

City of Johnson City, Tennessee

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2013



Prepared by:

Finance Department

Janet Jennings, CPA, Director of Finance

CITY OF JOHNSON CITY, TENNESSEE

BASIC FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2013

**CITY OF JOHNSON CITY, TENNESSEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2013**

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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 20, 2013

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, 2013 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 and Johnson City Development Authority are discretely presented in the financial statements to emphasize that they are 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 overseeing 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 513,167 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 2013 the City of Johnson City, in conjunction with neighboring municipalities and the business and education community, conducted the 10th 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. An increase of .5 percentage points was experienced during the current fiscal period, ending the year at 8.4%. The year-end State average unemployment rate was 8.8%. A balance of property and sales taxes support the City's finances. Property taxes continued a pattern of healthy growth. Sales tax collections remained steady from the prior fiscal year. As the result of ten (10) years with no tax increase, 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 reached the end of a multi-year school construction and renovation program totaling over \$73 million. In addition, construction of a new community center reached completion, as did water and sewer system improvements. Additional investments at the City's intermediate school and roofing projects at elementary schools will reach completion during the next fiscal year. Water and sewer system and downtown stormwater improvements remain a focus, as the City continues to look forward with the local governing body's adoption of the 5-year Capital Improvement Program.

Financial management policies and practices. Fund balance in the General Fund (27.7% 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, 2012. This was the City's twelfth 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 Mayor and Commissioners for their guidance and support.

Respectfully submitted,



Janet Jennings, CPA
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

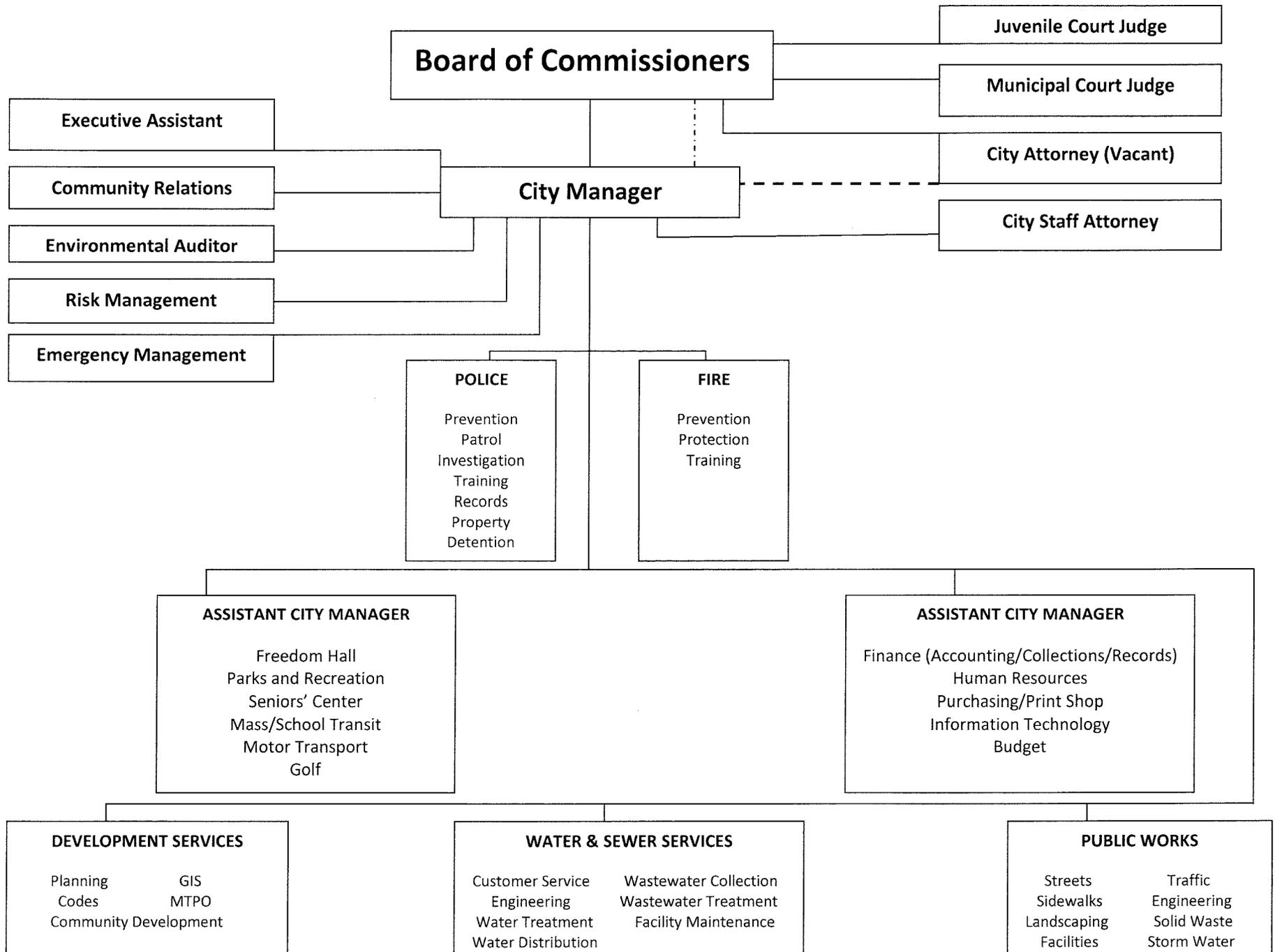
**City of Johnson City
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CITIZENS OF JOHNSON CITY



