accumulated Depreciation for:				
Building Improvements	-	(2,143)	-	(2,143)
Equipment	(97,002)	(50,066)	30,366	(116,702)
Furniture	(445,327)	(5,791)	-	(451,118)
Total Accumulated Depreciation	<u>(542,329)</u>	<u>(58,000)</u>	<u>30,366</u>	<u>(569,963)</u>
Total Capital Assets, Being Depreciated, Net	<u>106,367</u>	<u>277,708</u>	<u>(7,592)</u>	<u>376,483</u>
Governmental Activities, Capital Assets, Net	<u>\$ 1,244,416</u>	<u>277,708</u>	<u>(7,592)</u>	<u>1,514,532</u>

Depreciation expense of \$58,000 was charged to the general government function in the statement of activities.

Capital assets are classified by two funding sources. General Fund asset purchases and purchases from grant funds. Capital asset purchases made with grant funds are usually for computer equipment paid for with funds received from the LSTA Grants. All capital assets that were not purchased with the use of grant funds are considered to be purchased from general funds.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

4. **DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

T. *Notes to the Discretely Presented Component Unit (Continued)*

Johnson City Public Library (Continued)

4. Deferred Compensation Plan

The Library has an Employee Custodial Fund in accordance with the amended Section 457(b) of the Internal Revenue Code. The funds are owned by the employees of the Library and cannot be used to satisfy any claims of the creditors of the Library.

5. Defined Contribution Plan

The Library has established the Johnson City Public Library 403(b) Defined Contribution plan in which employees may contribute up to 100% of pretax annual compensation. The Library provides employer matching contributions to eligible contributing participants equal to three percent of the employee contribution so long as the employee contributes one percent or more of their compensation. Employees are eligible to participate immediately upon hire, but will not be eligible to receive the employer matching contribution until attaining age 21 and working at least 1,000 hours during the plan year. Library employees made contributions to the Plan of \$45,848 and the Library made matching contributions to the plan totaling \$22,611 for the fiscal year ending June 30, 2012.

6. Risk Management Activities

The Library carries insurance coverage for worker's compensation, general liability and contents, and coverage for officers and directors. There have been no significant changes from the previous year in the coverage provided. There have been no claims in the current year or in the previous three years which were not covered by insurance.

7. Grants

During the fiscal year ended June 30, 2012, \$6,794 was received on the LSTA Grant for the purchase of computers and technological equipment. Funds for the Broadband Technology Opportunities Grant, in the amount of \$119,433, were awarded to the Library, and along with matching funds of the Library, were used to complete the renovations for a new computer lab during the fiscal year.

8. Economic Dependency

The Library has a significant dependence on two other entities. Those entities and their related portion of revenue in the General Fund are as follows:

City of Johnson City, Tennessee	79%
Washington County, Tennessee	5%

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**T. *Notes to the Discretely Presented Component Unit (Continued)***

Johnson City Public Library (Continued)

9. Leases

Operating Lease

In November 2006, the Library entered into an operating lease for Toshiba copiers. This lease has a term of 60 months with payments of \$491 per month. The total amount paid during the fiscal year ended June 30, 2012 was \$1,964. There are no remaining future remaining payments, as the term of this lease was completed in November 2011.

Capital Lease

In November 2011, the Library entered into a capital lease for Ricoh copiers. This lease also has a term of 60 months with payments of \$208 per month and a bargain purchase option of \$1 upon the end of the lease. The total amount paid during the fiscal year ended June 30, 2012 for this lease was \$1,664, which includes \$538 of interest. The asset acquired through the capital lease is as follows:

Asset:	
Ricoh Copier	\$ 10,178
Less: Accumulated Depreciation	<u>(1,187)</u>
Total	<u><u>\$ 8,991</u></u>

Total estimated remaining payments due under this lease are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,809	687	2,496
2014	1,966	530	2,496
2015	2,137	359	2,496
2016	2,322	174	2,496
2017	818	14	832
Total	<u><u>\$ 9,052</u></u>	<u><u>1,764</u></u>	<u><u>10,816</u></u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**T. *Notes to the Discretely Presented Component Unit (Continued)***

Johnson City Public Library (Continued)

10. Compensated Absences

Compensated absences are earned based on position and years of service up to 20 working days per year. Up to 8 days per year may be carried over from the end of the calendar year to the end of the fiscal year. Carryover amounts are also allowed based on position and years of service and the carryover amount is forfeited after the end of the next fiscal year. The balance at June 30, 2012 was \$21,702.

11. Long-Term Liabilities

The Library records the capital leases and compensated absences as long-term liabilities in the government-wide statement of net position. Long-term liability activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Leases	\$ -	10,178	(1,126)	9,052	1,809
Compensated Absences	22,325	-	(623)	21,702	21,702
<b>Total Long-term Liabilities</b>	<b>\$ 22,325</b>	<b>10,178</b>	<b>(1,749)</b>	<b>30,754</b>	<b>23,511</b>

12. Imagination Library Fund

The Imagination Library is a cooperative program through the Governor's Books from Birth Foundation, through which monthly free books are provided to children under the age of five that are enrolled in the program. The Library assumed control of the Washington County Imagination Library in October 2009. Funding for this program will vary each year depending on community support and grants awarded. The Library has received indirect funding support from Washington County through the Chamber of Commerce for this program. In addition to these sources, donations from other organizations and the public have been received. Expenses of this program are for monthly book purchases and the cost of advertising and promotional items to raise awareness for the program. All funds received in this program are restricted for use by the Washington County Imagination Library and as such this fund was setup as a special revenue fund.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**T. *Notes to the Discretely Presented Component Unit (Continued)***

Johnson City Public Library (Continued)

13. Uncertainty in Income Taxes

The Library's federal and state income tax returns for tax years 2009 and beyond remain subject to examination by the Internal Revenue Service. The Library did not have unrecognized tax liabilities as of June 30, 2012 and does not expect this to change significantly over the next 12 months. The Library will recognize interest and penalties accrued on any unrecognized tax liabilities as a component of income tax expense. As of June 30, 2012, the Library has not accrued interest or penalties related to uncertain tax positions.

**U. *Joint Ventures***

The Washington County – Johnson City Animal Control Center (ACC) is an animal shelter jointly owned by Johnson City and Washington County, Tennessee. The City has control over budget and financing of the joint venture only to the extent of representation by the board members appointed and is responsible for funding 50% of any deficits from operations. Johnson City contributed \$158,000 to the operations during the year ended June 30, 2012.

The Washington County – Johnson City EMS, Inc. (EMS) receives revenue from Washington County and Johnson City, as well as patient billings. Johnson City contributed \$583,495 to the operations during the year ended June 30, 2012.

The City is responsible for funding the operations of the Johnson City/Jonesborough/Washington County Economic Development Board, Inc. (EDB). In the current fiscal year, EDB was replaced by the Washington County Economic Development Council (WCEDC) which serves to enhance the tax base of Washington County and recruit new industries and commerce to the area. During fiscal year 2012, the City funded \$360,248 to the WCEDC, which does not have audited 2012 financial statements, as such the EDB information is provided.

The Tri-Cities Airport (TCA) is jointly administered by Cities of Johnson City and Bristol, Tennessee, Bristol, Virginia and Washington and Sullivan Counties, Tennessee. The City of Johnson City contributed 20% of the start-up costs of the Airport in 1943 and has made no further contributions. The City is represented by three of the twelve commissioners. A separate enterprise fund is maintained for the Airport and the administrators do not record any balances for the Airport.

The Johnson City Athletic Club (JCAC) receives revenue from the City of Johnson City, the Johnson City Housing Authority (JCHA), interest income and private donations. The City has advisory authority with regard to operations including recommendations of annual and capital budgets of the joint venture only to the extent of representation by the board members appointed. The Club is responsible for its debt and is entitled to surpluses. The City of Johnson City contributed \$34,155 for operations during the year ended June 30, 2012.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**U. *Joint Ventures (Continued)***

The Tri-County Industrial Park is a joint venture between the City of Johnson City, Tennessee, the City of Bristol, Tennessee and Sullivan County, Tennessee. The purpose is to promote regional economic development in the quad-city area. The joint venture owns vacant parcels of land used for industrial and economic development. The City of Johnson City holds a 25% interest in the proceeds from all sales of vacant lots. Financial statements are not prepared for the Tri-County Industrial Park.

Completed financial statements for each of the individual joint ventures (excluding the Tri-County Industrial Park) may be obtained at the administrative offices of:

Animal Control Center 525 Sells Avenue Johnson City, TN 37601	Tri-Cities Airport Commission P.O. Box 1055 Blountville, TN 37617	Johnson City Athletic Club P.O. Box 59 Johnson City, TN 37605
Emergency Medical Services 296 Wesley Street Johnson City, TN 37601	Economic Development Board 300 East Main Street, Suite 407 Johnson City, TN 37601	

Audited information as of June 30, 2012 is presented for the above mentioned organizations except for the JCAC and EMS. The JCAC year-end presented is September 30, 2011. The EMS year end presented is June 30, 2011. The information does not include the Tri-County Industrial Park. All are presented on the accrual basis.

	<u>ACC</u>	<u>EMS</u>	<u>EDB</u>	<u>TCA</u>	<u>JCAC</u>
Operating Revenues	\$ 91,314	7,510,687	564	6,160,383	139,699
Operating Expenses	(530,046)	(9,445,333)	(520,424)	(5,422,576)	(138,529)
Depreciation	-	-	-	(3,319,171)	-
Amortization	-	-	-	(13,500)	-
Other Income (Expense)	907,256	1,905,174	-	1,253,169	6
Capital Contributions	-	-	-	4,821,258	-
Net Income (Loss) Transferred to Net Assets	468,524	(29,472)	(519,860)	3,479,563	1,176
Net Assets, Beginning	291,927	3,112,045	804,150	63,023,491	89,911
Net Assets, Ending	<u>\$ 760,451</u>	<u>3,082,573</u>	<u>284,290</u>	<u>66,503,054</u>	<u>91,087</u>
Total Assets	\$ 785,547	6,042,394	284,290	73,193,702	105,913
Total Liabilities	25,096	2,959,821	-	6,690,648	14,826
Total Net Assets	<u>\$ 760,451</u>	<u>3,082,573</u>	<u>284,290</u>	<u>66,503,054</u>	<u>91,087</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**V. *Other Matters***

As discussed in Note 1, the City does have a concentration of revenue received from the state and federal government. Some of the revenue from these grants is limited to one year or a specific project. In addition, some programs that the City has historically participated in may face reductions in funding or possibly elimination due to federal and state budget issues.

On January 9, 2009, the City entered into a Loan Agreement with the Public Building Authority of the County of Montgomery, Tennessee in the amount of \$25,000,000. These funds will be drawn down to make capital improvements within the General Government. During the fiscal year ended June 30, 2012, the City drew \$530,145. These proceeds were deposited in the Infrastructure, Public Facilities, and Capital Project Funds. The remaining funds available to be drawn by the City are \$1,323,085 as of June 30, 2012.

Due to changes in state law that took effect July 1, 2011, certain fines and fees, which are reflected in the General Fund and Other Governmental Funds, related to police tickets will be substantially reduced in the year ending June 30, 2013.

**CITY OF JOHNSON CITY, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLANS**  
**For the Fiscal Year Ended June 30, 2012**

Schedule of Funding Progress for the City of Johnson City

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2011	\$ 155,179	\$ 202,504	\$ 47,325	76.63%	\$ 37,778	125.27%
July 1, 2009	127,885	135,339	7,454	94.49%	38,691	19.27%
July 1, 2007	120,065	129,365	9,300	92.81%	34,866	26.67%

The statute governing Tennessee Consolidated Retirement System allows the Board of Trustees' to reestablish the unfunded accrued liability for actuarial gains and losses. For the July 1, 2011 actuarial valuation, the Board reestablished the unfunded accrued liability. The cost of the plan has two components: normal cost and supplemental liability. The supplemental liability can roll forward from valuation to valuation or can be reestablished. In the actuarial valuation for July 1, 2011, all of the liability was reestablished to be reflected as the supplemental liability and in the actuarial valuation for July 1, 2009, only \$7,454 of the \$63,157 total was reflected as the supplemental liability with \$55,703 of the total reflected as normal cost.

Schedule of Funding Progress for the Johnson City Power Board

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2011	\$ 34,891	\$ 43,769	\$ 8,878	79.72%	\$ 10,505	84.51%
July 1, 2009	28,936	38,581	9,645	75.00%	9,303	103.68%
July 1, 2007	27,950	31,206	3,256	89.57%	8,432	38.61%

**CITY OF JOHNSON CITY, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF FUNDING PROGRESS FOR POST-EMPLOYMENT HEALTHCARE PLANS**  
**For the Fiscal Year Ended June 30, 2012**

City of Johnson City – Schedule of Funding Progress – Post-Employment Healthcare Plan

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2010	\$ -	\$ 20,722	\$ 20,722	0.00%	\$ 28,300	73.2%
July 1, 2008	-	17,664	17,664	0.00%	29,044	60.8%
July 1, 2007	-	15,479	15,479	0.00%	28,203	54.9%

Johnson City Schools – Schedule of Funding Progress – Post-Employment Healthcare Plan

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2010	\$ -	\$ 18,184	\$ 18,184	0.00%	\$ 30,900	58.8%

Johnson City Power Board – Schedule of Funding Progress – Post-Employment Healthcare Plan

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2011	\$ -	\$ 9,062	\$ 9,062	0.00%	N/A	N/A
July 1, 2009	-	8,615	8,615	0.00%	N/A	N/A
July 1, 2007	-	8,295	8,295	0.00%	N/A	N/A

Actuarial valuations for the City and the Johnson City Schools are conducted biennially after the 2008 valuation. The actuarial valuation information presented for the City of Johnson City for 2007 and 2008 includes the Johnson City Schools due to the City and School valuations being combined prior to 2010. Actuarial valuations for the Power Board are conducted biennially.

## MAJOR GOVERNMENTAL FUNDS

**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 and the general obligation debt used to construct educational facilities.

**Educational Facilities Debt Service Fund** accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt for the construction of educational facilities.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Investment Earnings	\$ 424,522	424,522	455,319	30,797
Total Revenues	424,522	424,522	455,319	30,797
<u>Expenditures</u>				
Debt Service				
Principal Retirement	6,042,499	6,325,714	6,440,111	(114,397)
Interest and Fiscal Charges	4,808,763	4,824,485	3,864,484	960,001
Other Fees	-	153,316	259,635	(106,319)
Total Expenditures	10,851,262	11,303,515	10,564,230	739,285
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,426,740)	(10,878,993)	(10,108,911)	770,082
<u>Other Financing Sources (Uses)</u>				
Transfer In	10,426,740	10,725,677	9,621,480	(1,104,197)
Premium on Bonds	-	-	692,422	692,422
Bond Refunding Payments	-	(10,537,081)	(10,202,966)	334,115
Bond Proceeds - Refunding	-	10,690,397	9,997,975	(692,422)
Total Other Financing Sources (Uses)	10,426,740	10,878,993	10,108,911	(770,082)
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1, 2011	-	-	-	-
Fund Balance, June 30, 2012	\$ 0	0	0	0

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**EDUCATIONAL FACILITIES DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Taxes	\$ 1,993,000	1,993,000	2,048,478	55,478
Investment Earnings	-	-	1,663	1,663
Miscellaneous	470,000	470,000	-	(470,000)
<b>Total Revenues</b>	<b>2,463,000</b>	<b>2,463,000</b>	<b>2,050,141</b>	<b>(412,859)</b>
<u>Expenditures</u>				
Debt Service				
Principal Retirement	1,467,737	1,467,737	500,000	967,737
Interest and Fiscal Charges	3,467,313	3,467,313	2,553,390	913,923
Other Fees	-	-	29,085	(29,085)
<b>Total Expenditures</b>	<b>4,935,050</b>	<b>4,935,050</b>	<b>3,082,475</b>	<b>1,852,575</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,472,050)	(2,472,050)	(1,032,334)	1,439,716
<u>Other Financing Sources (Uses)</u>				
Transfer In	1,069,000	1,069,000	1,123,022	54,022
Premium on Bonds	-	-	158,680	158,680
Bond Refunding Payments	-	-	(809,837)	(809,837)
Bond Proceeds - Refunding	-	-	1,725,000	1,725,000
<b>Total Other Financing Sources (Uses)</b>	<b>1,069,000</b>	<b>1,069,000</b>	<b>2,196,865</b>	<b>1,127,865</b>
<b>Net Change in Fund Balance</b>	<b>(1,403,050)</b>	<b>(1,403,050)</b>	<b>1,164,531</b>	<b>2,567,581</b>
Fund Balance, July 1, 2011	1,415,228	1,415,228	1,415,228	-
<b>Fund Balance, June 30, 2012</b>	<b>\$ 12,178</b>	<b>12,178</b>	<b>2,579,759</b>	<b>2,567,581</b>

See Independent Auditors' Report.

## NONMAJOR GOVERNMENTAL FUNDS

**Special Revenue Funds** are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Freedom Hall Civic Center Fund** is used to account for the revenues generated from the Civic Center's operations. Fee revenues are supplemented by the General Fund to the extent of the Center's cost.

**School Federal Projects Fund** accounts for all revenues received under this law.

**Special School Projects Fund** accounts for all revenues received for various special projects for the schools.

**School Food Service Fund** accounts for the revenues and expenditures of school cafeterias.

**School Site Based Fund** accounts for the revenue and expenditures of the school activity funds.

**Transportation Planning Fund** is used to account for special state and federal transportation planning projects through state and federal revenues.

**Drug Fund** accounts for drug fines awarded by court action.

**Police Grant Fund** accounts for all the police grants from the federal, state and local governments.

**Police Technology Fund** accounts for fees provided by moving violations to fund safety equipment and technology for the police department.

**Community Development Fund** accounts for Housing and Urban Development Funds.

**Senior Citizens Fund** accounts for contributions and fundraising for the Senior Citizens Center.

**Employee Scholarship Fund** accounts for donations from City employees to fund scholarships for the children of City employees who are entering college.