**CITY OF JOHNSON CITY, TENNESSEE
CITY OFFICIALS
June 30, 2013**

Board of Commissioners:

Ralph Van Brocklin, Mayor
Clayton Stout, Vice-Mayor
Jeff Banyas
Jenny Brock
David Tomita

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 the 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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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%, 1%, and 1%, 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 from material misstatement.

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

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

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 units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the analyses of funding progress for defined benefit pension plans and post-employment healthcare plans on pages 126 through 127, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements 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 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 basic 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 prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements and schedules, supplemental information, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial

statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, 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* in considering the City's internal control over financial reporting and compliance.

Blackburn, Childers and Steagall, PLLC
BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 20, 2013

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, 2013. 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 \$459,351 (*net position*). Of this amount, \$373,334 is invested in capital assets (*net of related debt*) and \$190 is restricted for specific purposes.
- The City's overall net position increased by \$5,232 for the current period.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$37,743, a decrease of \$5,425 in comparison with the prior year. Of this amount, \$218 is nonspendable, \$23,375 is restricted, \$2,081 is committed for specific purposes, and \$7,447 is assigned. In addition, beginning fund balance increased \$46 for adjustments to inventory accounted for under the purchase method.
- At the end of the current fiscal year, fund balance for the general fund was \$20,906, or 28% of total general fund expenditures including transfers out. This balance includes \$12,457 of restricted funds, \$1,471 committed for specific purposes and \$2,356 assigned.
- The City's total outstanding long-term debt increased by \$15,157 (5.5%) during the current fiscal year.

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 two legally separate entities for which the City is financially obligated. Financial information for these component units 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 three 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 32 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 statements can be found on pages 41 and 159 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 44 through 125 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 pages 126 through 127 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 can be found on pages 128 through 158 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 \$459,351, at the close of the most recent fiscal year.

City of Johnson City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 103,251	110,006	96,423	71,773	199,674	181,779
Capital assets	269,477	275,711	370,246	363,698	639,723	639,409
Total assets	<u>372,728</u>	<u>385,717</u>	<u>466,669</u>	<u>435,471</u>	<u>839,397</u>	<u>821,188</u>
Total deferred outflows of resources	148	160	873	1,021	1,021	1,181
Long-term liabilities, outstanding	137,700	143,502	165,755	142,741	303,455	286,243
Other liabilities	12,740	14,995	21,537	23,507	34,277	38,502
Total liabilities	<u>150,440</u>	<u>158,497</u>	<u>187,292</u>	<u>166,248</u>	<u>337,732</u>	<u>324,745</u>
Total deferred inflows of resources	43,009	43,162	326	343	43,335	43,505
Net position:						
Net investment in capital assets	135,680	141,450	237,655	229,641	373,335	371,091
Restricted	190	195	-	-	190	195
Unrestricted	43,557	42,573	42,269	40,260	85,826	82,833
Total net position	<u>\$ 179,427</u>	<u>184,218</u>	<u>279,924</u>	<u>269,901</u>	<u>459,351</u>	<u>454,119</u>

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 \$5,232 from the prior fiscal year. 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 Change in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 10,784	9,407	236,557	229,435	247,341	238,842
Operating grants & contributions	39,259	39,773	1,986	2,045	41,245	41,818
Capital grants & contributions	538	262	207	762	745	1,024
General revenues:						
Property taxes	40,737	39,620	-	-	40,737	39,620
Sales taxes	36,766	36,283	-	-	36,766	36,283
Other taxes	8,933	8,556	-	-	8,933	8,556
Unrestricted investment earnings	708	858	538	672	1,246	1,530
Other	7	6	7	4	14	10
Total revenues	<u>137,732</u>	<u>134,765</u>	<u>239,295</u>	<u>232,918</u>	<u>377,027</u>	<u>367,683</u>
Expenses:						
General government	12,420	9,783	-	-	12,420	9,783
Public safety	31,396	30,769	-	-	31,396	30,769
Public works	12,643	12,037	-	-	12,643	12,037
Public welfare	11,672	11,407	-	-	11,672	11,407
City services	3,554	2,300	-	-	3,554	2,300
Education	66,648	64,997	-	-	66,648	64,997
Interest on long-term debt	5,209	6,562	-	-	5,209	6,562
Water and sewer	-	-	26,702	25,926	26,702	25,926
City solid waste	-	-	8,564	8,404	8,564	8,404
Regional solid waste	-	-	2,484	2,183	2,484	2,183
Power board	-	-	182,309	176,494	182,309	176,494
Public building authority	-	-	1,880	1,865	1,880	1,865
Mass transit	-	-	3,671	4,021	3,671	4,021
Stormwater management	-	-	1,452	1,066	1,452	1,066
Golf courses	-	-	1,191	1,286	1,191	1,286
Total expenses	<u>143,542</u>	<u>137,855</u>	<u>228,253</u>	<u>221,245</u>	<u>371,795</u>	<u>359,100</u>
Increase (decrease) in net position before transfers	(5,810)	(3,090)	11,042	11,673	5,232	8,583
Transfers	1,019	999	(1,019)	(999)	-	-
Increase (decrease) in net position	(4,791)	(2,091)	10,023	10,674	5,232	8,583
Net position, beginning	184,218	187,762	269,901	260,921	454,119	448,683
Prior period adjustment	-	(1,453)	(1,694)	(1,694)	(1,694)	(3,147)
Net position, ending	<u>\$ 179,427</u>	<u>184,218</u>	<u>278,230</u>	<u>269,901</u>	<u>457,657</u>	<u>454,119</u>

Governmental activities. During the current fiscal year, net position for governmental activities decreased \$4,791 from the prior fiscal year due mainly to the expending of bond proceeds received in prior years. Governmental activities reported an ending net position balance of \$179,427.

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 \$10,023. Business-type activities reported an ending net position of \$279,924. Key elements of this increase are:

- Johnson City Power Board contributed 53% of the total growth in net position for business-type activities.
- Water and Sewer Activities reported positive performance and contributed 32% 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 7% 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 \$37,743, a current year decrease of \$5,425. Additionally, beginning fund balance increased \$46 for adjustments to inventory accounted for under the purchase method. Included in ending fund balance are assets of \$218 which are nonspendable, indicating that they are either not in a spendable form or must be maintained intact. Restricted fund balance of \$23,375 includes amounts legally constrained for education (\$190), school debt service (\$1,629), specific capital projects (\$6,461), school food service (\$1,366), public safety (\$1,028), fund balance policy (\$12,095), and other services (\$606). Funds committed for a particular purpose total \$2,081 and include economic development (\$1,471) and education (\$610). Funds assigned for a particular purpose total \$7,447. The remaining unassigned balance of \$4,622 comprises 12.2% 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 \$20,906, including \$12,457 of restricted funds, \$1,471 committed for specific purposes and \$2,356 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 6.1% of total general fund expenditures and transfers out, while total fund balance represents 27.7% of that same amount. In conjunction with the 6.1% 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 decreased by \$378 as a result of investments made in capital equipment. This decrease is less than the fund balance appropriations approved by the City's Board of Commissioners totaling \$2,837.