**Capital Project Funds**, which include *Equipment, Parks, Public Facilities, Schools, and Infrastructure*, are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

**Permanent Funds** are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**School Trust Fund** accounts for nonexpendable assets left to the City by the late Paul Gollong. The fund's earnings are used for awarding scholarships to graduating high school students.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2012**

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
<b><u>ASSETS</u></b>				
Cash on Hand	\$ 6,879	-	-	6,879
Cash on Deposit with Paying Agent	-	497,066	-	497,066
Cash in Bank	1,635,596	-	194,541	1,830,137
Cash on Deposit with State of Tennessee	-	18,961	-	18,961
Cash Due from Central Depository	2,145,952	802,965	-	2,948,917
Accounts Receivable (Net)	6,500	41,188	-	47,688
Notes Receivable	29,194	-	-	29,194
Due from Other Funds	7,590	-	-	7,590
Due from Federal Government	198,594	-	-	198,594
Due from State of Tennessee	1,926,067	14,359	-	1,940,426
Due from Local Government	6,562	-	-	6,562
Inventories	144,505	-	-	144,505
Restricted Cash	-	109,653	-	109,653
Restricted Investments	-	9,643,437	-	9,643,437
<b>Total Assets</b>	<b>\$ 6,107,439</b>	<b>11,127,629</b>	<b>194,541</b>	<b>17,429,609</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>Liabilities</u></b>				
Cash Due to Central Depository	\$ 128,096	-	-	128,096
Accounts Payable	217,473	521,469	-	738,942
Accrued Payroll Expenditures	247,864	-	-	247,864
Accrued Expenditures	5,648	-	-	5,648
Due to Other Funds	1,297,035	-	-	1,297,035
Retainages Payable	-	822,913	-	822,913
Unearned Revenue	843,791	-	-	843,791
<b>Total Liabilities</b>	<b>2,739,907</b>	<b>1,344,382</b>	<b>0</b>	<b>4,084,289</b>
<b><u>Fund Balances</u></b>				
Nonspendable	144,505	-	-	144,505
Restricted	2,575,945	9,783,247	194,541	12,553,733
Assigned	647,082	-	-	647,082
<b>Total Fund Balances</b>	<b>3,367,532</b>	<b>9,783,247</b>	<b>194,541</b>	<b>13,345,320</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,107,439</b>	<b>11,127,629</b>	<b>194,541</b>	<b>17,429,609</b>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Federal Government	\$ 9,942,103	261,616	-	10,203,719
State of Tennessee	855,921	-	-	855,921
Local Governments	91,884	-	-	91,884
Charges for Services	866,474	-	-	866,474
Fines and Forfeitures	514,477	-	-	514,477
Revenue from Use of Property	883,948	-	-	883,948
Investment Earnings	7,774	120,725	201	128,700
Miscellaneous	246,214	74,543	-	320,757
<b>Total Revenues</b>	<b>13,408,795</b>	<b>456,884</b>	<b>201</b>	<b>13,865,880</b>
<b>Expenditures</b>				
<b>Current</b>				
Public Safety	819,549	-	-	819,549
Public Welfare	544,975	-	-	544,975
Senior Citizens	97,483	-	-	97,483
Scholarships Awarded	-	-	6,000	6,000
Entertainment and Operation	1,298,816	-	-	1,298,816
Highway and Transportation Planning	386,750	-	-	386,750
Education	8,039,831	-	-	8,039,831
School Food Service	2,904,775	-	-	2,904,775
Miscellaneous	6,950	-	-	6,950
Capital Outlay	514,765	19,991,928	-	20,506,693
<b>Total Expenditures</b>	<b>14,613,894</b>	<b>19,991,928</b>	<b>6,000</b>	<b>34,611,822</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,205,099)	(19,535,044)	(5,799)	(20,745,942)
<b>Other Financing Sources (Uses)</b>				
Transfers (Net)	1,331,822	2,434,628	-	3,766,450
Premium on Bonds	-	183,438	-	183,438
Sale of Investments	-	6,241	-	6,241
Bond Issuance	-	3,239,146	-	3,239,146
<b>Total Other Financing Sources (Uses)</b>	<b>1,331,822</b>	<b>5,863,453</b>	<b>0</b>	<b>7,195,275</b>

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
Net Change in Fund Balances	126,723	(13,671,591)	(5,799)	(13,550,667)
Fund Balances, July 1, 2011	3,231,585	23,454,838	200,340	26,886,763
Purchase Method Inventory Adjustment	9,224	-	-	9,224
Fund Balances, July 1, 2011 (Restated)	3,240,809	23,454,838	200,340	26,895,987
Fund Balances, June 30, 2012	\$ 3,367,532	9,783,247	194,541	13,345,320

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS**  
**June 30, 2012**

	Freedom Hall Civic Center Fund	School Funds	Transportation Planning Fund	Drug Fund	Police Grant Fund	Police Technology Fund	Community Development Fund	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
<b>ASSETS</b>										
Cash on Hand	\$ 1,875	-	-	5,004	-	-	-	-	-	6,879
Cash in Bank	-	1,635,596	-	-	-	-	-	-	-	1,635,596
Cash Due from Central Depository	751,720	-	-	478,098	-	668,980	-	245,850	1,304	2,145,952
Accounts Receivable (Net)	6,000	-	-	500	-	-	-	-	-	6,500
Notes Receivable	-	-	-	-	-	-	29,194	-	-	29,194
Due from Other Funds	-	7,590	-	-	-	-	-	-	-	7,590
Due from Federal Government	-	-	-	-	45,156	-	153,438	-	-	198,594
Due from State of Tennessee	-	1,760,100	135,126	-	-	-	30,841	-	-	1,926,067
Due from Local Government	-	-	-	-	6,562	-	-	-	-	6,562
Inventories	-	144,505	-	-	-	-	-	-	-	144,505
<b>Total Assets</b>	<b>\$ 759,595</b>	<b>3,547,791</b>	<b>135,126</b>	<b>483,602</b>	<b>51,718</b>	<b>668,980</b>	<b>213,473</b>	<b>245,850</b>	<b>1,304</b>	<b>6,107,439</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Cash Due to Central Depository	\$ -	-	68,865	-	3,431	-	55,800	-	-	128,096
Accounts Payable	20,508	4,243	55,742	2,348	-	10,951	123,138	543	-	217,473
Accrued Payroll Expenditures	13,587	223,472	5,634	-	-	256	4,915	-	-	247,864
Accrued Expenditures	5,648	-	-	-	-	-	-	-	-	5,648
Due to Other Funds	-	1,297,035	-	-	-	-	-	-	-	1,297,035
Unearned Revenue	671,818	2,276	-	92,216	48,287	-	29,194	-	-	843,791
<b>Total Liabilities</b>	<b>711,561</b>	<b>1,527,026</b>	<b>130,241</b>	<b>94,564</b>	<b>51,718</b>	<b>11,207</b>	<b>213,047</b>	<b>543</b>	<b>0</b>	<b>2,739,907</b>
<b>Fund Balances</b>										
Nonspendable	-	144,505	-	-	-	-	-	-	-	144,505
Restricted	-	1,282,097	-	389,038	-	657,773	426	245,307	1,304	2,575,945
Assigned	48,034	594,163	4,885	-	-	-	-	-	-	647,082
<b>Total Fund Balances</b>	<b>48,034</b>	<b>2,020,765</b>	<b>4,885</b>	<b>389,038</b>	<b>0</b>	<b>657,773</b>	<b>426</b>	<b>245,307</b>	<b>1,304</b>	<b>3,367,532</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 759,595</b>	<b>3,547,791</b>	<b>135,126</b>	<b>483,602</b>	<b>51,718</b>	<b>668,980</b>	<b>213,473</b>	<b>245,850</b>	<b>1,304</b>	<b>6,107,439</b>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Freedom Hall Civic Center Fund	School Funds	Transportation Planning Fund	Drug Fund	Police Grant Fund	Police Technology Fund	Community Development Fund	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
<b>Revenues</b>										
Federal Government	\$ -	9,027,003	296,633	-	164,269	-	454,198	-	-	9,942,103
State of Tennessee	-	753,505	11,995	-	-	-	90,421	-	-	855,921
Local Governments	-	-	-	-	91,884	-	-	-	-	91,884
Charges for Services	-	866,048	-	-	-	-	426	-	-	866,474
Fines and Forfeitures	-	-	-	44,335	-	470,142	-	-	-	514,477
Revenue from Use of Property	883,948	-	-	-	-	-	-	-	-	883,948
Investment Earnings	4	7,491	-	-	11	-	-	259	9	7,774
Miscellaneous	70,669	-	-	87,286	731	-	356	80,919	6,253	246,214
<b>Total Revenues</b>	<b>954,621</b>	<b>10,654,047</b>	<b>308,628</b>	<b>131,621</b>	<b>256,895</b>	<b>470,142</b>	<b>545,401</b>	<b>81,178</b>	<b>6,262</b>	<b>13,408,795</b>
<b>Expenditures</b>										
<b>Current:</b>										
Public Safety	-	-	-	183,168	271,528	364,853	-	-	-	819,549
Public Welfare	-	-	-	-	-	-	544,975	-	-	544,975
Senior Citizens	-	-	-	-	-	-	-	97,483	-	97,483
Entertainment and Operation	1,298,816	-	-	-	-	-	-	-	-	1,298,816
Highway and Transportation Planning	-	-	386,750	-	-	-	-	-	-	386,750
Education	-	8,039,831	-	-	-	-	-	-	-	8,039,831
School Food Service	-	2,904,775	-	-	-	-	-	-	-	2,904,775
Miscellaneous	-	-	-	-	-	-	-	-	6,950	6,950
Capital Outlay	-	514,765	-	-	-	-	-	-	-	514,765
<b>Total Expenditures</b>	<b>1,298,816</b>	<b>11,459,371</b>	<b>386,750</b>	<b>183,168</b>	<b>271,528</b>	<b>364,853</b>	<b>544,975</b>	<b>97,483</b>	<b>6,950</b>	<b>14,613,894</b>
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(344,195)	(805,324)	(78,122)	(51,547)	(14,633)	105,289	426	(16,305)	(688)	(1,205,099)
<b>Other Financing Sources (Uses)</b>										
Transfers (Net)	345,200	928,983	79,131	-	14,633	(42,153)	6,028	-	-	1,331,822
<b>Total Other Financing Sources (Uses)</b>	<b>345,200</b>	<b>928,983</b>	<b>79,131</b>	<b>0</b>	<b>14,633</b>	<b>(42,153)</b>	<b>6,028</b>	<b>0</b>	<b>0</b>	<b>1,331,822</b>
<b>Net Change in Fund Balances</b>	<b>1,005</b>	<b>123,659</b>	<b>1,009</b>	<b>(51,547)</b>	<b>-</b>	<b>63,136</b>	<b>6,454</b>	<b>(16,305)</b>	<b>(688)</b>	<b>126,723</b>
Fund Balances, July 1, 2011	47,029	1,887,882	3,876	440,585	-	594,637	(6,028)	261,612	1,992	3,231,585
Purchase Method Inventory Adjustment	-	9,224	-	-	-	-	-	-	-	9,224
Fund Balances, July 1, 2011 (Restated)	47,029	1,897,106	3,876	440,585	0	594,637	(6,028)	261,612	1,992	3,240,809
<b>Fund Balances, June 30, 2012</b>	<b>\$ 48,034</b>	<b>2,020,765</b>	<b>4,885</b>	<b>389,038</b>	<b>0</b>	<b>657,773</b>	<b>426</b>	<b>245,307</b>	<b>1,304</b>	<b>3,367,532</b>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**SCHOOL FUNDS**  
**June 30, 2012**

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
<b><u>ASSETS</u></b>					
Cash in Bank	\$ -	-	1,043,067	592,529	1,635,596
Due from Other Funds	-	-	7,590	-	7,590
Due from State of Tennessee	1,245,515	277,220	237,365	-	1,760,100
Inventories	-	-	144,505	-	144,505
<b>Total Assets</b>	<b>\$ 1,245,515</b>	<b>277,220</b>	<b>1,432,527</b>	<b>592,529</b>	<b>3,547,791</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>Liabilities</u></b>					
Accounts Payable	\$ -	-	202	4,041	4,243
Accrued Payroll Expenditures	201,907	21,517	48	-	223,472
Due to Other Funds	1,041,332	255,703	-	-	1,297,035
Unearned Revenue	2,276	-	-	-	2,276
<b>Total Liabilities</b>	<b>1,245,515</b>	<b>277,220</b>	<b>250</b>	<b>4,041</b>	<b>1,527,026</b>
<b><u>Fund Balances</u></b>					
Nonspendable	-	-	144,505	-	144,505
Restricted	-	-	1,282,097	-	1,282,097
Assigned	-	-	5,675	588,488	594,163
<b>Total Fund Balances</b>	<b>0</b>	<b>0</b>	<b>1,432,277</b>	<b>588,488</b>	<b>2,020,765</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,245,515</b>	<b>277,220</b>	<b>1,432,527</b>	<b>592,529</b>	<b>3,547,791</b>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**SCHOOL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
<b><u>Revenues</u></b>					
Federal Government	\$ 6,948,891	-	2,078,112	-	9,027,003
State of Tennessee	-	721,177	32,328	-	753,505
Charges for Services	-	-	866,048	-	866,048
Investment Earnings	-	-	7,491	-	7,491
Total Revenues	<u>6,948,891</u>	<u>721,177</u>	<u>2,983,979</u>	<u>0</u>	<u>10,654,047</u>
<b><u>Expenditures</u></b>					
Current:					
Education	6,508,304	733,732	-	797,795	8,039,831
School Food Service	-	-	2,904,775	-	2,904,775
Capital Outlay	460,323	-	54,442	-	514,765
Total Expenditures	<u>6,968,627</u>	<u>733,732</u>	<u>2,959,217</u>	<u>797,795</u>	<u>11,459,371</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(19,736)</u>	<u>(12,555)</u>	<u>24,762</u>	<u>(797,795)</u>	<u>(805,324)</u>
<b><u>Other Financing Sources (Uses)</u></b>					
Transfers (Net)	19,736	12,555	-	896,692	928,983
Total Other Financing Sources (Uses)	<u>19,736</u>	<u>12,555</u>	<u>0</u>	<u>896,692</u>	<u>928,983</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>24,762</u>	<u>98,897</u>	<u>123,659</u>
Fund Balances, July 1, 2011	-	-	1,398,291	489,591	1,887,882
Purchase Method Inventory Adjustment	-	-	9,224	-	9,224
Fund Balances, July 1, 2011 (Restated)	<u>0</u>	<u>0</u>	<u>1,407,515</u>	<u>489,591</u>	<u>1,897,106</u>
Fund Balances, June 30, 2012	<u>\$ 0</u>	<u>0</u>	<u>1,432,277</u>	<u>588,488</u>	<u>2,020,765</u>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**CAPITAL PROJECT FUNDS**  
**June 30, 2012**

	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund	Schools Fund	Total Capital Project Funds
<b><u>ASSETS</u></b>						
Cash on Deposit with Paying Agent	\$ -	-	497,066	-	-	497,066
Cash on Deposit with State of Tennessee	-	-	-	18,961	-	18,961
Cash Due from Central Depository	195,266	97,680	213,298	6,644	290,077	802,965
Accounts Receivable (Net)	-	-	3,994	28,265	8,929	41,188
Due from State of Tennessee	-	-	-	14,359	-	14,359
Restricted Cash	-	-	-	-	109,653	109,653
Restricted Investments	-	12,962	4,781,753	-	4,848,722	9,643,437
<b>Total Assets</b>	<b>\$ 195,266</b>	<b>110,642</b>	<b>5,496,111</b>	<b>68,229</b>	<b>5,257,381</b>	<b>11,127,629</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b><u>Liabilities</u></b>						
Accounts Payable	\$ 28,548	28,248	364,350	25,799	74,524	521,469
Retainages Payable	-	4,462	523,252	-	295,199	822,913
<b>Total Liabilities</b>	<b>28,548</b>	<b>32,710</b>	<b>887,602</b>	<b>25,799</b>	<b>369,723</b>	<b>1,344,382</b>
<b><u>Fund Balances</u></b>						
Restricted	166,718	77,932	4,608,509	42,430	4,887,658	9,783,247
<b>Total Fund Balances</b>	<b>166,718</b>	<b>77,932</b>	<b>4,608,509</b>	<b>42,430</b>	<b>4,887,658</b>	<b>9,783,247</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 195,266</b>	<b>110,642</b>	<b>5,496,111</b>	<b>68,229</b>	<b>5,257,381</b>	<b>11,127,629</b>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECT FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund	Schools Fund	Total Capital Project Funds
<u>Revenues</u>						
Federal Government	\$ 180,264	-	-	81,352	-	261,616
Investment Earnings	-	22	52,729	45	67,929	120,725
Miscellaneous	-	33,057	-	-	41,486	74,543
<b>Total Revenues</b>	<b>180,264</b>	<b>33,079</b>	<b>52,729</b>	<b>81,397</b>	<b>109,415</b>	<b>456,884</b>
<u>Expenditures</u>						
Capital Outlay	1,833,516	516,755	6,041,633	268,604	11,331,420	19,991,928
<b>Total Expenditures</b>	<b>1,833,516</b>	<b>516,755</b>	<b>6,041,633</b>	<b>268,604</b>	<b>11,331,420</b>	<b>19,991,928</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,653,252)	(483,676)	(5,988,904)	(187,207)	(11,222,005)	(19,535,044)
<u>Other Financing Sources (Uses)</u>						
Transfers (Net)	1,780,970	273,857	(34,778)	92,189	322,390	2,434,628
Premium on Bonds	-	-	64,045	-	119,393	183,438
Sale of Investments	-	-	-	-	6,241	6,241
Bond Issuance	-	-	1,321,277	7,869	1,910,000	3,239,146
<b>Total Other Financing Sources (Uses)</b>	<b>1,780,970</b>	<b>273,857</b>	<b>1,350,544</b>	<b>100,058</b>	<b>2,358,024</b>	<b>5,863,453</b>
<b>Net Change in Fund Balances</b>	<b>127,718</b>	<b>(209,819)</b>	<b>(4,638,360)</b>	<b>(87,149)</b>	<b>(8,863,981)</b>	<b>(13,671,591)</b>
Fund Balances, July 1, 2011	39,000	287,751	9,246,869	129,579	13,751,639	23,454,838
<b>Fund Balances, June 30, 2012</b>	<b>\$ 166,718</b>	<b>77,932</b>	<b>4,608,509</b>	<b>42,430</b>	<b>4,887,658</b>	<b>9,783,247</b>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**FREEDOM HALL CIVIC CENTER FUND**  
**For the Fiscal Year Ended June 30, 2012**

	<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>				
Revenue from Use of Property	\$ 1,465,500	1,465,500	883,948	(581,552)
Investment Earnings	-	-	4	4
Miscellaneous	73,500	73,500	70,669	(2,831)
Total Revenues	1,539,000	1,539,000	954,621	(584,379)
<u>Expenditures</u>				
Entertainment and Operation	1,715,616	1,715,616	1,298,816	416,800
Total Expenditures	1,715,616	1,715,616	1,298,816	416,800
Excess (Deficiency) of Revenues Over (Under) Expenditures	(176,616)	(176,616)	(344,195)	(167,579)
<u>Other Financing Sources (Uses)</u>				
Transfer In	170,000	170,000	345,200	175,200
Total Other Financing Sources (Uses)	170,000	170,000	345,200	175,200
Net Change in Fund Balance	(6,616)	(6,616)	1,005	7,621
Fund Balance, July 1, 2011	47,029	47,029	47,029	-
Fund Balance, June 30, 2012	\$ 40,413	40,413	48,034	7,621

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SCHOOL FEDERAL PROJECTS FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Federal Government	\$ 9,566,663	8,243,770	6,948,891	(1,294,879)
Total Revenues	9,566,663	8,243,770	6,948,891	(1,294,879)
<u>Expenditures</u>				
Education	8,938,180	7,670,738	6,508,304	1,162,434
Capital Outlay	573,607	542,532	460,323	82,209
Total Expenditures	9,511,787	8,213,270	6,968,627	1,244,643
Excess (Deficiency) of Revenues Over (Under) Expenditures	54,876	30,500	(19,736)	(50,236)
<u>Other Financing Sources (Uses)</u>				
Transfer In	2,000	-	45,970	45,970
Transfer Out	(56,876)	(30,500)	(26,234)	4,266
Total Other Financing Sources (Uses)	(54,876)	(30,500)	19,736	50,236
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1, 2011	-	-	-	-
Fund Balance, June 30, 2012	\$ 0	0	0	0

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SPECIAL SCHOOL PROJECTS FUND**  
**For the Fiscal Year Ended June 30, 2012**

	<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>				
Federal Government	\$ 30,100	-	-	-
State of Tennessee	560,763	727,878	721,177	(6,701)
Total Revenues	590,863	727,878	721,177	(6,701)
<u>Expenditures</u>				
Education	604,813	740,433	733,732	6,701
Total Expenditures	604,813	740,433	733,732	6,701
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,950)	(12,555)	(12,555)	-
<u>Other Financing Sources (Uses)</u>				
Transfer In	13,950	12,555	12,555	-
Total Other Financing Sources (Uses)	13,950	12,555	12,555	0
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1, 2011	-	-	-	-
Fund Balance, June 30, 2012	\$ 0	0	0	0

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SCHOOL FOOD SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Federal Government	\$ 2,127,500	2,127,500	2,078,112	(49,388)
State of Tennessee	-	-	32,328	32,328
Charges for Services	1,066,000	1,066,000	866,048	(199,952)
Investment Earnings	6,500	6,500	7,491	991
Total Revenues	3,200,000	3,200,000	2,983,979	(216,021)
<u>Expenditures</u>				
School Food Service	2,975,000	2,975,000	2,904,775	70,225
Capital Outlay	225,000	225,000	54,442	170,558
Total Expenditures	3,200,000	3,200,000	2,959,217	240,783
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	24,762	24,762
Fund Balance, July 1, 2011	1,398,291	1,398,291	1,398,291	-
Purchase Method Inventory Adjustment	-	-	9,224	9,224
Fund Balance, July 1, 2011 (Restated)	1,398,291	1,398,291	1,407,515	9,224
Fund Balance, June 30, 2012	\$ 1,398,291	1,398,291	1,432,277	33,986

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**TRANSPORTATION PLANNING FUND**  
**For the Fiscal Year Ended June 30, 2012**

	<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>				
Federal Government	\$ 383,700	383,700	296,633	(87,067)
State of Tennessee	13,050	13,050	11,995	(1,055)
Miscellaneous	3,840	3,840	-	(3,840)
Total Revenues	400,590	400,590	308,628	(91,962)
<u>Expenditures</u>				
Highway and Transportation Planning	480,383	480,383	386,750	93,633
Total Expenditures	480,383	480,383	386,750	93,633
Excess (Deficiency) of Revenues Over (Under) Expenditures	(79,793)	(79,793)	(78,122)	1,671
<u>Other Financing Sources (Uses)</u>				
Transfer In	75,600	75,600	79,131	3,531
Total Other Financing Sources (Uses)	75,600	75,600	79,131	3,531
Net Change in Fund Balance	(4,193)	(4,193)	1,009	5,202
Fund Balance, July 1, 2011	3,876	3,876	3,876	-
Fund Balance, June 30, 2012	\$ (317)	(317)	4,885	5,202