The general-purpose school fund has a total fund balance of \$5,205, including \$28 of nonspendable assets, \$610 committed for specific purposes and \$4,567 assigned for general education. The net decrease in fund balance was \$708. This decrease resulted from lower revenues as well as the spending of reserved funds set aside from prior years' surpluses.

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 trust fund has a total fund balance of \$1,629, all of which is restricted. The net decrease was \$951. This decrease is attributable to the final payment of principal and compound interest on debt.

Nonmajor (other) governmental funds have a fund balance of \$10,003, including \$190 of nonspendable assets, \$9,289 of restricted funds and \$524 assigned for a particular purpose. The net decrease in fund balance during the current year was \$3,388. 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 \$46 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 \$6,941, \$2,017 and \$29,774, respectively. The Public Building Authority (PBA) is a blended component unit of the City and reported unrestricted net position of \$(16). Nonmajor (other) proprietary funds reported unrestricted net position of \$3,553. Total unrestricted net position of proprietary funds amounted to \$42,269.

As noted earlier in the discussion of business-type activities, the total growth in net position for the proprietary funds was \$10,023. The Johnson City Power Board and Water and Sewer operation contributed reported growth in net position of \$5,292 (53%) and \$3,229 (32%), 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 \$220 increase in expenditures. The increase consists of the following:

\$ 202	Police overtime, drug and law enforcement equipment purchases and inmate medical/dental
8	Student transportation equipment
10	Other
\$ 220	

The increased budget for police was funded by additional donations and reimbursements, as well as the receipt of additional federal special equipment and criminal asset forfeiture funds. The additional student transportation costs were offset by insurance reimbursements resulting from damage claims.

Differences, between the original budget and the final amended budget for the general purpose school fund, represent a \$1,298 increase in expenditures appropriations and a \$25 increase in transfers appropriated, for a total increase in appropriations of \$1,323. The net increase consists of the following:

\$ 400	Additional personnel costs and operating materials for instruction
397	Additional personnel costs and operating materials for support services
362	Capital outlay
164	Increased early childhood and community services costs
<u>\$ 1,323</u>	

This increase in spending for instruction, support services and capital outlay was partially offset (\$435) by additional local property tax collections. The additional early childhood and community service costs were completely funded by additional charges for services. The remaining costs were appropriated from reserves set aside from prior years' surpluses.

Final Amended Budget and Actual Amounts. Differences, between the final amended budget and actual results for the general fund, represent a \$610 decrease in expenditures and a \$2,336 decrease in net transfers, for a total decrease of \$2,946. This decrease consists of the following:

\$ (1,133)	Bond interest savings as the result of lower variable interest rates
(299)	Delayed capital project and equipment spending
(480)	Economic development reserve budgeted as an operating transfer
(452)	Departmental spending lower than expected for student transportation police and fire, due to headcount and spending controls
(147)	Departmental spending lower than expected for municipal court and legal, due to lower activity levels
(196)	Departmental spending lower for senior services, due to staffing and expenditure reductions
(239)	Other
<u>\$ (2,946)</u>	

Since the budget to actual variance represents a reduction in required appropriations, no additional funding was necessary. Revenue shortfalls totaling \$487, when offset with the favorable expenditure performance, resulted in better performance by \$2,459. The final budget anticipated a deficit of \$2,837, while the actual deficit reported was \$378. Revenue experienced lower than anticipated performance, with the most significant decrease being realized in local sales tax (\$698). This shortfall was partially offset by better business tax collections (\$215). As previously mentioned, departmental spending cuts, delayed capital and variable rate interest savings more than offset the revenue shortfall.