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**DRUG FUND**  
**For the Fiscal Year Ended June 30, 2012**

	<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>				
Fines and Forfeitures	\$ 75,000	75,000	44,335	(30,665)
Miscellaneous	50,000	50,000	87,286	37,286
Total Revenues	125,000	125,000	131,621	6,621
<u>Expenditures</u>				
Public Safety	196,520	196,520	183,168	13,352
Total Expenditures	196,520	196,520	183,168	13,352
Excess (Deficiency) of Revenues Over (Under) Expenditures	(71,520)	(71,520)	(51,547)	19,973
Fund Balance, July 1, 2011	440,585	440,585	440,585	-
Fund Balance, June 30, 2012	\$ 369,065	369,065	389,038	19,973

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**POLICE GRANT FUND**  
**For the Fiscal Year Ended June 30, 2012**

	<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>				
Federal Government	\$ 78,547	194,151	164,269	(29,882)
Local Governments	91,034	91,034	91,884	850
Investment Earnings	-	-	11	11
Miscellaneous	-	-	731	731
Total Revenues	169,581	285,185	256,895	(28,290)
<u>Expenditures</u>				
Public Safety	253,327	368,931	271,528	97,403
Total Expenditures	253,327	368,931	271,528	97,403
Excess (Deficiency) of Revenues Over (Under) Expenditures	(83,746)	(83,746)	(14,633)	69,113
<u>Other Financing Sources (Uses)</u>				
Transfer In	87,244	87,244	14,633	(72,611)
Total Other Financing Sources (Uses)	87,244	87,244	14,633	(72,611)
Net Change in Fund Balance	3,498	3,498	-	(3,498)
Fund Balance, July 1, 2011	-	-	-	-
Fund Balance, June 30, 2012	\$ 3,498	3,498	0	(3,498)

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**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**POLICE TECHNOLOGY FUND**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<u>Revenues</u>				
Fines and Forfeitures	\$ 380,000	380,000	470,142	90,142
Total Revenues	380,000	380,000	470,142	90,142
<u>Expenditures</u>				
Public Safety	475,897	475,897	364,853	111,044
Total Expenditures	475,897	475,897	364,853	111,044
Excess (Deficiency) of Revenues Over (Under) Expenditures	(95,897)	(95,897)	105,289	201,186
<u>Other Financing Sources (Uses)</u>				
Transfer Out	-	-	(42,153)	(42,153)
Total Other Financing Sources (Uses)	0	0	(42,153)	(42,153)
Net Change in Fund Balance	(95,897)	(95,897)	63,136	159,033
Fund Balance, July 1, 2011	594,637	594,637	594,637	-
Fund Balance, June 30, 2012	<u>\$ 498,740</u>	<u>498,740</u>	<u>657,773</u>	<u>159,033</u>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**COMMUNITY DEVELOPMENT FUND**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Federal Government	\$ 444,577	444,577	454,198	9,621
State of Tennessee	89,812	89,812	90,421	609
Charges for Services	500	500	426	(74)
Miscellaneous	11,480	11,480	356	(11,124)
Total Revenues	<u>546,369</u>	<u>546,369</u>	<u>545,401</u>	<u>(968)</u>
<u>Expenditures</u>				
Public Welfare	559,934	559,934	544,975	14,959
Total Expenditures	<u>559,934</u>	<u>559,934</u>	<u>544,975</u>	<u>14,959</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(13,565)</u>	<u>(13,565)</u>	426	13,991
<u>Other Financing Sources (Uses)</u>				
Transfer In	-	-	6,028	6,028
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>6,028</u>	<u>6,028</u>
Net Change in Fund Balance	<u>(13,565)</u>	<u>(13,565)</u>	6,454	20,019
Fund Balance, July 1, 2011	<u>(6,028)</u>	<u>(6,028)</u>	<u>(6,028)</u>	-
Fund Balance, June 30, 2012	<u>\$ (19,593)</u>	<u>(19,593)</u>	<u>426</u>	<u>20,019</u>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**EQUIPMENT CAPITAL PROJECT FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Federal Government	\$ 180,000	180,000	180,264	264
Total Revenues	180,000	180,000	180,264	264
<u>Expenditures</u>				
Capital Outlay	2,099,000	2,099,000	1,833,516	265,484
Total Expenditures	2,099,000	2,099,000	1,833,516	265,484
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,919,000)	(1,919,000)	(1,653,252)	265,748
<u>Other Financing Sources (Uses)</u>				
Transfer In	1,069,000	1,069,000	1,780,970	711,970
Bond Issuance	850,000	850,000	-	(850,000)
Total Other Financing Sources (Uses)	1,919,000	1,919,000	1,780,970	(138,030)
Net Change in Fund Balance	-	-	127,718	127,718
Fund Balance, July 1, 2011	39,000	39,000	39,000	-
Fund Balance, June 30, 2012	\$ 39,000	39,000	166,718	127,718

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**PARKS CAPITAL PROJECT FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Investment Earnings	\$ 150	150	22	(128)
Miscellaneous	-	-	33,057	33,057
Total Revenues	150	150	33,079	32,929
<u>Expenditures</u>				
Capital Outlay	630,000	630,000	516,755	113,245
Total Expenditures	630,000	630,000	516,755	113,245
Excess (Deficiency) of Revenues Over (Under) Expenditures	(629,850)	(629,850)	(483,676)	146,174
<u>Other Financing Sources (Uses)</u>				
Transfer In	175,000	175,000	296,405	121,405
Transfer Out	-	-	(22,548)	(22,548)
Total Other Financing Sources (Uses)	175,000	175,000	273,857	98,857
Net Change in Fund Balance	(454,850)	(454,850)	(209,819)	245,031
Fund Balance, July 1, 2011	287,751	287,751	287,751	-
Fund Balance, June 30, 2012	\$ (167,099)	(167,099)	77,932	245,031

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**PUBLIC FACILITIES CAPITAL PROJECT FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Investment Earnings	\$ -	-	52,729	52,729
Total Revenues	0	0	52,729	52,729
<u>Expenditures</u>				
Capital Outlay	7,400,000	7,408,593	6,041,633	1,366,960
Total Expenditures	7,400,000	7,408,593	6,041,633	1,366,960
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,400,000)	(7,408,593)	(5,988,904)	1,419,689
<u>Other Financing Sources (Uses)</u>				
Transfer In	350,000	358,593	402,694	44,101
Transfer Out	-	-	(437,472)	(437,472)
Premium on Bonds	-	-	64,045	64,045
Bond Issuance	-	-	1,321,277	1,321,277
Total Other Financing Sources (Uses)	350,000	358,593	1,350,544	991,951
Net Change in Fund Balance	(7,050,000)	(7,050,000)	(4,638,360)	2,411,640
Fund Balance, July 1, 2011	9,246,869	9,246,869	9,246,869	-
Fund Balance, June 30, 2012	\$ 2,196,869	2,196,869	4,608,509	2,411,640

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**INFRASTRUCTURE CAPITAL PROJECT FUND**  
**For the Fiscal Year Ended June 30, 2012**

	<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>				
Federal Government	\$ 5,420,000	5,420,000	81,352	(5,338,648)
Investment Earnings	-	-	45	45
Total Revenues	<u>5,420,000</u>	<u>5,420,000</u>	<u>81,397</u>	<u>(5,338,603)</u>
<u>Expenditures</u>				
Capital Outlay	6,675,000	6,675,000	268,604	6,406,396
Total Expenditures	<u>6,675,000</u>	<u>6,675,000</u>	<u>268,604</u>	<u>6,406,396</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,255,000)</u>	<u>(1,255,000)</u>	<u>(187,207)</u>	<u>1,067,793</u>
<u>Other Financing Sources (Uses)</u>				
Transfer In	480,000	480,000	92,189	(387,811)
Bond Issuance	650,000	650,000	7,869	(642,131)
Total Other Financing Sources (Uses)	<u>1,130,000</u>	<u>1,130,000</u>	<u>100,058</u>	<u>(1,029,942)</u>
Net Change in Fund Balance	(125,000)	(125,000)	(87,149)	37,851
Fund Balance, July 1, 2011	<u>129,579</u>	<u>129,579</u>	<u>129,579</u>	<u>-</u>
Fund Balance, June 30, 2012	<u>\$ 4,579</u>	<u>4,579</u>	<u>42,430</u>	<u>37,851</u>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SCHOOLS CAPITAL PROJECT FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Investment Earnings	\$ 40,000	65,000	67,929	2,929
Miscellaneous	-	45,500	41,486	(4,014)
Total Revenues	40,000	110,500	109,415	(1,085)
<u>Expenditures</u>				
Capital Outlay	9,825,000	11,425,000	11,331,420	93,580
Total Expenditures	9,825,000	11,425,000	11,331,420	93,580
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,785,000)	(11,314,500)	(11,222,005)	92,495
<u>Other Financing Sources (Uses)</u>				
Transfer In	-	-	325,459	325,459
Transfer Out	-	-	(3,069)	(3,069)
Premium on Bonds	-	119,000	119,393	393
Gain on Sale of Investments	-	10,500	6,241	(4,259)
Bond Issuance	638,000	2,038,000	1,910,000	(128,000)
Total Other Financing Sources (Uses)	638,000	2,167,500	2,358,024	190,524
Net Change in Fund Balance	(9,147,000)	(9,147,000)	(8,863,981)	283,019
Fund Balance, July 1, 2011	13,751,639	13,751,639	13,751,639	-
Fund Balance, June 30, 2012	\$ 4,604,639	4,604,639	4,887,658	283,019

See Independent Auditors' Report.

## NONMAJOR PROPRIETARY FUNDS

**Proprietary Funds** are used to account for operations that are financed and operated in a manner similar to private business, where the intent of the City is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the determination of net income is an important measurement of performance.

**Golf Course Fund** accounts for the activities of the City's two 18-hole golf courses.

**Regional Solid Waste Fund** accounts for the activities of the City's regional residential garbage, refuse collection and recycling activities.

**Mass Transit Fund** accounts for the activities funded by federal grants from the Federal Transportation Administration and state grants provided from federal funds for support of local government transportation programs.

**Stormwater Management Fund** accounts for the activities of the City's stormwater and drainage management system.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**June 30, 2012**

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash on Hand	\$ 1,000	-	1,681	-	2,681
Cash Due from Central Depository	-	2,819,498	435,484	49,950	3,304,932
Accounts Receivable (Net)	-	35,415	21,518	97,968	154,901
Due from Federal Government	-	-	419,584	-	419,584
Due from State Government	-	-	131,906	-	131,906
Inventories	79,321	-	-	-	79,321
Prepaid Expenses	2,250	-	-	-	2,250
<b>Total Current Assets</b>	<b>82,571</b>	<b>2,854,913</b>	<b>1,010,173</b>	<b>147,918</b>	<b>4,095,575</b>
<b>Noncurrent Assets</b>					
<b>Capital Assets</b>					
Land	1,927,942	-	205,990	2,209,185	4,343,117
Buildings and Improvements	1,689,084	179,207	2,256,386	354,446	4,479,123
Equipment and Vehicles	957,302	2,110,122	4,213,854	1,061,242	8,342,520
Less: Accumulated Depreciation	(2,000,069)	(1,172,279)	(4,022,982)	(389,227)	(7,584,557)
Construction in Progress	-	-	584,957	1,304,795	1,889,752
<b>Net Capital Assets</b>	<b>2,574,259</b>	<b>1,117,050</b>	<b>3,238,205</b>	<b>4,540,441</b>	<b>11,469,955</b>
<b>Total Assets</b>	<b>2,656,830</b>	<b>3,971,963</b>	<b>4,248,378</b>	<b>4,688,359</b>	<b>15,565,530</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Bond Refunding Costs	28,318	-	-	-	28,318
<b>Total Deferred Outflows of Resources</b>	<b>28,318</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,318</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Cash Due to Central Depository	2,121,210	-	-	-	2,121,210
Accounts Payable	21,720	50,273	141,983	56,534	270,510
Accrued Payroll Expenses	39,672	29,757	94,355	21,978	185,762
Accrued Expenses	8,662	829	-	-	9,491
Deferred Revenue	31,299	-	-	-	31,299
Retainages Payable	-	-	29,263	-	29,263
Special Commission Bonds	-	11,756	-	-	11,756
Compensated Absences - Current Portion	38,085	23,692	60,239	12,843	134,859
Bonds Payable - Current Portion	220,000	-	-	-	220,000
<b>Total Current Liabilities</b>	<b>2,480,648</b>	<b>116,307</b>	<b>325,840</b>	<b>91,355</b>	<b>3,014,150</b>
<b>Noncurrent Liabilities</b>					
Compensated Absences Payable	7,801	4,853	12,338	2,630	27,622
Bonds Payable	725,000	-	-	-	725,000
<b>Total Noncurrent Liabilities</b>	<b>732,801</b>	<b>4,853</b>	<b>12,338</b>	<b>2,630</b>	<b>752,622</b>
<b>Total Liabilities</b>	<b>3,213,449</b>	<b>121,160</b>	<b>338,178</b>	<b>93,985</b>	<b>3,766,772</b>
<b>NET POSITION</b>					
Invested in Capital Assets, Net of Related Debt	1,653,835	1,117,050	3,238,205	4,540,441	10,549,531
Unrestricted	(2,182,136)	2,733,753	671,995	53,933	1,277,545
<b>Total Net Position</b>	<b>\$ (528,301)</b>	<b>3,850,803</b>	<b>3,910,200</b>	<b>4,594,374</b>	<b>11,827,076</b>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
<b>Operating Revenues</b>					
Charges for Services (Net)	\$ 882,821	2,544,525	466,964	2,113,117	6,007,427
Other Revenue	882	600	36,443	42,486	80,411
<b>Total Operating Revenues</b>	<b>883,703</b>	<b>2,545,125</b>	<b>503,407</b>	<b>2,155,603</b>	<b>6,087,838</b>
<b>Operating Expenses</b>					
Administration	-	65,642	-	98,911	164,553
Personnel Services	769,622	721,992	2,253,876	452,940	4,198,430
Contractual Services	15,215	531,708	41,039	44,997	632,959
Materials and Supplies	69,691	88,411	142,953	113,168	414,223
Repairs and Maintenance	115,193	502,497	555,542	186,839	1,360,071
Items for Resale	39,246	-	-	-	39,246
Other Operating Expenses	120,698	7,447	123,426	58,673	310,244
Depreciation and Amortization	90,802	264,907	889,359	110,899	1,355,967
<b>Total Operating Expenses</b>	<b>1,220,467</b>	<b>2,182,604</b>	<b>4,006,195</b>	<b>1,066,427</b>	<b>8,475,693</b>
<b>Operating Income (Loss)</b>	<b>(336,764)</b>	<b>362,521</b>	<b>(3,502,788)</b>	<b>1,089,176</b>	<b>(2,387,855)</b>
<b>Nonoperating Revenues (Expenses)</b>					
Investment Income	-	4,539	-	766	5,305
Operating Grants	-	-	2,045,037	-	2,045,037
Interest Expenses and Commissions	(57,744)	-	-	-	(57,744)
Amortization of Loss on Bond Refunding	(7,789)	-	-	-	(7,789)
Gain (Loss) on Sale of Capital Assets	-	-	(14,674)	-	(14,674)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(65,533)</b>	<b>4,539</b>	<b>2,030,363</b>	<b>766</b>	<b>1,970,135</b>
<b>Income (Loss) Before Transfers and Capital Contributions</b>	<b>(402,297)</b>	<b>367,060</b>	<b>(1,472,425)</b>	<b>1,089,942</b>	<b>(417,720)</b>
<b>Transfers and Capital Contributions</b>					
Transfers In	512,042	153,309	647,000	-	1,312,351
Transfers Out	-	(337,259)	(13,809)	-	(351,068)
Federal Capital Grant Revenue	-	-	545,316	-	545,316
State Capital Grant Revenue	-	-	16,968	-	16,968
<b>Total Transfers and Capital Contributions</b>	<b>512,042</b>	<b>(183,950)</b>	<b>1,195,475</b>	<b>0</b>	<b>1,523,567</b>
<b>Change in Net Position</b>	<b>109,745</b>	<b>183,110</b>	<b>(276,950)</b>	<b>1,089,942</b>	<b>1,105,847</b>
<b>Net Position, July 1, 2011</b>	<b>(628,301)</b>	<b>3,667,693</b>	<b>4,187,150</b>	<b>3,504,432</b>	<b>10,730,974</b>
Prior Period Adjustments					
Less: Write-off of Bond Issue Costs in Accordance with GASB 65	(9,745)	-	-	-	(9,745)
<b>Net Position, July 1, 2011 (Restated)</b>	<b>(638,046)</b>	<b>3,667,693</b>	<b>4,187,150</b>	<b>3,504,432</b>	<b>10,721,229</b>
<b>Net Position, June 30, 2012</b>	<b>\$ (528,301)</b>	<b>3,850,803</b>	<b>3,910,200</b>	<b>4,594,374</b>	<b>11,827,076</b>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
<b><u>Cash Flows from Operating Activities</u></b>					
Receipts from Customers and Users	\$ 880,752	2,547,863	497,503	2,154,578	6,080,696
Payments to Employees	(746,717)	(720,039)	(2,236,179)	(447,951)	(4,150,886)
Payments to Suppliers	(241,614)	(670,795)	(549,121)	(398,120)	(1,859,650)
Payments for Interfund Services Used	(76,145)	(520,475)	(214,804)	(122,397)	(933,821)
Net Cash Provided by (Used for) Operating Activities	<u>(183,724)</u>	<u>636,554</u>	<u>(2,502,601)</u>	<u>1,186,110</u>	<u>(863,661)</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>					
Transfers to Other Funds	-	(337,259)	(13,809)	-	(351,068)
Advances from Other Funds	512,042	-	647,000	-	1,159,042
Operating Grants Received	-	-	2,028,576	-	2,028,576
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>512,042</u>	<u>(337,259)</u>	<u>2,661,767</u>	<u>0</u>	<u>2,836,550</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>					
Purchase of Capital Assets	(59,752)	(124,127)	(513,307)	(2,319,641)	(3,016,827)
Capital Grants Received	-	-	643,515	-	643,515
Principal Paid on Capital Debt	(210,000)	-	-	-	(210,000)
Interest Paid on Capital Debt	(54,757)	-	-	-	(54,757)
Sale of Capital Assets	-	-	-	136,039	136,039
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(324,509)</u>	<u>(124,127)</u>	<u>130,208</u>	<u>(2,183,602)</u>	<u>(2,502,030)</u>
<b><u>Cash Flows from Investing Activities</u></b>					
Interest and Related Income/Expenses on Investments	(3,809)	4,538	-	766	1,495
Net Cash Provided by (Used for) Investing Activities	<u>(3,809)</u>	<u>4,538</u>	<u>0</u>	<u>766</u>	<u>1,495</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	179,706	289,374	(996,726)	(527,646)
Cash and Cash Equivalents, July 1, 2011	<u>1,000</u>	<u>2,639,792</u>	<u>147,791</u>	<u>1,046,676</u>	<u>3,835,259</u>
Cash and Cash Equivalents, June 30, 2012	<u>\$ 1,000</u>	<u>2,819,498</u>	<u>437,165</u>	<u>49,950</u>	<u>3,307,613</u>
Classified as Current Assets	<u>\$ 1,000</u>	<u>2,819,498</u>	<u>437,165</u>	<u>49,950</u>	<u>3,307,613</u>

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
<u>Reconciliation of Operating Income (Loss) to Net</u>					
<u>Cash Provided by (Used for) Operating Activities</u>					
Operating Income (Loss)	\$ (336,764)	362,521	(3,502,788)	1,089,176	(2,387,855)
Adjustments:					
Depreciation	90,802	264,907	889,359	110,899	1,355,967
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	-	2,739	(5,155)	(1,025)	(3,441)
(Increase) Decrease in Inventories	9,511	-	-	-	9,511
Increase (Decrease) in Accounts Payable and Accrued Expenses	32,772	4,435	65,377	(17,929)	84,655
Increase (Decrease) in Accrued Payroll Expenses	7,892	2,422	47,947	2,530	60,791
Increase (Decrease) in Compensated Absences	15,014	(470)	3,409	2,459	20,412
Increase (Decrease) in Deferred Revenue	(2,951)	-	(750)	-	(3,701)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (183,724)</u>	<u>636,554</u>	<u>(2,502,601)</u>	<u>1,186,110</u>	<u>(863,661)</u>

Non-Cash Capital and Related Financing Activities

Buffalo Valley Golf Course:

- Amortization of Deferred Bond Refunding totaling \$7,789 as shown on the Combining Statement of Revenues, Expenses, and Changes in Net Position.

Reconciliation of Cash and Cash Equivalents from Statement of Cash Flows

Cash on Hand	\$ 1,000	-	1,681	-	2,681
Cash Due From Central Depository	-	2,819,498	435,484	49,950	3,304,932
	<u>\$ 1,000</u>	<u>2,819,498</u>	<u>437,165</u>	<u>49,950</u>	<u>3,307,613</u>

See Independent Auditors' Report.

## **INTERNAL SERVICE FUNDS**

**Internal Service Funds** are used to account for the financing of goods or services provided by one department or agency to another department or agency on a cost reimbursement basis.

**Insurance Fund** accounts for self-insured health and workers' compensation insurance.

**Motor Transport Fund** accounts for the maintenance and repair of the City's fleet of various motor vehicles.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**

**June 30, 2012**

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash in Bank	\$ 11,427,485	-	11,427,485
Cash Due from Central Depository	551,797	-	551,797
Accounts Receivable (Net)	-	51,421	51,421
Due from Other Funds	85,086	-	85,086
Inventories	-	520,070	520,070
Prepaid Expenses	26,864	-	26,864
<b>Total Current Assets</b>	<b>12,091,232</b>	<b>571,491</b>	<b>12,662,723</b>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
Equipment and Vehicles	-	5,474,292	5,474,292
Less: Accumulated Depreciation	-	(1,183,594)	(1,183,594)
<b>Net Capital Assets</b>	<b>0</b>	<b>4,290,698</b>	<b>4,290,698</b>
<b>Total Assets</b>	<b>12,091,232</b>	<b>4,862,189</b>	<b>16,953,421</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Cash Due to Central Depository	-	1,228,543	1,228,543
Accounts Payable	98,277	217,756	316,033
Accrued Payroll Expenses	5,814	77,962	83,776
Other Liabilities	3,922,808	-	3,922,808
Compensated Absences - Current Portion	-	49,214	49,214
Bonds Payable - Current Portion	-	368,000	368,000
<b>Total Current Liabilities</b>	<b>4,026,899</b>	<b>1,941,475</b>	<b>5,968,374</b>
<b>Noncurrent Liabilities</b>			
Compensated Absences Payable	-	10,080	10,080
Bonds Payable	-	2,629,000	2,629,000
<b>Total Noncurrent Liabilities</b>	<b>0</b>	<b>2,639,080</b>	<b>2,639,080</b>
<b>Total Liabilities</b>	<b>4,026,899</b>	<b>4,580,555</b>	<b>8,607,454</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	-	925,698	925,698
Unrestricted	8,064,333	(644,064)	7,420,269
<b>Total Net Assets</b>	<b>\$ 8,064,333</b>	<b>281,634</b>	<b>8,345,967</b>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
<u>Operating Revenues</u>			
Charges for Services (Net)	\$ 17,441,221	7,284,049	24,725,270
Other Revenue	216,708	17,270	233,978
Total Operating Revenues	<u>17,657,929</u>	<u>7,301,319</u>	<u>24,959,248</u>
<u>Operating Expenses</u>			
Personnel Services	150,832	1,982,580	2,133,412
Contractual Services	18,329,802	101,051	18,430,853
Materials and Supplies	-	38,784	38,784
Repairs and Maintenance	-	4,997,425	4,997,425
Other Operating Expenses	-	123,070	123,070
Depreciation and Amortization	-	512,502	512,502
Total Operating Expenses	<u>18,480,634</u>	<u>7,755,412</u>	<u>26,236,046</u>
Operating Income (Loss)	<u>(822,705)</u>	<u>(454,093)</u>	<u>(1,276,798)</u>
<u>Nonoperating Revenues (Expenses)</u>			
Investment Income	11,358	-	11,358
Interest Expenses and Fiscal Charges	-	(18,978)	(18,978)
Total Nonoperating Revenues (Expenses)	<u>11,358</u>	<u>(18,978)</u>	<u>(7,620)</u>
Income (Loss) Before Transfers	<u>(811,347)</u>	<u>(473,071)</u>	<u>(1,284,418)</u>
<u>Transfers</u>			
Transfers In	389,893	-	389,893
Transfers Out	-	(11,696)	(11,696)
Total Transfers	<u>389,893</u>	<u>(11,696)</u>	<u>378,197</u>
Change in Net Position	<u>(421,454)</u>	<u>(484,767)</u>	<u>(906,221)</u>
Net Position, July 1, 2011	8,485,787	52,809	8,538,596
Prior Period Adjustment to Record Radios and Related Debt from 2011 to be Properly Reflected in 2012	-	713,592	713,592
Net Position, July 1, 2011 (Restated)	<u>8,485,787</u>	<u>766,401</u>	<u>9,252,188</u>
Net Position, June 30, 2012	<u>\$ 8,064,333</u>	<u>281,634</u>	<u>8,345,967</u>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from Customers and Users	\$ -	380,926	380,926
Receipts from Interfund Services Provided	17,680,922	6,947,901	24,628,823
Payments to Employees	(150,490)	(1,979,989)	(2,130,479)
Payments to Suppliers	(18,148,946)	(4,354,945)	(22,503,891)
Payments for Interfund Services Used	-	(46,287)	(46,287)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(618,514)</b>	<b>947,606</b>	<b>329,092</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Loans from Other Funds	389,893	-	389,893
Transfers to Other Funds	-	(11,696)	(11,696)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>389,893</b>	<b>(11,696)</b>	<b>378,197</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Purchase of Capital Assets	-	(9,474)	(9,474)
Reclassification of Communication Equipment	-	(4,618,050)	(4,618,050)
Bonds Payable Related to Communication Equipment	-	2,997,000	2,997,000
Communication Equipment	-	713,592	713,592
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>0</b>	<b>(916,932)</b>	<b>(916,932)</b>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest Received	11,357	-	11,357
Interest Paid	-	(18,978)	(18,978)
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>11,357</b>	<b>(18,978)</b>	<b>(7,621)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(217,264)</b>	<b>-</b>	<b>(217,264)</b>
Cash and Cash Equivalents, July 1, 2011	12,196,546	-	12,196,546
<b>Cash and Cash Equivalents, June 30, 2012</b>	<b>\$ 11,979,282</b>	<b>0</b>	<b>11,979,282</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u></b>			
Operating Income (Loss)	\$ (822,705)	(454,093)	(1,276,798)
Adjustments:			
Depreciation and Amortization	-	512,502	512,502
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	22,993	27,508	50,501
(Increase) Decrease in Inventories	-	(64,367)	(64,367)
(Increase) Decrease in Prepaid Expenses	(1,715)	-	(1,715)
Increase (Decrease) in Accounts Payable	(271,950)	(79,101)	(351,051)
Increase (Decrease) in Accrued Payroll Expenses	342	4,111	4,453
Increase (Decrease) in Compensated Absences	-	(1,520)	(1,520)
Increase (Decrease) in Other Liabilities	454,521	1,002,566	1,457,087
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (618,514)</b>	<b>947,606</b>	<b>329,092</b>
<b><u>Reconciliation of Cash and Cash Equivalents from Statement of Cash Flows</u></b>			
Cash in Bank	\$ 11,427,485	-	11,427,485
Cash Due from Central Depository	551,797	-	551,797
<b>Cash and Cash Equivalents, June 30, 2012</b>	<b>\$ 11,979,282</b>	<b>0</b>	<b>11,979,282</b>

See Independent Auditors' Report.

**CAPITAL ASSETS**  
**USED IN THE OPERATION**  
**OF GOVERNMENTAL FUNDS**

**CITY OF JOHNSON CITY, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULE BY SOURCE<sup>1</sup>**  
**June 30, 2012**

<u>Governmental Funds Capital Assets:</u>	<u>2012</u>	<u>2011</u>
Land	\$ 21,013,083	20,459,995
Buildings and Improvements	180,429,686	161,099,644
Equipment and Vehicles	36,298,835	38,270,774
Infrastructure	162,774,040	161,144,578
Construction in Progress	50,929,609	58,808,863
Total Governmental Funds Capital Assets	<u>\$ 451,445,253</u>	<u>439,783,854</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 234,472,483	236,066,775
General Purpose School Fund	4,257,217	2,968,245
Special Revenue Funds	160,012,977	140,167,004
Capital Project Funds	1,772,967	1,772,967
Construction in Progress	50,929,609	58,808,863
Total Governmental Funds Capital Assets	<u>\$ 451,445,253</u>	<u>439,783,854</u>

<sup>1</sup> 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.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY<sup>1</sup>**  
**June 30, 2012**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Equipment and Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General Government:						
General Administration	\$ 7,401,584	14,211,685	1,387,537	-	-	23,000,806
Information Technology	-	-	1,920,325	-	-	1,920,325
Total General Government	<u>7,401,584</u>	<u>14,211,685</u>	<u>3,307,862</u>	<u>0</u>	<u>0</u>	<u>24,921,131</u>
Education:						
General Operations	8,036,132	146,619,707	4,257,217	684,169	30,873,840	190,471,065
Food Service	-	-	2,767,928	-	-	2,767,928
Student Transit	-	-	3,702,343	-	-	3,702,343
Total Education	<u>8,036,132</u>	<u>146,619,707</u>	<u>10,727,488</u>	<u>684,169</u>	<u>30,873,840</u>	<u>196,941,336</u>
Public Welfare and Recreation	<u>2,436,745</u>	<u>6,588,759</u>	<u>2,326,721</u>	<u>4,698,195</u>	<u>18,863,332</u>	<u>34,913,752</u>
Public Works:						
Public Services	1,365,655	333,137	7,499,259	157,391,676	1,192,437	167,782,164
Recycling	-	462,980	-	-	-	462,980
Total Public Works	<u>1,365,655</u>	<u>796,117</u>	<u>7,499,259</u>	<u>157,391,676</u>	<u>1,192,437</u>	<u>168,245,144</u>
Public Safety:						
Police	-	74,601	5,916,528	-	-	5,991,129
Fire	-	5,198,829	6,261,265	-	-	11,460,094
Civil Defense	-	46,000	226,218	-	-	272,218
Total Public Safety	<u>0</u>	<u>5,319,430</u>	<u>12,404,011</u>	<u>0</u>	<u>0</u>	<u>17,723,441</u>
City Service:						
Library	1,772,967	6,893,988	-	-	-	8,666,955
Community Development	-	-	10,494	-	-	10,494
Metropolitan Transportation Planning	-	-	23,000	-	-	23,000
Total City Service	<u>1,772,967</u>	<u>6,893,988</u>	<u>33,494</u>	<u>0</u>	<u>0</u>	<u>8,700,449</u>
Total Governmental Funds						
Capital Assets	<u>\$ 21,013,083</u>	<u>180,429,686</u>	<u>36,298,835</u>	<u>162,774,040</u>	<u>50,929,609</u>	<u>451,445,253</u>

<sup>1</sup> 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.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY<sup>1</sup>**  
**For the Fiscal Year Ended June 30, 2012**

Function and Activity	Governmental Funds Capital Assets			Governmental Funds Capital Assets June 30, 2012
	June 30, 2011	Additions	Deletions	
<b>General Government:</b>				
General Administration	\$ 27,824,045	130,252	(4,953,491)	23,000,806
Information Technology	1,083,533	836,792	-	1,920,325
Total General Government	28,907,578	967,044	(4,953,491)	24,921,131
<b>Education:</b>				
General Operations	182,399,762	11,872,315	(3,801,012)	190,471,065
Food Service	2,856,008	299,302	(387,382)	2,767,928
Student Transit	3,525,024	222,308	(44,989)	3,702,343
Total Education	188,780,794	12,393,925	(4,233,383)	196,941,336
<b>Public Welfare and Recreation:</b>				
Total Public Welfare	28,718,756	6,444,799	(249,803)	34,913,752
<b>Public Works:</b>				
Public Services	166,876,542	1,204,597	(298,975)	167,782,164
Recycling	462,980	-	-	462,980
Total Public Works	167,339,522	1,204,597	(298,975)	168,245,144
<b>Public Safety:</b>				
Police	6,640,604	374,989	(1,024,464)	5,991,129
Fire	10,423,933	1,036,161	-	11,460,094
Civil Defense	272,218	-	-	272,218
Total Public Safety	17,336,755	1,411,150	(1,024,464)	17,723,441
<b>City Service:</b>				
Library	8,666,955	-	-	8,666,955
Community Development	10,494	-	-	10,494
Metropolitan Transportation Planning	23,000	-	-	23,000
Total City Service	8,700,449	0	0	8,700,449
<b>Total Governmental Funds</b>				
Capital Assets	\$ 439,783,854	22,421,515	(10,760,116)	451,445,253

<sup>1</sup> 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 JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Balance 6/30/2012
<b><u>PRIMARY GOVERNMENT:</u></b>						
<b><u>General Fund:</u></b>						
<b><i>Direct Programs:</i></b>						
97.036	Department of Homeland Security #FEMA-1974-DR-TN	Federal Emergency Management Agency	\$ (24,272)	-	-	(24,272) *
<i>Sub-total Direct Programs</i>			(24,272)	0	0	(24,272)
<b><i>Pass Through State of Tennessee:</i></b>						
84.184	Safe Schools/Healthy Students Program	U.S. Department of Education Johnson City Schools	(7,533)	36,215	35,824	(7,142) *
97.042	MIEMPGC100F2010/DEFAU #EMOG-11	Federal Emergency Management Agency Tennessee Emergency Management Agency	-	55,000	55,000	-
<i>Sub-total Pass Through State of Tennessee</i>			(7,533)	91,215	90,824	(7,142)
<b><i>Pass Through Other Organizations:</i></b>						
93.044	Title III-B, III-D, & III-E JOCITY-2008-HOOT-12	U.S. Department of Health and Human Services First TN Development District (from State of TN)	(9,041)	55,774	47,600	(867) *
<i>Sub-total Pass Through Other Organizations</i>			(9,041)	55,774	47,600	(867)
<b>Total General Fund</b>			(40,846)	146,989	138,424	(32,281)
<b><u>Transportation Planning Fund:</u></b>						
<b><i>Pass Through State of Tennessee:</i></b>						
20.514	Project TN-90-X012 - Planning/Research Sec. 5303 - GG0612306	U.S. Department of Transportation TN Department of Transportation	(10,164)	36,599	34,988	(8,553) *
20.205	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	U.S. Department of Transportation TN Department of Transportation	(3,592)	12,988	12,326	(2,930) *
20.205	Highway Planning and Construction Z-05-024246	U.S. Department of Transportation TN Department of Transportation	(4,738)	142,743	261,645	(123,640) *
<i>Sub-total Pass Through State of Tennessee</i>			(18,494)	192,330	308,959	(135,123)
<b>Total Transportation Planning Fund</b>						
<b><u>Police Grant Fund:</u></b>						
<b><i>Direct Programs:</i></b>						
16.607	Bullet Proof Vest Program #200-BU-BX-01007843	U.S. Department of Justice	(9,855)	10,422	7,129	(6,562) *

\* Receivable      \*\* Unused Revenue

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Balance 6/30/2012
<b>PRIMARY GOVERNMENT (CONTINUED):</b>						
<b>Police Grant Fund (Continued):</b>						
<i>Direct Programs (Continued):</i>						
16.738	Byrne JAG IV - JC/Wash Co Law Enforcement #2008-DJ-BX-0365	U.S. Department of Justice	5,802	1	5,803	-
16.738	ARRA - Byrne Jag V Recovery Act #2009-SB-B9-2486	U.S. Department of Justice	25,951	25	6,172	19,804 **
16.738	Byrne JAG VI - JC/Wash Co Law Enforcement #2009-DJ-BX-1349	U.S. Department of Justice	17,171	9	17,180	-
16.738	Byrne JAG 2011 - JC/Wash Co Law Enforcement #2011-DJ-BX-3375	U.S. Department of Justice	-	25,999	-	25,999 **
16.595	Central City Community Weed and Seed #2010-WS-QX-0018	U.S. Department of Justice	(26,259)	84,124	57,865	-
16.71	COPS Hiring Program #2011-UM-WX-0175	U.S. Department of Justice	-	33,776	54,153	(20,377) *
20.601	Safer Johnson City Streets III #Z11GHS029	TN Department of Transportation Governor's Highway Safety Office	(3,833)	10,162	6,329	-
20.601	Safer Johnson City Streets III #154AL-12-59	TN Department of Transportation Governor's Highway Safety Office	-	7,243	9,648	(2,405) *
<i>Sub-total Direct Programs</i>			<u>8,977</u>	<u>171,761</u>	<u>164,279</u>	<u>16,459</u>
<i>Pass Through Local Agency:</i>						
84.184	Safe Schools/Healthy Students Program	U. S. Department of Education Johnson City Schools	(24,000)	93,510	91,884	(22,374) *
<i>Sub-total Pass Through Local Agency</i>			<u>(24,000)</u>	<u>93,510</u>	<u>91,884</u>	<u>(22,374)</u>
<b>Total Police Grant Fund</b>			<u>(15,023)</u>	<u>265,271</u>	<u>256,163</u>	<u>(5,915)</u>

\* Receivable      \*\* Unused Revenue

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Balance 6/30/2012
<b><u>PRIMARY GOVERNMENT (CONTINUED):</u></b>						
<b><u>Community Development Fund:</u></b>						
<i>Direct Programs:</i>						
14.218	Community Development Block Grant B-MC-47-0008	U.S. Department of Housing & Urban Development	(200,017)	501,133	454,554	(153,438) *
<b>Total Community Development Fund</b>		<i>Sub-total Direct Programs</i>	<u>(200,017)</u>	<u>501,133</u>	<u>454,554</u>	<u>(153,438)</u>
<b><u>Mass Transit Fund:</u></b>						
<i>Direct Programs:</i>						
20.516	Job Access - Operating TN-37-X038/GG-06-11327 TN-37-X075/Z-09-215686-00 TN-90-X039/GG-10-34497-00	U.S. Department of Transportation	(7,051) (21,745) -	7,051 32,451 57,667	- 60,342 57,667	- (49,636) * -
20.521	New Freedom - Operating TN-57-X008-01-GG-1133980	U.S. Department of Transportation	(27,887)	78,273	53,828	(3,442) *
20.507	Project #TN-90-X216 - Operating GG-07-12814	U.S. Department of Transportation	(264,154)	264,154	-	-
20.507	Project #TN-90-X336 - Operating GG-12-39086-00	U.S. Department of Transportation	-	704,802	1,009,089	(304,287) *
20.507	Project #TN-90-X318 - Operating GG-11-33910-00	U.S. Department of Transportation	-	95,660	95,660	-
20.507	Project #TN-04-0050 - Capital GG-11-36239	U.S. Department of Transportation	-	27,808	44,418	(16,610) *
20.507	Project #TN-90-X276 - Capital GG-09-26229-00	U.S. Department of Transportation	-	23,068	23,068	-
20.507	Project #TN-90-X298 - Capital GG-10-30640-00	U.S. Department of Transportation	-	38,122	49,637	(11,515) *
20.507	Project #TN-90-X208 - Capital GG-04-10830	U.S. Department of Transportation	(6,340)	6,340	-	-

\* Receivable      \*\* Unused Revenue

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Balance 6/30/2012
<b>PRIMARY GOVERNMENT (CONTINUED):</b>						
<b>Mass Transit Fund (Continued):</b>						
<i>Direct Programs (Continued):</i>						
20.507	Project #TN-90-X319 - Capital GG-11-33910-00	U.S. Department of Transportation	(28,056)	28,056	37,321	(37,321) *
20.507	Project #TN-90-X251 - Capital GG-0401-930-02	U.S. Department of Transportation	(96,001)	96,001	-	-
20.507	Project #TN-90-X264 - Capital GG-08-23860-00	U.S. Department of Transportation	-	40,021	40,021	-
20.507	Project #TN-90-X336- Capital GG-11-33910-00	U.S. Department of Transportation	-	-	2,800	(2,800) *
20.507	ARRA Grant # TN-96-X007-Capital	U.S. Department of Transportation	(18,922)	295,248	319,156	(42,830) *
<b>Total Mass Transit Fund</b>			<i>Sub-total Direct Programs</i>	<u>1,794,722</u>	<u>1,793,007</u>	<u>(468,441)</u>
<b>City Solid Waste Fund</b>						
<i>Pass Through Other Organizations:</i>						
97.036	Department of Homeland Security #FEMA-1974-DR-TN	Federal Emergency Management Agency	(5,141)	-	-	(5,141) *
<b>Total City Solid Waste Fund</b>			<i>Sub-total Pass Through Other Organizations</i>	<u>0</u>	<u>0</u>	<u>(5,141)</u>
<b>Water and Sewer Fund</b>						
<i>Direct Programs:</i>						
10.781	Water System Improvements Greggtown Road ARRA Grant #TN-91-13	U.S. Department of Agriculture Rural Development	(90,875)	90,875	-	-
<b>Total Water and Sewer Fund</b>			<i>Sub-total Direct Programs</i>	<u>90,875</u>	<u>0</u>	<u>0</u>
<b>Capital Projects - Infrastructure Fund:</b>						
<i>Pass Through State of Tennessee:</i>						
20.205	Safe Routes to Schools - Cherokee Elem #110671.00	U.S. Department of Transportation Tennessee Department of Transportation	(7,450)	7,450	3,200	(3,200) *
20.205	Upgrade and Install Traffic Signals #111350.00	U.S. Department of Transportation Tennessee Department of Transportation	(15,051)	27,374	13,582	(1,259) *