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, 2013, amounted to \$639,723 (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 trucks, police vehicles, public works equipment, school buses, information technology equipment, development services vehicle and parks and recreation equipment
- School construction projects on the Science Hill High School campus: electrical, parking lot, hub re-roofing, 10-12 campus renovations
- Construction completed on new multi-purpose athletic facility on the Science Hill High School campus
- Construction in progress on new wing at Indian Trail Intermediate School
- Re-roofing projects in progress at Southside Elementary and Woodland Elementary
- Cardinal Park improvements in progress
- Construction completed on new Memorial Park Community Center
- Construction in progress on grounds improvements and landscape features at Memorial Park Community Center
- Building improvements in progress at Freedom Hall Civic Center
- Renovation commenced for relocation of Juvenile Court
- Sprinkler system improvements completed at five (5) fire stations
- Replacement of gymnasium floor at Keystone Community Center
- Project in progress on Buffalo Street streetscapes
- Improvements in progress at Indian Ridge/State of Franklin intersection
- Improvements in progress at Broadway/Main Street intersection
- Completion of Water and Sewer Improvements on Broadway, Main Street and State of Franklin Road
- Completion of Downtown Brush Creek Sewer Line Interceptor project
- State Route 75 water and sewer improvements in progress
- State Route 36 water and sewer improvements in progress
- Commenced Brush Creek wastewater treatment plant aeration and SCADA project
- Commenced Brush Creek and Knob Creek wet weather flow phase I projects

City of Johnson City's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 21,045	21,013	17,723	17,081	38,768	38,094
Buildings and Improvements	214,191	180,430	53,618	52,714	267,809	233,144
Plant and Lines	-	-	418,194	403,012	418,194	403,012
Vehicles and Equipment	43,412	41,773	43,291	38,778	86,703	80,551
Infrastructure	165,791	162,774	-	-	165,791	162,774
Construction in Progress	17,658	50,930	11,869	16,907	29,527	67,837
Accumulated Depreciation	<u>(192,620)</u>	<u>(181,209)</u>	<u>(174,449)</u>	<u>(164,793)</u>	<u>(367,069)</u>	<u>(346,002)</u>
Total	<u>\$ 269,477</u>	<u>275,711</u>	<u>370,246</u>	<u>363,699</u>	<u>639,723</u>	<u>639,410</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 \$290,192. 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	
	2013	2012	2013	2012	2013	2012
Notes payable	\$ 175	350	1,255	1,275	1,430	1,625
General obligation bonds	131,422	137,548	102,705	76,812	234,127	214,360
Revenue bonds	-	-	54,455	58,695	54,455	58,695
Capital Leases	180	355	-	-	180	355
Total Long-Term Debt	\$ 131,777	138,253	158,415	136,782	290,192	275,035

The City's total debt increased by \$15,157 (5.5%) during the current fiscal year. The \$21,633 business-type activities increase was a result of new debt exceeding 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 5.2%. Additional information on the City's long-term debt can be found in Note 4.I. on pages 87 through 113 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 8.4%, which is an increase of .5% from a year ago. This compares to the state's unemployment rate (not seasonally adjusted) of 8.8% as of June 30, 2013.
- Inflationary trends in the region are comparable to national indices.
- New construction permitted and inspected came in at \$62 million.
- Local sales collection growth is budgeted to approximate 1.97% in fiscal year 2014.

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 2014.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,622. All appropriations lapse at year-end. The City of Johnson City has appropriated \$1,842 of this amount for capital spending and \$375 for increased School funding in the fiscal year 2014 budget.

During the fiscal year, water rates were raised between 3.5% and 4.8%. Sewer rates increased 10.2%. Residential and commercial garbage collection rates remained the same.

Discretely Presented Component Units

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, Tennessee 37604.

The Johnson City Development Authority (JCDA) was established in February 1990, to facilitate business development within the City. To accomplish this function, the JCDA operates a tax increment financing (TIF) program that utilizes tax money provided to the JCDA by the City and Washington County for use in redevelopment projects. The JCDA's Board is approved by the City Commission. Separately issued financial statements may be requested from: Johnson City Development Authority, 300 East Main Street, Suite 406, Johnson City, Tennessee 37601.