\* Receivable      \*\* Unused Revenue

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Balance 6/30/2012	
<b>PRIMARY GOVERNMENT (CONTINUED):</b>							
<b>Capital Projects - Infrastructure Fund (Continued):</b>							
<i>Pass Through State of Tennessee (Continued):</i>							
20.205	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	U.S. Department of Transportation TN Department of Transportation	(8,873)	18,972	13,555	(3,456) *	
20.205	Resurfacing: Baxter St., E. Fairview and Peoples #112808.00 ARRA #112808.00 non ARRA	U.S. Department of Transportation TN Department of Transportation	(203,474)	194,340	(9,134)	-	
			-	7,307	7,307	-	
20.205	Mountain View/Browns Mill Traffic Circle #114592.00	U.S. Department of Transportation TN Department of Transportation	-	28,800	38,049	(9,249) *	
20.205	Indian Ridge/State of Franklin Intersection #111351.00	U.S. Department of Transportation TN Department of Transportation	-	236	14,793	(14,557) *	
<b>Total Capital Projects - Infrastructure Fund</b>			<i>Sub-total Pass Through State of Tennessee</i>	<u>(234,848)</u>	<u>284,479</u>	<u>81,352</u>	<u>(31,721)</u>
<b>Capital Projects - Schools Fund:</b>							
<i>Direct Programs:</i>							
81.128	Central Energy Plant DE-SC0002798 ARRA Grant	U.S. Department of Energy	(218,937)	218,937	-	-	
<b>Total Capital Projects - Schools Fund</b>			<i>Sub-total Direct Programs</i>	<u>(218,937)</u>	<u>218,937</u>	<u>0</u>	<u>0</u>
<b>Capital Projects - Equipment Fund:</b>							
<i>Direct Programs:</i>							
97.044	Assistance to Firefighters Grant #EMW-2010-FO-07864	U.S. Department of Homeland Security/FEMA	-	180,264	180,264	-	
<b>Total Capital Projects - Equipment Fund</b>			<i>Sub-total Direct Programs</i>	<u>0</u>	<u>180,264</u>	<u>180,264</u>	<u>0</u>
<b>School Federal Projects Fund:</b>							
<i>Pass Through State of Tennessee:</i>							
84.002	Adult Basic Education Z-07-033707-00	Department of Labor and Workforce Development	(74,232)	301,961	333,831	(106,102) *	

\* Receivable      \*\* Unused Revenue

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Balance 6/30/2012
<b><u>PRIMARY GOVERNMENT (CONTINUED):</u></b>						
<b><u>School Federal Projects Fund (Continued):</u></b>						
<i>Pass Through State of Tennessee (Continued):</i>						
84.048	Carl Perkins	U.S. Department of Education	(904)	114,164	196,104	(82,844) *
84.213C	Even Start Literacy	U.S. Department of Education	(48,553)	48,553	-	-
84.027	IDEA, Project	U.S. Department of Education	(77,085)	1,040,268	1,249,989	(286,806) *
84.391	IDEA, ARRA, H39A090095	U.S. Department of Education	(52,475)	471,694	419,219	-
	<b>Total IDEA</b>		(129,560)	1,511,962	1,669,208	(286,806)
84.027	Preschool Incentive, Project	U.S. Department of Education	5,954	11,303	30,200	(12,943) *
84.392	Preschool ARRA, H391A090052	U.S. Department of Education	(3,512)	27,224	23,712	-
	<b>Total Preschool</b>		2,442	38,527	53,912	(12,943)
84.010	Title I, Project	U.S. Department of Education	(161,939)	1,641,021	1,594,667	(115,585) *
84.389	Title I, ARRA 2009-2010	U.S. Department of Education	(38,135)	40,150	2,015	-
	<b>Total Title I</b>		(200,074)	1,681,171	1,596,682	(115,585)
84.318X	Title II, Part D	U.S. Department of Education	(1,433)	7,517	6,084	-
84.367A	Title II, Part A	U.S. Department of Education	5,973	322,360	326,057	2,276 **
	<b>Total Title II</b>		4,540	329,877	332,141	2,276
84.365A	Title III, ESL	U.S. Department of Education	(4,035)	25,934	40,247	(18,348) *
84.365	Title III, Immigrant	U.S. Department of Education	(3,680)	3,680	-	-
	<b>Total Title III</b>		(7,715)	29,614	40,247	(18,348)
84.196	TITLE X, Part C, McKinney Homeless Grant	U.S. Department of Education	(8,522)	34,726	61,969	(35,765) *

\* Receivable      \*\* Unused Revenue

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Balance 6/30/2012	
<b><u>PRIMARY GOVERNMENT (CONTINUED):</u></b>							
<b><u>School Federal Projects Fund (Continued):</u></b>							
<b><u>Pass Through State of Tennessee (Continued):</u></b>							
84.287C	21st Century Community Learning Center	U.S. Department of Education	(80,916)	174,879	175,870	(81,907) *	
94.004	Learn and Serve	Corporation for National and Community	(256,888)	256,888	-	-	
84.184L	Heroes Element 1,2,3	U.S. Department of Education	-	487,774	592,695	(104,921) *	
84.184L	Heroes Element 4,5	U.S. Department of Education	(101,906)	814,215	779,501	(67,192) *	
	<b>Total Heroes Program</b>		(101,906)	1,301,989	1,372,196	(172,113)	
84.410	Education Jobs Grant, ARRA	U.S. Department of Education	(114,270)	764,764	914,936	(264,442) *	
84.395	First to the Top Grant, ARRA	U.S. Department of Education	(78,680)	257,785	247,766	(68,661) *	
<b>Total School Federal Projects Fund</b>			<i>Sub-total Pass Through State of Tennessee</i>	(1,095,238)	6,846,860	6,994,862	(1,243,240)
<b><u>Special School Projects Fund:</u></b>							
<b><u>Pass Through State of Tennessee:</u></b>							
84.397	Coordinated School Health ARRA	Tennessee Department of Education	(41,904)	102,591	99,682	(38,995) *	
<b>Total Special School Projects Fund</b>			(41,904)	102,591	99,682	(38,995)	
<b><u>School Food Service Fund:</u></b>							
<b><u>Pass Through State of Tennessee:</u></b>							
10.553	National School Breakfast Program	U.S. Department of Agriculture	(50,805)	419,219	418,763	(50,349) *	
10.555	National School Lunch Program	U.S. Department of Agriculture	(163,904)	1,613,794	1,621,889	(171,999) *	
10.500	National School Snack Program	U.S. Department of Agriculture	-	47,287	50,828	(3,541) *	

\* Receivable      \*\* Unused Revenue

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Balance 6/30/2012
<b>PRIMARY GOVERNMENT (CONTINUED):</b>						
<b>School Food Service Fund (Continued):</b>						
<i>Pass Through State of Tennessee (Continued):</i>						
10.582	Fresh Fruits and Vegetables	U.S. Department of Agriculture	-	44,203	55,798	(11,595) *
		<i>Sub-total Pass Through State of Tennessee</i>	(214,709)	2,124,503	2,147,278	(237,484)
<i>Pass Through Northeast Tennessee Cooperative:</i>						
10.550	USDA: Commodity Supplemental Feeding - Commodities Match	Tennessee Department of Agriculture	-	32,328	32,328	-
	Feeding - Commodities Distributed	Tennessee Department of Agriculture	-	168,711	168,711	-
		<i>Sub-total Pass Through Northeast Tennessee Cooperative</i>	0	201,039	201,039	0
<b>Total School Food Service Fund</b>			(214,709)	2,325,542	2,348,317	(237,484)
<b>Johnson City Power Board:</b>						
<i>Pass Through State of Tennessee:</i>						
97.036	Disaster Relief Grant	Tennessee Emergency Management (TEMA)	-	-	359,711	(359,711)
<b>Total Johnson City Power Board</b>			0	0	359,711	(359,711)
<b>TOTAL FEDERAL GRANTS</b>			<u>\$ (2,646,188)</u>	<u>12,949,993</u>	<u>13,015,295</u>	<u>(2,711,490)</u>

**NOTE A: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Johnson City, 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 commodities received and used. The balance amounts represent inventory on hand. Non-monetary assistance has not been included in the financial statements.

**NOTE C: SUBRECIPIENTS**

During the year ended June 30, 2012, the City made payments of \$86,115 to subrecipients.

\* Receivable      \*\* Unused Revenue

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Fiscal Year Ended June 30, 2012

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2012
<b><u>PRIMARY GOVERNMENT:</u></b>							
<b><u>General Fund:</u></b>							
<b><u>Direct Programs:</u></b>							
N/A	State Boarding of Prisoners	Tennessee Department of Correction	\$ (234,982)	1,543,789	1,548,441	2,338	(237,296) *
<i>Sub-total Direct Programs</i>			<u>(234,982)</u>	<u>1,543,789</u>	<u>1,548,441</u>	<u>2,338</u>	<u>(237,296)</u>
<b><u>Pass Through Other Organizations:</u></b>							
N/A	Juvenile Court State Supplement Z-06-020439-00	TN Commission on Children & Youth Washington County, TN	-	4,500	4,500	-	-
N/A	Robert Young Cabin Enhancement #20100555	East Tennessee Foundation	2,908	1,092	1,894	-	2,106 **
N/A	H.E.A.L Grant - Carver #20100555	Mountain States Foundation	-	2,000	-	-	2,000 **
N/A	Senior Center Operations JOCITY-2008-HOOT-12	TN Commission on Aging First TN Development District	<u>(3,333)</u>	<u>27,241</u>	<u>25,575</u>	<u>-</u>	<u>(1,667) *</u>
<i>Sub-total Pass Through Other Organizations</i>			<u>(425)</u>	<u>34,833</u>	<u>31,969</u>	<u>0</u>	<u>2,439</u>
<b>Total General Fund</b>			<u>(235,407)</u>	<u>1,578,622</u>	<u>1,580,410</u>	<u>2,338</u>	<u>(234,857)</u>
<b><u>Community Development Fund:</u></b>							
<b><u>Direct Programs:</u></b>							
N/A	Emergency Shelter Grant Z-05-020660-01	TN Department of Human Services	(31,726)	152,988	90,421	-	30,841 **
<b>Total Community Development Fund</b>			<u>(31,726)</u>	<u>152,988</u>	<u>90,421</u>	<u>0</u>	<u>30,841</u>
<b><u>Mass Transit:</u></b>							
<b><u>Direct Programs:</u></b>							
N/A	Job Access - Operating TN-90-X309, GG-10-33910-00 TN-90-X075, Z-09-215686-00	Tennessee Department of Transportation	(10,871) (3,525)	39,705 17,144	28,834 30,171	- -	- (16,552) *

\* Receivable      \*\* Unused Revenue

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2012
<b><u>PRIMARY GOVERNMENT (CONTINUED):</u></b>							
<b><u>Mass Transit (Continued):</u></b>							
<b><u>Direct Programs (Continued):</u></b>							
N/A	Project - Operating	Tennessee Department of Transportation					
	TN-90-X319, GG-11-33910-00		(228,384)	228,384	-	-	-
	TN-90-X336, GG12-39086-00		-	404,016	462,791	-	(58,775) *
N/A	Project - Operating - New Freedom	Tennessee Department of Transportation					
	TN-57-X008-01, GG-11-33980		(13,943)	30,044	21,266	-	(5,165) *
N/A	Project - Capital	Tennessee Department of Transportation					
	TN-90-X298, GG-10-30640-00		(793)	793	-	-	-
	TN-90-X251, GG-07-12923-01		(12,000)	12,000	-	-	-
	TN-90-X336, GG12-39086-00		-	-	350	-	(350) *
	TN-04-0050, GG-11-36239		-	-	2,076	-	(2,076) *
	TN-90-X319, GG-11-33910-00		(7,603)	7,603	4,665	-	(4,665) *
<b>Total Mass Transit Fund</b>			<b><u>(277,119)</u></b>	<b><u>739,689</u></b>	<b><u>550,153</u></b>	<b><u>0</u></b>	<b><u>(87,583)</u></b>
<b>Sub-total Direct Programs</b>							
<b><u>Water and Sewer Fund:</u></b>							
<b><u>Pass Through Other Organizations:</u></b>							
N/A	Fast Track Infrastructure Dev. Grant	TN Economic/Community Development					
	GG-08-24744	Sullivan County, TN	-	119,894	199,823	-	(79,929) *
<b>Total Water and Sewer Fund</b>			<b><u>0</u></b>	<b><u>119,894</u></b>	<b><u>199,823</u></b>	<b><u>0</u></b>	<b><u>(79,929)</u></b>
<b>Sub-total Pass Through Other Organizations</b>							
<b><u>Special School Projects Fund:</u></b>							
<b><u>Pass Through State of Tennessee:</u></b>							
N/A	Lottery Pre-K	Tennessee Department of Education	(43,890)	256,980	314,868	-	(101,778) *
93.645	Family Resources	Tennessee Department of Education	(9,145)	49,998	42,030	-	(1,177) *
N/A	Lottery for Education: Afterschool Pgm	Tennessee Department of Education	(57,101)	198,982	249,852	-	(107,971) *

\* Receivable      \*\* Unused Revenue

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2012**

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2012
<b><u>PRIMARY GOVERNMENT (CONTINUED):</u></b>							
<b><u>Special School Projects Fund (Continued):</u></b>							
<i>Pass Through State of Tennessee (Continued):</i>							
N/A	Safe Schools	Tennessee Department of Education	(18,241)	18,241	27,300	-	(27,300) *
<b>Total Special School Projects Fund</b>		<i>Sub-total Pass Through State of Tennessee</i>	<u>(128,377)</u>	<u>524,201</u>	<u>634,050</u>	<u>0</u>	<u>(238,226)</u>
<b><u>Johnson City Power Board:</u></b>							
<i>Direct Programs:</i>							
N/A	Disaster Relief Grant	Tennessee Emergency Management	-	-	59,952	-	(59,952) *
<b>Total Johnson City Power Board</b>		<i>Sub-total Direct Programs</i>	<u>-</u>	<u>-</u>	<u>59,952</u>	<u>-</u>	<u>(59,952)</u>
<b>TOTAL STATE GRANTS-PRIMARY GOVERNMENT</b>			<u>\$ (672,629)</u>	<u>3,115,394</u>	<u>3,114,809</u>	<u>2,338</u>	<u>(669,706)</u>
<b><u>COMPONENT UNIT</u></b>							
<b><u>Johnson City Public Library:</u></b>							
<i>Direct Programs:</i>							
N/A	LSTA Grant	State of Tennessee	-	6,794	6,794	-	-
N/A	BTOP Grant	State of Tennessee	119,433	-	119,433	-	-
<b>Total Johnson City Public Library</b>		<i>Sub-total Direct Programs</i>	<u>119,433</u>	<u>6,794</u>	<u>126,227</u>	<u>0</u>	<u>0</u>
<b>TOTAL STATE GRANTS-COMPONENT UNIT</b>			<u>119,433</u>	<u>6,794</u>	<u>186,179</u>	<u>0</u>	<u>(59,952)</u>
<b>TOTAL STATE GRANTS</b>			<u>\$ (553,196)</u>	<u>3,122,188</u>	<u>3,300,988</u>	<u>2,338</u>	<u>(729,658)</u>

\* Receivable      \*\* Unused Revenue

See Independent Auditors' Report.

## STATISTICAL SECTION

This part of the City of Johnson City, TN comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

**Contents:**

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**Financial Trends**

*These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.*

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**Revenue Capacity**

*These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.*

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**Debt Capacity**

*These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.*

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**Demographic and Economic Information**

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.*

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**Operating Information**

*These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.*

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**Other Statistical Schedules**

*These statistical schedules present information that is required to be presented by the State of Tennessee as supplementary information.*

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**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NET POSITION BY COMPONENT**  
**FOR THE FISCAL YEARS NOTED**  
**(accrual basis of accounting)**  
**(Unaudited)**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Governmental Activities</b>					
Invested in Capital Assets, Net of Related Debt	69,634,762	68,066,836	69,035,062	67,480,139	67,467,865
Restricted	6,423,195	1,339,792	1,235,783	1,108,571	6,625,729
Unrestricted	12,932,492	27,064,737	38,368,429	51,502,610	57,777,385
<b>Total Governmental Activities Net Position</b>	<b>88,990,449</b>	<b>96,471,365</b>	<b>108,639,274</b>	<b>120,091,320</b>	<b>131,870,979</b>
<b>Business-Type Activities</b>					
Invested in Capital Assets, Net of Related Debt	143,691,479	151,024,946	164,362,698	170,338,354	181,475,490
Restricted	1,546,874	595,205	501,521	660,326	483,449
Unrestricted	7,817,725	9,307,410	8,347,415	14,036,942	14,101,598
<b>Total Business-Type Activities Net Position</b>	<b>153,056,078</b>	<b>160,927,561</b>	<b>173,211,634</b>	<b>185,035,622</b>	<b>196,060,537</b>
<b>Primary Government</b>					
Invested in Capital Assets, Net of Related Debt	213,326,241	219,091,782	233,397,760	237,818,493	248,943,355
Restricted	7,970,069	1,934,997	1,737,304	1,768,897	7,109,178
Unrestricted	20,750,217	36,372,147	46,715,844	65,539,552	71,878,983
<b>Total Primary Government Net Position</b>	<b>242,046,527</b>	<b>257,398,926</b>	<b>281,850,908</b>	<b>305,126,942</b>	<b>327,931,516</b>
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Governmental Activities</b>					
Invested in Capital Assets, Net of Related Debt	93,255,452	112,115,146	129,428,685	152,945,239	141,450,516
Restricted	-	-	206,878	200,340	194,541
Unrestricted	75,895,859	68,979,090	56,010,915	34,617,050	42,572,808
<b>Total Governmental Activities Net Position</b>	<b>169,151,311</b>	<b>181,094,236</b>	<b>185,646,478</b>	<b>187,762,629</b>	<b>184,217,865</b>
<b>Business-Type Activities</b>					
Invested in Capital Assets, Net of Related Debt	187,286,301	208,312,172	207,558,747	219,263,153	229,640,982
Restricted	482,776	1,785,757	3,375,467	21,071,959	-
Unrestricted	20,336,221	15,865,673	34,958,404	20,585,763	40,260,473
<b>Total Business-Type Activities Net Position</b>	<b>208,105,298</b>	<b>225,963,602</b>	<b>245,892,618</b>	<b>260,920,875</b>	<b>269,901,455</b>
<b>Primary Government</b>					
Invested in Capital Assets, Net of Related Debt	280,541,753	320,427,318	336,987,432	372,208,392	371,091,498
Restricted	482,776	1,785,757	3,582,345	21,272,299	194,541
Unrestricted	96,232,080	84,844,763	90,969,319	55,202,813	82,833,281
<b>Total Primary Government Net Position</b>	<b>377,256,609</b>	<b>407,057,838</b>	<b>431,539,096</b>	<b>448,683,504</b>	<b>454,119,320</b>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**CHANGES IN NET POSITION**  
**FOR THE FISCAL YEARS NOTED**  
**(accrual basis of accounting)**  
**(Unaudited)**

	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>								
<u>Governmental Activities:</u>								
General Government	\$ 7,518,525	\$ 7,102,418	\$ 10,246,706	\$ 12,982,708	\$ 13,517,750	\$ 16,250,413	\$ 10,696,245	\$ 9,782,991
Public Safety	18,254,020	19,537,869	20,196,334	23,050,291	23,320,230	20,093,411	23,894,249	30,769,395
Public Works	10,648,651	11,740,047	11,954,349	11,759,714	14,699,318	15,041,881	14,922,121	12,036,441
Public Welfare	6,211,203	6,309,383	6,551,969	5,455,063	7,305,539	3,459,067	7,371,142	11,407,275
City Services	1,818,017	1,789,975	2,105,771	2,262,984	3,078,092	2,923,687	2,222,801	2,299,905
Education	51,957,017	54,448,620	57,396,706	61,434,692	63,517,290	65,853,223	69,230,829	64,996,820
Interest on Long-Term Debt	4,760,654	3,040,993	7,140,164	4,144,293	5,767,393	6,685,700	7,238,948	6,562,354
<b>Total Governmental Activities Expenses</b>	<u>\$ 101,168,087</u>	<u>\$ 103,969,305</u>	<u>\$ 115,591,999</u>	<u>\$ 121,089,745</u>	<u>\$ 131,205,612</u>	<u>\$ 130,307,382</u>	<u>\$ 135,576,335</u>	<u>\$ 137,855,181</u>
<u>Business-Type Activities:</u>								
Water and Sewer	\$ 17,309,426	\$ 18,616,496	\$ 21,053,584	\$ 21,710,919	\$ 22,830,928	\$ 21,601,917	\$ 24,164,954	\$ 25,926,353
City Solid Waste	6,654,113	7,040,115	7,294,552	7,813,531	8,060,129	8,017,980	8,335,603	8,403,638
Regional Solid Waste	1,410,536	1,615,196	1,658,724	1,818,585	1,871,460	1,925,909	2,006,080	2,182,604
Johnson City Power Board	119,754,592	133,197,667	143,319,219	153,413,844	178,834,070	163,283,389	185,044,289	176,494,179
Public Building Authority	2,376,597	2,294,949	2,107,230	1,805,760	1,984,687	2,015,126	2,006,730	1,864,558
Mass Transit	1,901,831	2,193,038	2,489,530	2,842,568	3,021,432	3,449,299	3,431,139	4,020,869
Stormwater Management	-	-	144,542	495,011	773,631	1,004,367	999,687	1,066,427
Golf Courses	1,231,510	1,393,946	1,472,066	1,462,210	1,330,540	1,239,672	1,322,319	1,286,000
<b>Total Business-Type Activities Expenses</b>	<u>\$ 150,638,605</u>	<u>\$ 166,351,407</u>	<u>\$ 179,539,447</u>	<u>\$ 191,362,428</u>	<u>\$ 218,706,877</u>	<u>\$ 202,537,659</u>	<u>\$ 227,310,801</u>	<u>\$ 221,244,628</u>
<b>Total Primary Government Expenses</b>	<u>\$ 251,806,692</u>	<u>\$ 270,320,712</u>	<u>\$ 295,131,446</u>	<u>\$ 312,452,173</u>	<u>\$ 349,912,489</u>	<u>\$ 332,845,041</u>	<u>\$ 362,887,136</u>	<u>\$ 359,099,809</u>

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**CHANGES IN NET POSITION**  
**FOR THE FISCAL YEARS NOTED**  
**(accrual basis of accounting)**  
**(Unaudited)**

	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Program Revenues</b>								
<u>Governmental Activities:</u>								
Charges for Services:								
Public Safety	\$ 1,470,777	\$ 1,577,697	\$ 1,507,099	\$ 1,586,621	\$ 2,011,006	\$ 1,960,333	\$ 2,697,091	\$ 2,380,508
City Services	2,105,424	2,113,662	2,445,477	2,441,483	3,578,736	2,700,531	2,753,846	2,235,809
Education	2,445,031	2,708,056	3,038,039	2,752,587	2,844,579	2,671,448	2,567,520	2,582,695
Other Activities	1,232,901	2,469,235	2,332,593	2,829,651	3,430,184	3,537,310	2,216,496	2,208,010
Operating Grants and Contributions	30,133,808	30,516,925	33,419,313	35,525,329	36,812,901	39,362,241	40,426,029	39,773,105
Capital Grants and Contributions	626,238	164,833	-	31,055	-	162,945	1,895,492	261,616
<b>Total Governmental Activities Program Revenues</b>	<u>38,014,179</u>	<u>39,550,408</u>	<u>42,742,521</u>	<u>45,166,726</u>	<u>48,677,406</u>	<u>50,394,808</u>	<u>52,556,474</u>	<u>49,441,743</u>
<u>Business-Type Activities:</u>								
Charges for Services:								
Water and Sewer	\$ 20,288,469	\$ 21,772,092	\$ 23,133,709	\$ 23,543,970	\$ 25,057,671	\$ 26,264,591	\$ 28,708,578	\$ 28,237,701
City Solid Waste	7,917,942	8,257,612	8,622,823	9,100,844	8,902,029	8,418,244	8,912,152	8,900,554
Johnson City Power Board	128,314,735	141,680,530	150,526,423	161,195,320	193,154,773	177,398,118	196,431,434	186,025,548
Other Activities	5,194,686	5,277,396	5,499,351	6,653,378	7,238,218	7,658,923	7,937,319	6,221,078
Operating Grants and Contributions	995,661	1,103,458	1,249,319	1,509,571	1,702,482	1,775,802	1,646,942	2,045,037
Capital Grants and Contributions	1,717,925	818,212	397,599	797,607	724,175	2,614,722	564,276	762,107
<b>Total Business-Type Activities Program Revenues</b>	<u>164,429,418</u>	<u>178,909,300</u>	<u>189,429,224</u>	<u>202,800,690</u>	<u>236,779,348</u>	<u>224,130,400</u>	<u>244,200,701</u>	<u>232,192,025</u>
<b>Total Primary Government Program Revenues</b>	<u>\$ 202,443,597</u>	<u>\$ 218,459,708</u>	<u>\$ 232,171,745</u>	<u>\$ 247,967,416</u>	<u>\$ 285,456,754</u>	<u>\$ 274,525,208</u>	<u>\$ 296,757,175</u>	<u>\$ 281,633,768</u>
<b>Net (Expense)/Revenue</b>								
Governmental Activities	\$ (63,153,908)	\$ (64,418,897)	\$ (72,849,478)	\$ (75,923,019)	\$ (82,528,206)	\$ (79,912,574)	\$ (83,019,861)	\$ (88,413,438)
Business-Type Activities	13,790,813	12,557,893	9,889,777	11,438,262	18,072,471	21,592,741	16,889,900	10,947,397
<b>Total Primary Government Net (Expense)</b>	<u>\$ (49,363,095)</u>	<u>\$ (51,861,004)</u>	<u>\$ (62,959,701)</u>	<u>\$ (64,484,757)</u>	<u>\$ (64,455,735)</u>	<u>\$ (58,319,833)</u>	<u>\$ (66,129,961)</u>	<u>\$ (77,466,041)</u>

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**CHANGES IN NET POSITION**  
**FOR THE FISCAL YEARS NOTED**  
**(accrual basis of accounting)**  
**(Unaudited)**

	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Revenues and Other Changes in Net Position</b>								
<b>Governmental Activities:</b>								
Taxes:								
Property Taxes	\$ 32,741,230	\$ 33,591,476	\$ 34,543,483	\$ 36,458,981	\$ 36,519,412	\$ 38,250,017	\$ 38,777,516	\$ 39,620,005
Sales Taxes	30,095,052	32,012,124	33,525,842	34,904,671	33,539,491	32,718,394	34,184,073	36,282,655
Other Taxes	6,867,324	7,510,307	7,802,498	8,474,886	8,244,855	7,455,763	7,643,741	8,555,389
Unrestricted Investment Earnings	737,108	1,858,159	2,775,619	2,560,328	1,305,131	685,114	1,203,024	858,348
Miscellaneous	1,366,945	174,525	5,889,333	29,340,255	12,780,319	3,107,369	870,110	6,254
Transfers	2,278,248	2,098,500	1,565,076	2,203,230	2,081,923	2,242,433	2,463,274	999,170
<b>Total Governmental Activities</b>	<b>\$ 74,085,907</b>	<b>\$ 77,245,091</b>	<b>\$ 86,101,851</b>	<b>\$ 113,942,351</b>	<b>\$ 94,471,131</b>	<b>\$ 84,459,090</b>	<b>\$ 85,141,738</b>	<b>\$ 86,321,821</b>
<b>Business-Type Activities:</b>								
Unrestricted Investment Earnings	\$ 332,770	\$ 1,167,313	\$ 2,770,991	\$ 2,350,892	\$ 1,857,877	\$ 539,657	\$ 759,353	\$ 672,785
Miscellaneous	438,738	197,282	(5,428)	458,838	9,879	39,051	(157,722)	6,888
Transfers	(2,278,248)	(2,098,500)	(1,565,076)	(2,203,230)	(2,081,923)	(2,242,433)	(2,463,274)	(999,170)
<b>Total Business-Type Activities</b>	<b>\$ (1,506,740)</b>	<b>\$ (733,905)</b>	<b>\$ 1,200,487</b>	<b>\$ 606,500</b>	<b>\$ (214,167)</b>	<b>\$ (1,663,725)</b>	<b>\$ (1,861,643)</b>	<b>\$ (319,497)</b>
<b>Total Primary Government</b>	<b>\$ 72,579,167</b>	<b>\$ 76,511,186</b>	<b>\$ 87,302,338</b>	<b>\$ 114,548,851</b>	<b>\$ 94,256,964</b>	<b>\$ 82,795,365</b>	<b>\$ 83,280,095</b>	<b>\$ 86,002,324</b>
<b>Change in Net Position</b>								
Governmental Activities	\$ 10,931,999	\$ 12,826,194	\$ 13,252,373	\$ 38,019,332	\$ 11,942,925	\$ 4,546,516	\$ 2,121,877	\$ (2,091,617)
Business-Type Activities	12,284,073	11,823,988	11,090,264	12,044,762	17,858,304	19,929,016	15,028,257	10,627,900
<b>Total Change in Net Position</b>	<b>\$ 23,216,072</b>	<b>\$ 24,650,182</b>	<b>\$ 24,342,637</b>	<b>\$ 50,064,094</b>	<b>\$ 29,801,229</b>	<b>\$ 24,475,532</b>	<b>\$ 17,150,134</b>	<b>\$ 8,536,283</b>

Note: Amounts from prior years have been reclassified between categories from the original presentation in the relevant year CAFR to conform to the presentation of the current year CAFR.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**FOR THE FISCAL YEARS NOTED**  
**(accrual basis of accounting)**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>In-Lieu of Tax</b>	<b>Local Sales Tax</b>	<b>State Sales Tax</b>	<b>Business Tax</b>	<b>Local Beer Tax</b>	<b>Local Liquor Tax</b>	<b>Hotel / Motel Tax</b>	<b>Franchise Tax</b>	<b>Telephone / Cable Tax</b>	<b>Other Taxes</b>	<b>Total</b>
2003	28,189,818	1,218,964	24,072,977	3,346,526	1,311,531	1,654,319	359,470	771,638	313,280	556,094	1,810,685	63,605,302
2004	28,749,841	1,307,933	25,462,839	3,258,630	1,405,547	1,725,538	372,019	842,594	687,446	589,580	854,663	65,256,630
2005	31,429,944	1,311,286	26,712,881	3,382,171	1,534,947	1,805,940	361,364	885,521	516,393	577,627	1,185,532	69,703,606
2006	32,167,845	1,423,631	28,294,239	3,717,885	1,647,154	1,816,061	446,371	958,196	701,976	588,419	1,352,130	73,113,907
2007	33,064,284	1,479,199	29,452,416	4,073,426	1,743,053	1,754,139	551,289	1,002,315	495,264	629,898	1,626,540	75,871,823
2008	34,913,535	1,545,446	30,809,215	4,095,456	1,836,729	1,953,748	517,842	1,035,770	485,807	787,281	1,857,709	79,838,538
2009	35,131,195	1,388,217	29,811,023	3,728,468	1,774,822	2,060,432	520,586	979,246	526,233	940,182	1,443,354	78,303,758
2010	36,735,032	1,514,985	29,117,826	3,600,568	1,484,814	2,083,741	567,854	1,015,619	426,259	728,350	1,149,126	78,424,174
2011	37,121,582	1,655,934	30,378,018	3,806,055	2,322,623	2,112,818	592,335	1,036,348	387,354	742,675	1,192,263	81,348,005
2012	37,818,824	1,801,181	32,001,411	4,281,244	2,106,008	2,190,925	611,147	1,224,494	345,167	742,575	1,335,073	84,458,049

**CITY OF JOHNSON CITY, TENNESSEE**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	12,138,874	12,163,561
Committed	-	-	-	-	-	-	-	-	2,298,866	1,041,826
Assigned	-	-	-	-	-	-	-	-	-	2,285,394
Unassigned	-	-	-	-	-	-	-	-	5,415,721	5,793,740
Designated	715,889	2,239,857	2,739,904	3,139,975	1,465,885	2,703,817	2,691,246	906,223	-	-
Unreserved	5,949,014	8,585,184	11,085,672	14,209,712	19,171,689	20,491,781	17,490,060	18,428,636	-	-
Total General Fund	<u>6,664,903</u>	<u>10,825,041</u>	<u>13,825,576</u>	<u>17,349,687</u>	<u>20,637,574</u>	<u>23,195,598</u>	<u>20,181,306</u>	<u>19,334,859</u>	<u>19,853,461</u>	<u>21,284,521</u>
All Other Governmental Funds										
Non-Spendable	-	-	-	-	-	-	-	-	379,649	190,851
Restricted	-	-	-	-	-	-	-	-	27,643,974	15,136,934
Committed	-	-	-	-	-	-	-	-	315,206	897,179
Assigned	-	-	-	-	-	-	-	-	6,635,805	5,612,762
Unassigned	-	-	-	-	-	-	-	-	(6,028)	-
Designated	2,049,980	2,405,370	2,926,613	3,279,288	3,421,588	3,955,386	3,602,289	58,322,351	-	-
Unreserved, Reported in:										
Special Revenue Funds	6,391,322	6,838,620	7,359,144	7,100,574	6,914,743	6,324,458	5,769,456	8,252,204	-	-
Capital Projects Funds	3,812,255	2,950,645	8,858,602	17,156,764	15,718,186	35,826,059	44,068,263	1,481,146	-	-
Total All Other Governmental Funds	<u>\$ 12,253,557</u>	<u>\$ 12,194,635</u>	<u>\$ 19,144,359</u>	<u>\$ 27,536,626</u>	<u>\$ 26,054,517</u>	<u>\$ 46,105,903</u>	<u>\$ 53,440,008</u>	<u>\$ 68,055,701</u>	<u>34,968,606</u>	<u>21,837,726</u>

Beginning in the Fiscal Year 2011, the presentation of fund balance was changed to conform with GASB 54.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**  
**(Unaudited)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>										
Taxes	58,660,691	61,331,670	65,078,164	68,016,783	69,998,114	73,777,660	73,551,309	73,459,729	76,459,832	78,740,652
Licenses and Permits	693,800	907,393	988,999	1,141,199	1,063,241	1,014,440	908,596	681,554	791,485	789,430
Intergovernmental	31,661,321	32,455,612	35,091,817	37,522,888	44,326,252	70,373,307	53,773,849	47,356,233	47,310,175	45,531,643
Charges for Services	3,246,883	3,160,152	3,299,506	3,474,166	3,493,097	3,528,793	3,643,785	3,137,998	3,052,138	2,933,047
Fines and Forfeitures	1,310,573	1,321,820	1,443,058	1,550,283	1,398,894	1,491,732	1,426,561	1,856,265	2,607,900	2,276,229
Use of Property	1,710,307	2,662,326	2,290,344	2,019,665	2,384,145	2,410,381	3,290,690	2,354,250	2,450,360	2,009,688
Investment Earnings	371,760	251,925	632,101	1,541,663	2,292,312	2,187,458	1,230,320	675,880	1,191,996	846,990
Miscellaneous	1,017,049	875,424	701,751	1,211,931	1,307,966	1,716,494	2,700,532	3,036,946	1,543,667	1,480,472
<b>Total Revenues</b>	<b>98,672,384</b>	<b>102,966,322</b>	<b>109,525,740</b>	<b>116,478,578</b>	<b>126,264,021</b>	<b>156,500,265</b>	<b>140,525,642</b>	<b>132,558,855</b>	<b>135,407,553</b>	<b>134,608,151</b>
<b>Expenditures:</b>										
General Government	9,940,946	9,436,485	9,593,656	9,848,863	10,411,369	11,085,668	11,160,930	10,843,876	11,368,365	11,467,692
Public Safety	16,900,884	17,371,848	17,924,968	19,207,764	19,942,643	22,670,820	22,861,216	23,190,812	23,488,754	23,942,912
Public Works	7,801,801	8,059,691	7,518,536	8,006,327	9,090,597	10,090,160	10,888,843	11,211,427	11,008,160	10,826,243
Public Welfare	5,387,930	5,215,580	5,894,087	6,048,271	6,257,074	6,390,206	6,764,906	6,397,595	6,699,429	5,575,475
City Services	1,107,267	1,893,464	1,618,348	1,574,399	1,946,010	2,040,465	2,968,013	1,904,186	2,019,303	1,685,566
Education	43,342,763	45,358,328	48,675,282	51,032,222	54,888,885	58,097,916	60,418,934	61,472,941	64,204,837	64,728,618
Miscellaneous	17,436	63,273	18,423	-	19,000	-	21,645	7,250	6,500	6,950
Capital Outlay	3,096,956	3,557,667	7,505,676	6,450,204	10,734,831	13,732,994	26,201,893	27,297,556	47,629,237	20,717,402
Debt Service:										
Principal	7,550,040	7,146,592	7,386,039	7,447,570	7,101,614	6,763,728	4,656,946	6,231,931	6,976,870	6,940,111
Interest and Fiscal Fees	5,244,117	4,713,367	4,598,310	5,611,096	9,245,927	5,158,406	5,570,605	6,022,162	7,729,342	6,706,594
Other Charges	-	-	266,066	304,043	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>100,390,140</b>	<b>102,816,295</b>	<b>110,999,391</b>	<b>115,530,759</b>	<b>129,637,950</b>	<b>136,030,363</b>	<b>151,513,931</b>	<b>154,579,736</b>	<b>181,130,797</b>	<b>152,597,563</b>
Excess of revenues over (under) expenditures	(1,717,756)	150,027	(1,473,651)	947,819	(3,373,929)	20,469,902	(10,988,289)	(22,020,881)	(45,723,244)	(17,989,412)

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**  
**(Unaudited)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Other Financing Sources (Uses):</b>										
Transfers (Net)	1,868,307	2,013,728	2,148,158	2,254,158	2,087,000	1,280,965	1,923,228	1,818,432	2,010,846	620,973
Loss on Investments	-	-	-	-	-	-	-	-	-	-
Notes Issued	-	-	-	-	-	-	-	-	-	-
Refunding Bonds Issued	-	-	-	11,460,900	6,230,000	29,085,001	6,750,000	66,520,000	44,003,279	11,722,974
Refunding Bond Payments	-	-	-	(11,380,809)	(5,890,000)	(25,574,441)	(6,675,000)	(68,925,000)	(33,570,712)	(11,012,803)
Bond Issued	921,038	2,090,751	-	8,249,610	7,000,000	-	-	12,242,223	-	3,239,146
Refunding Bonds Premium	-	-	-	58,861	15,425	-	-	1,873,661	-	1,034,541
Insurance Recovery	-	-	-	71,623	-	-	-	-	-	-
Sale of Property	412,631	416,597	66,467	317,641	1,490,276	432,995	143,145	1,186,158	61,816	129,557
Capital Leases	-	-	403,802	-	-	-	-	495,161	704,688	-
<b>Total Other Financing Sources (Uses)</b>	<b>3,201,976</b>	<b>4,521,076</b>	<b>2,618,427</b>	<b>11,031,984</b>	<b>10,932,701</b>	<b>5,224,520</b>	<b>2,141,373</b>	<b>15,210,635</b>	<b>13,209,917</b>	<b>5,734,388</b>
<b>Net Change in Fund Balances</b>	<b>1,484,220</b>	<b>4,671,103</b>	<b>1,144,776</b>	<b>11,979,803</b>	<b>7,558,772</b>	<b>25,694,422</b>	<b>(8,846,916)</b>	<b>(6,810,246)</b>	<b>(32,513,327)</b>	<b>(12,255,024)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>13.2%</b>	<b>11.9%</b>	<b>11.8%</b>	<b>12.3%</b>	<b>13.7%</b>	<b>9.7%</b>	<b>8.2%</b>	<b>9.6%</b>	<b>11.0%</b>	<b>10.3%</b>

Note: Amounts from prior years have been reclassified between categories from the original presentation in the relevant year CAFR to conform to the presentation of the current year CAFR.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