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, 2013

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash on Hand	\$ 7,379	22,081	29,460	650
Cash on Deposit with Paying Agent	735,782	166,729	902,511	-
Cash in Bank	20,207,700	17,736,109	37,943,809	944,694
Cash on Deposit with State of Tennessee	225,716	2,140,513	2,366,229	-
Cash Due from Central Depository	1,721,749	7,883,655	9,605,404	-
Investments	18,999,875	-	18,999,875	-
Accounts Receivable (Net)	2,729,053	10,192,536	12,921,589	1,992
Notes Receivable	52,543	341,407	393,950	-
Internal Balances	(3,870,906)	3,870,906	-	-
Taxes Receivable	30,861,901	-	30,861,901	-
Less: Estimated Uncollectible	(126,619)	-	(126,619)	-
Intergovernmental Receivables	21,600,674	463,607	22,064,281	-
Deposits	5,050	-	5,050	-
Inventories	782,965	5,534,666	6,317,631	-
Prepaid Expenses	164,240	102,383	266,623	-
Restricted Assets:				
Cash and Cash Equivalents	40,674	19,478,105	19,518,779	-
Investments	6,054,856	28,478,903	34,533,759	-
Other Assets:				
Customer Base (Net)	-	11,372	11,372	-
Negative OPEB Obligation (Net)	123,745	-	123,745	-
Fair Value of Interest Rate Swap	2,934,394	-	2,934,394	-
Capital Assets:				
Land	21,045,315	17,723,428	38,768,743	-
Book Collection	-	-	-	1,138,049
Buildings and Improvements	214,190,417	53,618,031	267,808,448	1,179,594
Plant in Service	-	418,194,233	418,194,233	-
Equipment and Vehicles	43,412,328	43,290,616	86,702,944	820,618
Infrastructure	165,791,127	-	165,791,127	-
Less: Accumulated Depreciation	(192,619,883)	(174,448,983)	(367,068,866)	(625,541)
Construction in Progress	17,657,410	11,869,009	29,526,419	-
Total Assets	372,727,485	466,669,306	839,396,791	3,460,056
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Bond Refunding Costs	148,103	873,236	1,021,339	-
Total Deferred Outflows of Resources	148,103	873,236	1,021,339	0

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
LIABILITIES				
Accounts Payable	3,710,602	14,686,028	18,396,630	54,262
Accrued Payroll Expenses	4,245,659	1,132,819	5,378,478	42,481
Accrued Expenses	3,699,039	553,851	4,252,890	-
Accrued Interest Payable	502,420	976,254	1,478,674	15,560
Due to State of Tennessee	6,995	-	6,995	-
Deposits Payable	-	3,581,494	3,581,494	-
Deferred Revenue	-	55,349	55,349	-
Matured Bonds and Interest Payable	4,983	33,253	38,236	-
Retainages Payable	190,425	255,032	445,457	-
Unearned Revenue	100,886	-	100,886	-
Contractor Deposits	279,171	250,332	529,503	-
Customer Deposits	-	975	975	-
Special Commission Bonds	-	11,756	11,756	-
Noncurrent Liabilities:				
Due within one year	10,517,633	9,648,723	20,166,356	251,854
Due in more than one year	127,181,786	156,106,374	283,288,160	551,585
Total Liabilities	150,439,599	187,292,240	337,731,839	915,742
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow-Current Property Taxes	40,074,528	-	40,074,528	-
Deferred Inflow on Swap	2,934,394	-	2,934,394	-
Deferred Gain on Bond Refunding	-	326,389	326,389	-
Total Deferred Inflows of Resources	43,008,922	326,389	43,335,311	0
NET POSITION				
Net Investment in Capital Assets	135,679,728	237,654,677	373,334,405	1,731,461
Restricted for/by:				
Imagination Library	-	-	-	18,785
Enabling Legislation	-	-	-	683,435
External Contributions	-	-	-	2,281
School Trust	190,041	-	190,041	-
Unrestricted	43,557,298	42,269,236	85,826,534	108,352
Total Net Position	\$ 179,427,067	279,923,913	459,350,980	2,544,314