Fiscal Year Ended June 30	Tax Year	Real Property				Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
		Residential & Farm Property	Industrial & Commercial Property	Personal Property	Public Utility				
2003	2002	473,877,275	417,779,120	116,420,340	38,519,170	1,046,595,905	2.15	3,328,062,244	31.45%
2004	2003	489,975,800	419,548,720	110,603,453	40,775,100	1,060,903,073	2.15	3,406,701,422	31.14%
2005	2004	586,366,747	512,287,398	115,283,797	48,675,887	1,262,613,829	1.93	4,011,552,024	31.47%
2006	2005	608,631,775	519,232,096	113,193,113	44,989,552	1,286,046,536	1.93	4,097,250,413	31.39%
2007	2006	638,630,400	527,884,240	101,364,219	42,025,565	1,309,904,424	1.93	4,243,334,375	30.87%
2008	2007	675,793,350	555,791,560	111,531,042	41,392,490	1,384,508,442	1.93	4,574,379,041	30.27%
2009	2008	693,472,459	569,623,983	101,474,853	38,786,092	1,403,357,387	1.93	4,605,069,088	30.47%
2010	2009	890,095,325	753,593,880	115,625,268	51,607,428	1,810,921,901	1.54	5,829,765,753	31.06%
2011	2010	898,386,225	742,133,240	114,998,839	50,959,902	1,806,478,206	1.54	5,832,178,206	30.97%
2012	2011	904,122,100	750,764,800	97,065,891	50,111,745	1,802,064,536	1.57	5,813,956,077	31.00%

Source: City of Johnson City Finance Department

Note: Tax rates are per \$100 of assessed value

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**PROPERTY TAX RATES (per \$100 assessed value)**  
**DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Johnson City Direct Rates*	2.15	2.15	1.93	1.93	1.93	1.93	1.93	1.54	1.54	1.57
Washington County Direct Rates										
General	0.68	0.68	0.63	0.63	0.63	0.82	0.83	0.64	0.64	0.70
Upkeep (Highway)	0.16	0.16	0.14	0.14	0.14	0.19	0.19	0.15	0.15	0.15
General Purpose School	0.76	0.76	0.82	0.82	0.82	0.82	0.88	0.69	0.69	0.70
Debt Service	0.27	0.27	0.23	0.23	0.36	0.47	0.50	0.39	0.39	0.32
Solid Waste/Sanitation	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.04	0.04	0.04
Total Direct Rate	<u>1.93</u>	<u>1.93</u>	<u>1.87</u>	<u>1.87</u>	<u>2.00</u>	<u>2.35</u>	<u>2.45</u>	<u>1.91</u>	<u>1.91</u>	<u>1.91</u>
Carter County Direct Rates										
General	0.72	0.72	0.85	0.85	0.73	0.73	0.75	0.80	0.80	0.95
Highway/Public Works	0.08	0.08	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.13
General Purpose Schools	1.24	1.24	1.25	1.25	0.96	0.96	0.96	0.96	0.96	0.98
General Debt Service	0.18	0.18	0.36	0.36	0.31	0.31	0.41	0.42	0.42	0.09
Total Direct Rate	<u>2.22</u>	<u>2.22</u>	<u>2.56</u>	<u>2.56</u>	<u>2.10</u>	<u>2.10</u>	<u>2.22</u>	<u>2.28</u>	<u>2.28</u>	<u>2.15</u>
Sullivan County Rates										
General	0.62	0.63	0.74	0.71	0.70	0.71	0.71	0.60	0.58	0.58
Solid Waste/Sanitation	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Highway	0.04	0.04	0.06	0.05	0.06	0.05	0.05	0.04	0.06	0.06
General Purpose Schools	1.53	1.53	1.65	1.59	1.59	1.59	1.59	1.34	1.30	1.30
School Capital Project	0.07	0.07	0.10	0.08	0.08	0.08	0.08	0.07	0.07	0.07
General Debt Service	0.07	0.07	0.10	0.08	0.08	0.08	0.08	0.07	0.10	0.10
Total Direct Rate	<u>2.35</u>	<u>2.36</u>	<u>2.67</u>	<u>2.53</u>	<u>2.53</u>	<u>2.53</u>	<u>2.53</u>	<u>2.13</u>	<u>2.13</u>	<u>2.12</u>

\* There are no component breakdowns for the Johnson City direct tax rate.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**FOR THE FISCAL YEARS NOTED**  
**(Unaudited)**

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
United Telephone SE Inc	\$ 20,434,558	1	1.1%	\$ 23,528,817	1	2.2%
Glimcher Mall Johnson City LLC	10,942,520	2	0.6%	9,790,960	3	0.9%
The Haven at Knob Creek	10,686,400	3	0.6%	-	-	-
Atmos Energy Corporation	9,715,683	4	0.5%	6,615,768	7	0.6%
Johnson City Crossing LLC	8,681,360	5	0.5%	6,751,280	6	0.6%
Pritchett Family	7,287,440	6	0.4%	4,839,000	8	0.5%
American Water Heater Co	7,015,715	7	0.4%	6,854,370	5	0.7%
Sofha Real Estate	6,459,000	8	0.4%	-	-	-
AT & T Mobility LLC	6,104,030	9	0.3%	-	-	-
Sams Real Estate	6,088,600	10	0.3%	-	-	-
Robert Bosch Corporation	-	-	-	9,503,303	4	0.9%
Siemens Industrial Automation	-	-	-	10,486,548	2	1.0%
Johnson City United LP	-	-	-	3,890,680	9	0.4%
Sprint United	-	-	-	3,379,870	10	0.3%
Totals	<u>\$ 93,415,306</u>		<u>5.2%</u>	<u>\$ 85,640,596</u>		<u>8.2%</u>

Total Taxable Assessed Value:

FYE 2012 (Tax Year 2011)	1,802,064,536
FYE 2003 (Tax Year 2002)	1,046,595,905

Source: City of Johnson City Finance Department

**CITY OF JOHNSON CITY, TENNESSEE**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

Fiscal Year Ended June 30	Tax Levy for Fiscal Year	Subsequent Adjustments to Levy	Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Uncollected Delinquent Taxes
				Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy	
2003	22,071,665	214,934	22,286,599	21,613,078	96.98%	658,424	22,271,502	99.93%	15,097
2004	22,723,186	37,268	22,760,454	22,019,690	96.75%	681,358	22,701,048	99.74%	59,406
2005	24,282,470	(66,281)	24,216,189	23,694,840	97.85%	512,239	24,207,079	99.96%	9,110
2006	23,967,796	381,747	24,349,543	23,677,242	97.24%	656,934	24,334,176	99.94%	15,367
2007	25,245,152	199,779	25,444,931	24,718,999	97.15%	701,967	25,420,966	99.91%	23,965
2008	26,684,753	(49,594)	26,635,159	25,856,042	97.07%	718,915	26,574,957	99.77%	60,202
2009	26,298,062	756,006	27,054,068	25,979,435	96.03%	899,721	26,879,156	99.35%	174,912
2010	27,883,067	(159,868)	27,723,199	26,606,701	95.97%	886,345	27,493,046	99.17%	230,153
2011	27,891,695	(164,636)	27,727,059	26,778,757	96.58%	532,734	27,311,491	98.50%	415,568
2012	28,335,227	(50,399)	28,284,828	27,377,900	96.79%	-	27,377,900	96.79%	906,928

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Source: City of Johnson City Finance Department

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Lease	General Obligation Bonds	Revenue Bonds	Notes Payable			
2003	120,825,645	1,402,373	-	44,125,074	54,436,000	448,936	221,238,028	15.42%	3,836
2004	113,974,350	1,107,076	296,744	41,980,980	50,813,000	823,787	208,995,937	14.07%	3,599
2005	114,752,367	1,517,241	201,735	39,624,138	47,220,000	939,804	204,255,285	13.14%	3,456
2006	114,641,644	1,229,264	102,875	68,641,159	43,560,000	929,286	229,104,228	14.15%	3,797
2007	109,503,087	927,757	-	68,828,203	49,195,000	1,076,167	229,530,214	14.03%	3,763
2008	102,112,462	613,189	-	66,994,395	73,900,000	1,028,253	244,648,299	14.04%	3,947
2009	107,812,843	284,000	368,450	64,400,485	70,390,000	978,095	244,233,873	13.49%	3,888
2010	135,306,495	893,000	246,570	84,028,416	66,665,000	1,357,242	288,496,723	16.40%	4,727
2011	139,345,150	623,000	638,300	80,468,601	62,765,000	1,295,420	285,135,471	14.71%	4,515
2012	137,547,801	350,000	355,092	76,812,346	58,695,000	1,275,499	275,035,738	13.99%	4,310

Note:

- Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- See the Schedule of Demographic and Economic Statistics for personal income and population data.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Net General Obligation Bonds</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2003	163,570,830	(1,212,470)	162,358,360	4.88%	2,815
2004	155,110,831	(1,141,370)	153,969,461	4.52%	2,651
2005	154,061,803	(1,036,938)	153,024,865	3.81%	2,589
2006	183,282,803	(905,407)	182,377,396	4.45%	3,023
2007	178,331,290	(1,109,636)	177,221,654	4.18%	2,906
2008	169,106,857	(795,124)	168,311,733	3.68%	2,715
2009	172,213,328	41,914	172,255,242	3.74%	2,742
2010	219,334,911	(697,695)	218,637,216	3.75%	3,583
2011	219,813,751	(1,415,228)	218,398,523	3.74%	3,458
2012	214,360,147	(2,579,759)	211,780,388	3.64%	3,319

Note:

- Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
- See the Schedule of Demographic and Economic Statistics for personal income and population data.

**CITY OF JOHNSON CITY, TENNESSEE**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2012**  
**(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt Repaid with Property Taxes:</b>			
Carter County	\$ 29,165,149	2.00%	583,303
Sullivan County	84,249,902	0.04%	33,700
Washington County	<u>149,071,075</u>	62.00%	<u>92,424,067</u>
<i>Subtotal, Overlapping Debt</i>	262,486,126		93,041,070
<b>City of Johnson City Direct Debt</b>	<u>138,252,893</u>	100.00%	<u>138,252,893</u>
<b>Total Direct and Overlapping Debt</b>	<u><u>\$400,739,019</u></u>		<u><u>231,293,963</u></u>

Sources:

- City of Johnson City Finance Department
- County Governments

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Johnson City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF JOHNSON CITY, TENNESSEE  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(Unaudited)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	104,659,591	106,090,307	126,261,383	128,604,654	130,990,442	138,450,844	140,335,739	180,712,573	180,647,821	180,206,454
Total Net Debt Applicable to Limit	80,397,842	74,396,547	76,189,564	77,278,841	72,297,357	66,363,920	74,181,737	100,935,075	103,794,289	98,539,694
Legal Debt Margin	24,261,749	31,693,760	50,071,819	51,325,813	58,693,085	72,086,924	66,154,002	79,777,498	76,853,532	81,666,760
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	76.82%	70.13%	60.34%	60.09%	55.19%	47.93%	52.86%	55.85%	57.46%	54.68%

**Legal Debt Margin Calculation for Fiscal Year 2012**

Total Taxable Assessed Value	\$ 1,802,064,536
Debt Limit (10% of Taxable Assessed Value)	180,206,454
Debt Applicable to Limit:	
General Obligation Debt	137,547,801
Less: Sales Tax Revenue Bonds	(39,008,107)
Total Net Debt Applicable to Limit	<u>98,539,694</u>
Legal Debt Margin	<u>\$ 81,666,760</u>

Note: Under the City of Johnson City's Charter, the City's outstanding general obligation debt should not exceed 10 percent of total taxable assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**PLEDGED-REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

Fiscal Year	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
<b>Water and Sewer Revenue Bonds:</b>							
2003	19,626,789	10,920,221	8,706,568	2,733,000	1,335,810	4,068,810	2.14
2004	19,690,045	11,501,842	8,188,203	2,293,000	1,203,915	3,496,915	2.34
2005	20,288,469	11,952,939	8,335,530	2,483,000	1,109,675	3,592,675	2.32
2006	21,772,092	16,415,529	5,356,563	2,545,000	1,052,982	3,597,982	1.49
2007	23,133,709	17,882,817	5,250,892	2,025,000	937,308	2,962,308	1.77
2008	23,543,970	18,616,888	4,927,082	1,960,000	703,327	2,663,327	1.85
2009	25,057,671	20,944,823	4,112,848	2,035,000	626,270	2,661,270	1.55
2010	26,264,591	20,095,508	6,169,083	1,390,000	537,420	1,927,420	3.20
2011	28,708,578	22,033,582	6,674,996	1,465,000	465,945	1,930,945	3.46
2012	28,237,701	23,057,300	5,180,401	1,540,000	390,595	1,930,595	2.68
<b>City Solid Waste Revenue Bonds:</b>							
2003	7,468,291	5,909,997	1,558,294	255,000	82,505	337,505	4.62
2004	7,897,479	6,077,126	1,820,353	275,000	67,504	342,504	5.31
2005	7,917,942	5,996,550	1,921,392	285,000	53,082	338,082	5.68
2006	8,257,612	6,791,872	1,465,740	160,000	40,020	200,020	7.33
2007	8,622,823	7,045,184	1,577,639	170,000	31,060	201,060	7.85
2008	9,100,844	7,586,586	1,514,258	180,000	21,068	201,068	7.53
2009	8,902,029	7,862,839	1,039,190	190,000	11,020	201,020	5.17
2010	8,418,244	7,862,538	555,706	N/A	N/A	N/A	N/A
2011	8,912,152	8,195,716	716,436	N/A	N/A	N/A	N/A
2012	8,900,554	8,294,769	605,785	N/A	N/A	N/A	N/A
<b>Regional Solid Waste Revenue Bonds:</b>							
2003	1,728,755	1,072,280	656,475	155,000	3,643	158,643	4.14
2004	1,809,069	1,152,122	656,947	N/A	N/A	N/A	N/A
2005	1,892,638	1,290,443	602,195	N/A	N/A	N/A	N/A
2006	2,001,125	1,608,350	392,775	N/A	N/A	N/A	N/A
2007	2,080,774	1,655,070	425,704	N/A	N/A	N/A	N/A
2008	2,191,065	1,818,585	372,480	N/A	N/A	N/A	N/A
2009	2,313,041	1,871,460	441,581	N/A	N/A	N/A	N/A
2010	2,330,873	1,925,909	404,964	N/A	N/A	N/A	N/A
2011	2,484,240	2,006,080	478,160	N/A	N/A	N/A	N/A
2012	2,545,125	2,182,604	362,521	N/A	N/A	N/A	N/A
<b>Golf Course Revenue Bonds:</b>							
2003	533,449	467,528	65,921	130,000	13,650	143,650	0.46
2004	501,343	476,022	25,321	135,000	6,435	141,435	0.18
2005	493,298	497,651	(4,353)	N/A	N/A	N/A	N/A
2006	991,748	1,188,143	(196,395)	N/A	N/A	N/A	N/A
2007	1,034,672	1,240,899	(206,227)	N/A	N/A	N/A	N/A
2008	1,093,309	1,288,126	(194,817)	N/A	N/A	N/A	N/A
2009	1,029,325	1,216,370	(187,045)	N/A	N/A	N/A	N/A
2010	920,754	1,147,901	(227,147)	N/A	N/A	N/A	N/A
2011	853,551	1,244,698	(391,147)	N/A	N/A	N/A	N/A
2012	883,703	1,220,467	(336,764)	N/A	N/A	N/A	N/A

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**PLEDGED-REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

Fiscal Year	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
<b><u>Johnson City Power Board Revenue Bonds:</u></b>							
2003	118,634,679	107,479,291	11,155,388	880,000	1,433,510	2,313,510	4.82
2004	124,669,151	113,013,470	11,655,681	929,121	1,384,892	2,314,013	5.04
2005	128,314,735	113,411,634	14,903,101	980,000	1,330,569	2,310,569	6.45
2006	141,680,530	131,546,144	10,134,386	1,035,000	1,276,389	2,311,389	4.38
2007	150,526,423	141,778,812	8,747,611	1,095,000	1,218,689	2,313,689	3.78
2008	161,195,320	151,860,753	9,334,567	1,155,000	1,613,906	2,768,906	3.37
2009	193,154,773	176,106,527	17,048,246	1,285,000	2,498,869	3,783,869	4.51
2010	177,398,118	160,626,894	16,771,224	2,335,000	2,645,403	4,980,403	3.37
2011	196,431,434	182,471,925	13,959,509	1,715,720	2,550,638	4,266,358	3.27
2012	186,025,548	174,054,113	11,971,435	2,530,000	2,453,237	4,983,237	2.40

Note:

- Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- Operating Expenses do not include interest
- Beginning FY 2005, Buffalo Valley, the golf course for which the bonds were issued, was merged with other City golf operations.

**CITY OF JOHNSON CITY, TENNESSEE**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

<b>Fiscal Year Ended June 30</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income<sup>1</sup></b>	<b>Median Age</b>	<b>Education Level in Years of Formal Schooling</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2003	57,671	1,435,200,506	24,886	36.9	13.44	6,778	5.1%
2004	58,078	1,485,809,474	25,583	36.9	13.44	6,778	5.0%
2005	59,099	1,554,244,601	26,299	36.9	13.44	6,766	5.6%
2006	60,333	1,618,553,391	26,827	39.7	13.44	6,998	4.9%
2007	60,990	1,636,178,730	26,827	39.2	13.44	7,052	4.2%
2008	61,990	1,742,848,850	28,115	39.2	13.44	7,180	6.6%
2009*	62,811	1,810,338,642	28,822	39.2	13.44	7,275	9.9%
2010	61,028	1,758,949,016	28,822	39.2	13.44	7,239	8.9%
2011	63,152	1,938,450,640	30,695	39.2	13.44	7,599	9.1%
2012	63,815	1,965,629,630	30,802	39.8	13.44	7,397	7.9%

**Sources:**

- First Tennessee Development District
- Johnson City Economic Development Board
- Tennessee Department of Labor & Workforce Development
- State of the Cities Data Systems (SOCDS-HUD)
- Johnson City School System
- Johnson City Chamber of Commerce
- U. S. Census Bureau

<sup>1</sup>Data presented is for Washington County, TN

\*projected

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**PRINCIPAL EMPLOYERS**  
**FOR THE FISCAL YEARS NOTED**  
**(Unaudited)**

<u>Employer</u>	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Johnson City Medical Center	3,500	1	5.4%	3,541	1	6.3%
East Tennessee State University	2,330	2	3.6%	2,012	2	3.6%
CITI Commerce Solution	2,120	3	3.3%	1,817	3	3.3%
James H. Quillen VA Medical Center	1,615	4	2.5%	1,259	4	2.3%
Advanced Call Center Technologies	1,358	5	2.1%	-		0.0%
A.O. Smith(American Water Heater)	1,300	6	2.0%	1,200	5	2.2%
Washington County School System	1,200	7	1.8%	1,150	6	2.1%
Johnson City School Systems	900	8	1.4%	920	7	1.6%
City of Johnson City	850	9	1.3%	824	8	1.5%
AT & T Mobility	650	10	1.0%	805	9	1.4%
Siemens Energy & Automation, Inc.	N/A	-	-	730	10	1.3%
	<u>15,823</u>		<u>24.1%</u>	<u>14,258</u>		<u>25.6%</u>

Total Washington County Employment:  
                                   FYE 2012       64,990  
                                   FYE 2003       55,800

Sources:  
 -Johnson City Economic Development Board  
 -Tennessee Department of Labor & Workforce Development  
 -First Tennessee Development District

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**FOR THE FISCAL YEARS NOTED**  
**(Unaudited)**

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	125	120	116	91	94	96	96	75	75	75
Public Safety	295	294	294	310	297	294	280	274	272	309
Public Works	91	90	89	90	94	90	92	99	99	100
Public Welfare	74	74	74	74	75	68	60	55	52	48
City Services	36	34	34	34	36	34	34	48	49	48
Education	860	827	829	832	832	846	900	897	901	900
Water and Sewer	142	145	146	150	153	147	145	154	153	154
Solid Waste	49	47	45	46	47	47	47	48	45	46
Storm Water Mgmt	-	-	-	-	-	7	7	7	8	8
Mass Transit	59	57	55	49	49	49	50	49	51	53
Golf Courses	13	12	12	10	8	8	8	8	10	9
	<u>1,744</u>	<u>1,700</u>	<u>1,694</u>	<u>1,686</u>	<u>1,685</u>	<u>1,686</u>	<u>1,719</u>	<u>1,714</u>	<u>1,715</u>	<u>1,750</u>

Sources:

- City of Johnson City Finance Department
- Johnson City School System

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**OPERATING INDICATORS BY FUNCTION**  
**FOR THE FISCAL YEARS NOTED**  
**(Unaudited)**

Function	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Public Safety:</b>									
Student Transportation:									
Miles	398,550	388,700	399,255	403,328	443,526	459,448	448,090	457,426	482,582
Passengers	891,123	878,450	961,496	991,432	993,748	1,015,715	1,075,845	1,095,209	1,130,359
Police:									
Physical Arrests	5,433	7,126	7,457	6,764	7,365	6,641	6,144	3,717	5,924
Parking Citations	N/A	3,678	3,195	3,020	2,493	2,202	2,574	2,393	2,005
Traffic Citations	14,986	19,538	23,092	21,829	26,602	23,624	24,700	22,998	22,826
Camera Enforcement Citations	-	-	-	-	-	-	753	10,848	5,522
Fire:									
Calls Answered	3,190	3,006	2,912	3,543	3,378	3,123	7,599	6,657	8,716
Inspections	1,225	1,788	1,802	1,980	1,581	1,844	1,844	975	1,318
<b>Public Works:</b>									
Potholes Repaired	N/A	695	211	53	103	404	812	930	854
Streets Swept (linear miles)	1,450	2,264	2,484	2,500	2,500	5,963	5,963	5,963	5,963
Traffic Signals Repaired/Replaced	N/A	372	371	241	245	235	250	236	197
Snow & Ice Control Treatment (lane miles)	N/A	3,000	2,200	2,800	2,226	3,450	7,700	9,240	1,112
<b>Public Welfare:</b>									
Parks and Recreation:									
Pool Admissions	N/A	50,584	51,710	51,789	46,988	51,428	59,242	59,207	73,970
Youth Basketball Participants	1,260	1,234	1,128	912	1,057	724	682	714	677
Youth Kickball	N/A	N/A	N/A	N/A	N/A	N/A	86	118	160
Youth Soccer Participants	1,955	1,906	1,895	1,691	1,846	1,714	1,466	1,513	1,657
Youth Softball & Tee-ball Participants	524	516	487	383	436	370	298	290	242
Tennis Instruction Participants	194	200	216	210	284	266	266	174	179
Adult Basketball Teams	54	44	30	29	26	25	26	22	29
Adult Softball Teams	132	131	81	127	143	118	139	121	132
Senior Citizens:									
Programs/Events Attendance	159,256	161,094	142,054	141,508	146,989	136,000	114,000	96,795	93,021
<b>City Services:</b>									
Freedom Hall:									
Events	N/A	69	61	60	58	54	52	42	34
<b>Water and Sewer:</b>									
Average Daily Consumption (Water)	14.21 mgd	14.40 mgd	14.34 mgd	14.91 mgd	14.8 mgd	14.7 mgd	14.77 mgd	15.049 mgd	14.44 mgd
Maximum Daily Capacity (Water)	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd
Water Taps	848	783	792	802	606	458	408	300	297
Sewer Taps	580	618	628	596	349	276	192	168	197
<b>Solid Waste:</b>									
Refuse Collected (Tons)	95,895	95,002	95,372	95,849	98,766	93,364	88,253	89,251	84,987
Recyclables Sold (Tons)	4,401	4,395	4,456	4,519	4,932	4,779	5,408	5,791	5,816
Mulch Sold as Boiler Fuel (Tons)	12,533	13,365	10,004	13,414	11,068	12,054	15,576	13,105	17,477
Leaves Collected (Tons)	3,326	3,447	3,643	3,602	3,072	3,850	3,661	3,041	3,193
<b>Mass Transit:</b>									
Passenger Miles	1,387,312	1,460,394	1,681,266	1,470,000	1,662,747	2,204,905	2,270,321	*	*
<b>Golf Courses:</b>									
18-Hole Rounds Played	48,415	55,000	47,775	47,349	51,668	49,652	44,834	47,114	46,311

Source: Various City Departments

Note: Operating Indicators are not available for the general government function.

Data not available prior to 2004.

\* no longer collected-not required by FTA NTD reporting.

**CITY OF JOHNSON CITY, TENNESSEE**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**FOR THE FISCAL YEARS NOTED**  
**(Unaudited)**

Function	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Public Safety:</b>									
Student Transportation:									
Buses	51	54	52	52	53	54	54	54	49
Police:									
Stations	1	1	1	1	1	1	1	1	1
Patrol Units	154	163	166	170	162	191	187	205	198
Motorcycle Units	3	3	3	3	3	3	3	3	3
Fire:									
Stations	8	8	8	8	9	9	9	9	9
Fire Trucks/Rescue Units	27	26	27	15	15	21	22	20	30
<b>Public Works:</b>									
Streets (Miles)	483.1	488.9	496.89	505.01	505.01	505.64	505.64	508.29	529.2
Traffic Signals	84	85	86	91	91	92	92	94	94
<b>Public Welfare:</b>									
Parks and Recreation:									
Park Sites	19	19	19	19	19	19	19	19	19
Park Acreage	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,081
Swimming Pools	2	2	2	2	2	2	2	2	2
Tennis Courts	17	17	17	17	17	17	17	17	17
Community/Recreation Centers	4	4	4	4	4	4	4	4	4
Senior Citizens:									
Senior Centers	1	1	1	1	1	1	1	1	1
<b>School System:</b>									
Elementary Schools	8	8	8	8	8	8	8	8	8
Secondary Schools	2	2	2	2	2	2	2	2	2
<b>Water and Sewer:</b>									
Water Mains (Miles)	840.7	854.5	871.3	960	900	901	910	918	922
Fire Hydrants	2,622	2,639	2,828	3,108	3,109	3,259	3,290	3,327	3,379
Sanitary Sewers (Miles)	474.3	474.8	505.3	525	536	551	539	561	568
Manholes	10,743	10,766	11,452	11,525	12,088	12,611	12,411	12,600	12,736
<b>Solid Waste:</b>									
Collection Trucks	46	48	51	51	52	55	47	40	40
<b>Golf Courses</b>	2	2	2	2	2	2	2	2	2
<b>Mass Transit:</b>									
Buses/Trolleys/Vans	33	35	43	43	39	40	37	37	37

Source: Various City Departments

Note:

- Capital Asset Indicators are not available for the general government function.
- Does not include leased property.

Data not available prior to 2004.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF INTERFUND TRANSFERS**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

	<u>Transfers In:</u>									
	General Fund	General Purpose School	Transportation Planning	Community Development Fund	Police Grant Fund	Freedom Hall	Special School Projects	School Site Based Fund	Debt Service Fund	Educational Facilities Debt Service Fund
<u>Transfers Out:</u>										
General Fund	\$ -	8,190,475	79,131	6,028	14,633	345,200	12,555	-	9,327,726	280,723
Special Revenue Funds:										
General Purpose										
School Fund	-	-	-	-	-	-	45,970	896,692	293,754	1,123,022
Police Tech Fund	42,154	-	-	-	-	-	-	-	-	-
School Federal Projects	-	26,234	-	-	-	-	-	-	-	-
Community Development	-	-	-	44,051	-	-	-	-	-	-
Capital Projects:										
Parks	22,548	-	-	-	-	-	-	-	-	-
Internal Service Funds:										
Motor Transport	-	-	-	-	-	-	-	-	-	11,696
Enterprise Funds:										
Johnson City Power Board	3,440,950	-	-	-	-	-	-	-	-	-
Water and Sewer	473,000	-	-	-	-	-	-	-	-	74,080
Mass Transit	-	-	-	-	-	-	-	-	-	3,899
Regional Solid Waste	-	-	-	-	-	-	-	-	-	7,798
City Solid Waste	-	-	-	-	-	-	-	-	-	11,697
<b>Totals</b>	<b>\$ 3,978,652</b>	<b>8,216,709</b>	<b>79,131</b>	<b>50,079</b>	<b>14,633</b>	<b>345,200</b>	<b>58,525</b>	<b>896,692</b>	<b>9,621,480</b>	<b>389,893</b>

	<u>Transfers In:</u>					<u>Transfers Out:</u>					
	Capital Projects Funds					Enterprise Funds					
	Parks	Schools	Equipment	Infrastructure	Public Facilities	City Water and Sewer	City Solid Waste	Regional Solid Waste	Golf Fund	Mass Transit	Public Building Authority
General Fund	\$ 134,621	49,771	1,780,970	92,189	389,716	-	-	-	512,042	647,000	1,863,122
Capital Projects:											
Facilities	161,784	275,688	-	-	-	-	-	-	-	-	-
Schools	-	-	-	-	3,069	-	-	-	-	-	-
Enterprise Funds:											
Mass Transit	-	-	-	-	9,910	-	-	-	-	-	-
Regional Solid Waste	-	-	-	-	-	24,987	304,474	-	-	-	-
City Solid Waste	-	-	-	-	-	53,741	-	153,309	-	-	-
<b>Totals</b>	<b>\$ 296,405</b>	<b>325,459</b>	<b>1,780,970</b>	<b>92,189</b>	<b>402,695</b>	<b>78,728</b>	<b>304,474</b>	<b>153,309</b>	<b>512,042</b>	<b>647,000</b>	<b>1,863,122</b>

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -**  
**ALL FUNDS - PRIMARY GOVERNMENT**

**June 30, 2012**

**(Unaudited)**

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	17,028,278	12,806,900	29,835,178
2014	16,082,171	11,771,868	27,854,039
2015	22,838,171	11,119,751	33,957,922
2016	16,677,172	10,182,967	26,860,139
2017	14,949,170	9,461,292	24,410,462
2018	14,775,172	8,851,917	23,627,089
2019	14,125,171	8,241,492	22,366,663
2020	13,870,171	7,630,617	21,500,788
2021	12,818,171	7,044,424	19,862,595
2022	13,288,171	6,494,465	19,782,636
2023	12,466,171	5,937,163	18,403,334
2024	10,008,171	5,440,375	15,448,546
2025	9,633,172	4,988,282	14,621,454
2026	9,109,293	4,547,394	13,656,687
2027	8,236,507	3,995,230	12,231,737
2028	8,852,100	3,586,212	12,438,312
2029	9,076,000	3,143,033	12,219,033
2030	8,430,000	2,685,683	11,115,683
2031	8,815,000	2,262,710	11,077,710
2032	6,950,000	1,817,782	8,767,782
2033	6,400,000	1,465,771	7,865,771
2034	4,680,000	1,134,870	5,814,870
2035	2,280,000	884,520	3,164,520
2036	2,385,000	753,420	3,138,420
2037	2,485,000	615,090	3,100,090
2038	2,585,000	470,960	3,055,960
2039	2,700,000	321,030	3,021,030
2040	2,835,000	164,430	2,999,430
Less: Amount not drawn	(1,323,085)	-	(1,323,085)
	<u>\$ 273,055,147</u>	<u>137,819,648</u>	<u>410,874,795</u>

The total reflected on the statement of net position has been increased by debt premium costs of \$1,935,072 less discounts of \$460,724.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS -**  
**ALL FUNDS - PRIMARY GOVERNMENT**

**June 30, 2012**

**(Unaudited)**

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	195,849	51,802	247,651
2014	196,720	50,943	247,663
2015	22,630	50,048	72,678
2016	23,492	49,162	72,654
2017	24,561	48,143	72,704
2018	25,594	47,132	72,726
2019	26,669	46,070	72,739
2020	27,708	44,997	72,705
2021	28,953	43,814	72,767
2022	30,174	42,624	72,798
2023	31,442	41,369	72,811
2024	32,700	40,089	72,789
2025	34,150	38,698	72,848
2026	35,592	37,275	72,867
2027	37,095	35,806	72,901
2028	38,605	34,284	72,889
2029	40,301	32,646	72,947
2030	42,007	30,962	72,969
2031	43,791	29,206	72,997
2032	45,599	27,411	73,010
2033	47,584	25,475	73,059
2034	49,607	23,482	73,089
2035	51,715	21,401	73,116
2036	53,880	19,247	73,127
2037	56,211	17,000	73,211
2038	58,609	14,653	73,262
2039	61,111	12,194	73,305
2040	63,697	9,642	73,339
2041	59,019	6,825	65,844
2042	36,914	4,468	41,382
2043	21,657	3,041	24,698
2044	17,597	2,407	20,004
2045	18,184	1,820	20,004
2046	18,784	1,220	20,004
2047	19,404	600	20,004
2048	7,894	62	7,956
	<u>\$ 1,625,499</u>	<u>986,018</u>	<u>2,611,517</u>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF UNCOLLECTED DELINQUENT TAXES**

**June 30, 2012**

**(Unaudited)**

Tax Year	Uncollected Delinquent Taxes June 30, 2012
2011	\$ 906,928
2010	415,568
2009	230,153
2008	174,912
2007	60,203
2006	23,965
2005	15,367
2004	9,110
2003	59,406
2002	15,098
Total	\$ 1,910,710

Uncollected Delinquent Taxes Filed in Chancery Court:

As of April 1, 2012, the above delinquent taxes for 2002 through 2010 have been filed by the City Attorney with the Washington County Chancery Court.

**CITY OF JOHNSON CITY, TENNESSEE**  
**UTILITY RATE STRUCTURE & NUMBER OF CUSTOMERS**

**June 30, 2012**  
**(Unaudited)**

<b><u>Water Rates:</u></b>	<u>Inside City</u>	<u>Outside City</u>
Base	\$3.96	\$7.92
0 - 20,000 Gallons Used	\$3.07 / 1,000 gal.	\$6.14 / 1,000 gal.
20,001 - 190,000 Gallons Used	\$2.46 / 1,000 gal.	\$4.91 / 1,000 gal.
190,000 - 490,000 Gallons Used	\$2.21 / 1,000 gal.	\$4.42 / 1,000 gal.
Over 490,000 Gallons Used	\$2.00 / 1,000 gal.	\$3.99 / 1,000 gal.
<b><u>Sewer Rates:</u></b>	<u>Inside City</u>	<u>Outside City</u>
Base	\$4.31	8.62
0 - 20,000 Gallons Used	\$4.33 / 1,000 gal.	\$8.66 / 1,000 gal.
20,001 - 190,000 Gallons Used	\$4.33 / 1,000 gal.	\$8.66 / 1,000 gal.
190,000 - 490,000 Gallons Used	\$4.33 / 1,000 gal.	\$8.66 / 1,000 gal.
Over 490,000 Gallons Used	\$4.33 / 1,000 gal.	\$8.66 / 1,000 gal.
<b><u>Residential Collection Rates:</u></b>	<u>Inside City</u>	<u>Outside City</u>
Collection at Roadside	\$9 / mon.	\$16 / mon.
Collection at Door	\$24 / mon.	\$27 / mon.
Additional Carts-Inside City <sup>5</sup>	\$2.50/mon.	-
Two Carts-Outside City	-	\$24 / mon.
Three Carts-Outside City	-	\$48 / mon.
<b><u>Commercial Collection Rates:</u></b>	<u>Inside City<sup>1</sup></u>	<u>Outside City<sup>2</sup></u>
4 yard <sup>3</sup>	\$62.50 / mon.	\$110.00 / mon.
6 yard <sup>3</sup>	\$77.50 / mon.	\$127.50 / mon.
8 yard <sup>3</sup>	\$92.50 / mon.	\$145.00 / mon.
Each Commercial Cart-Inside City	\$14/mon.	-
Additional Carts-Inside City <sup>5</sup>	\$2.50/mon.	-
One Cart-Outside City	-	\$16 / mon.
Two Carts-Outside City	-	\$24 / mon.
Three Carts-Outside City	-	\$48 / mon.
<b><u>Number of Customers:</u></b>	<u>Inside City</u>	<u>Outside City</u>
Water	26,198	16,232
Sewer	23,803	3,998
Solid Waste <sup>4</sup>	21,349	9,765
<b><u>Unaccounted for Water:</u></b>	<u>Gallons</u>	<u>% of Total Gallons</u>
Pumped/Purchased gallons of water	5,213,689,300	100.00%
Accounted for gallons of water	<u>3,412,863,618</u>	<u>65.46%</u>
Unaccounted for (lost) gallons of water	<u>1,800,825,682</u>	<u>34.54%</u>

**Sources:**

- City of Johnson City Water/Sewer Department
- City of Johnson City Solid Waste Department

<sup>1</sup>Does not include dumpster which can be purchased or rented.

<sup>2</sup>Includes dumpster which is furnished.

<sup>3</sup>Rates based on one collection per week.

<sup>4</sup>Does not include garbage pulls, front loader or container rentals.

<sup>5</sup>Decal purchased annually for \$30.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER**

**June 30, 2012**

**(Unaudited)**

*(All amounts in gallons)*

**Water Treated and Purchased:**

Water Pumped (potable)	5,207,805,000	
Water Purchased	5,884,300	
<b>Total Water Treated and Purchased</b>		<b>5,213,689,300</b>

**Accounted for Water:**

Water Sold	3,299,653,500	
Metered for Consumption	0	
Fire Departments Usage	16,763,485	
Flushing	33,203,025	
Tank Cleaning/Filling	1,818,194	
Street Cleaning	258,914	
Bulk Sales	0	
Water Bill Adjustments	61,166,500	
<b>Total Accounted for Water</b>		<b>3,412,863,618</b>

**Unaccounted for Water** 1,800,825,682

**Percentage Unaccounted for Water** 34.540%

**Other (explain)** 0

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

Note: The unmetered water percentage does not include leakage or meter accuracy adjustments as previously accounted for in the **AWWA M36 manual** accounting method. The yearly unmetered water would be 16.8% if the AWWA M36 manual accounting method was allowed.

See Independent Auditors' Report.

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

Honorable Mayor and Board of Commissioners  
City of Johnson City  
Johnson City, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the City) as of and for the fiscal year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 21, 2012, which contains an explanatory paragraph noting the City's early implementation of the provisions of Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our report includes a reference to 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. Other auditors audited the financial statements of the Johnson City Schools Site-Based Fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting (12-01). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated December 21, 2012.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and 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, PLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC

Johnson City, Tennessee  
December 21, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Board of Commissioners  
City of Johnson City  
Johnson City, Tennessee

Compliance

We have audited the City of Johnson City, Tennessee's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance, and the results of that testing, and not to provide a legal determination of the City's compliance with those requirements or an opinion on the effectiveness of the City's internal control over compliance. This report is not suitable for any other purpose.

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

Johnson City, Tennessee  
December 21, 2012

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2012**

Section I - Summary of Auditors' Results

1. The auditors' report based on our audit and the report of other auditors expresses an unqualified opinion on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the City).
2. There is one significant deficiency relating to the audit of the financial statements, however, it is not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There are no significant deficiencies relating to the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs that are required to be disclosed in accordance with section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were as follows:

<u>Program</u>	<u>CFDA Number</u>
Preschool Incentive Project, U.S. Department of Education	84.173
IDEA Project, U.S. Department of Education	84.027
IDEA, ARRA, U.S. Department of Education	84.391
Adult Basic Education, U.S. Department of Education	84.002
Federal Transportation Administration	20.507
Community Development Block Grant	14.218
National School Breakfast Program	10.553
National School Lunch Program	10.555
Disaster Relief Grant	97.036

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was determined to be a low-risk auditee.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2012**

Section II - Financial Statement Findings

Current Year Findings

None

Prior Year Finding Not Implemented

***11-01 Significant Deficiency: Credit Card Purchasing Procedures***

***Condition:*** Several control deficiencies related to credit card purchases were noted during the audit, including an unreasonable number of credit cards issued, policy violations and failure to retain appropriate supporting documentation.

***Criteria:*** Credit card purchases should be made strictly in accordance with the credit card policy manual and adequate review procedures should be in place to ensure propriety of all purchases.

***Effect:*** Failure to monitor and implement adequate controls over credit card purchases could obligate the City for purchases that are improper or noncompliant with their purchasing policies.

***Recommendation:*** We recognize that the City has made a strong effort to implement stronger control and monitoring activities regarding credit cards during the current fiscal year, including advances in the centralization of reconciliation and review procedures to the Finance department. Though the credit card policy manual should be updated and adequate training should be provided to credit card holders of all departments. Strict adherence to the updated policy manual should be implemented including punishment for violations of credit card policies, such as purchases over the specified limits or split-purchases to circumvent the controls already in place. All supporting documentation for credit card transactions should be retained and forwarded to the Finance department. Standardized forms for documentation and review of credit card usage should be used to ensure that all departments are implementing the same control procedures over credit cards. Credit cards issued to individuals that are not required or necessary should be cancelled to reduce the number of credit cards held by the City.

***Management Comments:*** Purchasing will review the list of cardholders and eliminate cards as necessary to ensure that the City maintains a reasonable number of cards. Purchasing will also review and update the procurement card policy, conduct training with all departments and implement an annual cardholder responsibility contract. Procedures were revised mid-year to transfer responsibility for reconciliation, monitoring and supporting documentation storage from Purchasing to Finance. After the transition, Finance forwarded infraction reports to management for comment. Management raised awareness of the importance of compliance with the purchasing card policy by addressing the issue during several monthly department head / division head meetings.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2012**

Section II - Financial Statement Findings (Continued)

Prior Year Findings Implemented

*11-02 Significant Deficiency: Golf Course Budget Variances*

*11-03 Significant Deficiency: Payables Cut-Off Procedures*

Section III - Federal Award Findings and Questioned Costs

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