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, 2013

Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION							
	Expenses	PROGRAM REVENUES			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General Government	\$ 12,419,584	1,788,816	61,792	-	(10,568,976)	-	(10,568,976)	-
Public Safety	31,395,845	2,029,068	2,279,843	-	(27,086,934)	-	(27,086,934)	-
Public Works	12,642,482	12,469	257,190	537,527	(11,835,296)	-	(11,835,296)	-
Public Welfare	11,672,092	285,930	527,590	-	(10,858,572)	-	(10,858,572)	-
City Services	3,554,162	3,907,698	1,930,717	-	2,284,253	-	2,284,253	-
Education	66,648,109	2,759,877	34,201,888	-	(29,686,344)	-	(29,686,344)	-
Interest on Long-Term Debt	5,209,256	-	-	-	(5,209,256)	-	(5,209,256)	-
Total Governmental Activities	143,541,530	10,783,858	39,259,020	537,527	(92,961,125)	0	(92,961,125)	0
Business-Type Activities								
Water and Sewer	26,701,483	30,059,125	-	-	-	3,357,642	3,357,642	-
City Solid Waste	8,564,272	9,123,389	-	-	-	559,117	559,117	-
Johnson City Power Board	182,309,204	190,986,834	-	-	-	8,677,630	8,677,630	-
JC Public Building Authority	1,879,979	229,889	-	-	-	(1,650,090)	(1,650,090)	-
Regional Solid Waste	2,483,843	2,592,627	-	-	-	108,784	108,784	-
Mass Transit	3,670,997	624,523	1,986,176	206,452	-	(853,846)	(853,846)	-
Stormwater Management	1,452,407	2,158,248	-	-	-	705,841	705,841	-
Golf Courses	1,191,088	782,652	-	-	-	(408,436)	(408,436)	-
Total Business-Type Activities	228,253,273	236,557,287	1,986,176	206,452	0	10,496,642	10,496,642	0
Total Primary Government	\$ 371,794,803	247,341,145	41,245,196	743,979	(92,961,125)	10,496,642	(82,464,483)	0

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION							
	PROGRAM REVENUES				Primary Government			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Component Units								
Johnson City Public Library	1,814,121	61,578	1,682,348	-	-	-	-	(70,195)
Johnson City Development Authority	246,251	14	399,812	-	-	-	-	153,575
Total Component Units	<u>\$ 2,060,372</u>	<u>61,592</u>	<u>2,082,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,380</u>
General Revenues								
Property Taxes					40,737,653	-	40,737,653	-
Sales Taxes					36,766,067	-	36,766,067	-
Beer and Liquor Taxes					2,857,116	-	2,857,116	-
Business Taxes					2,196,371	-	2,196,371	-
Room Occupancy Taxes					1,251,767	-	1,251,767	-
Telephone and Cable Taxes					717,509	-	717,509	-
State of Tennessee Mixed Drink Taxes					615,922	-	615,922	-
Franchise Taxes					369,544	-	369,544	-
State Income Taxes					853,397	-	853,397	-
State of Tennessee Excise Taxes					71,534	-	71,534	-
Unrestricted Investment Earnings					707,660	537,405	1,245,065	1,213
Gain on Disposal of Capital Assets					-	7,370	7,370	-
Other General Revenue					6,828	-	6,828	74,360
E-Rate Reimbursement					-	-	-	11,952
Transfers					1,018,959	(1,018,959)	-	-
Total General Revenues and Transfers					<u>88,170,327</u>	<u>(474,184)</u>	<u>87,696,143</u>	<u>87,525</u>
Change in Net Position					(4,790,798)	10,022,458	5,231,660	170,905
Net Position, Beginning					184,217,865	269,901,455	454,119,320	2,389,570
Prior Period Adjustments					-	-	-	(16,161)
Net Position, Beginning (Restated)					<u>184,217,865</u>	<u>269,901,455</u>	<u>454,119,320</u>	<u>2,373,409</u>
Net Position, Ending					<u>\$ 179,427,067</u>	<u>279,923,913</u>	<u>459,350,980</u>	<u>2,544,314</u>

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

CITY OF JOHNSON CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash on Hand	\$ 5,442	-	-	-	1,937	7,379
Cash on Deposit with Paying Agent	4,983	-	-	-	730,799	735,782
Cash in Bank	8,569	4,545,681	-	959,181	1,758,508	7,271,939
Cash on Deposit with State of Tennessee	461	-	-	-	225,255	225,716
Cash Due from Central Depository	-	-	-	-	1,721,749	1,721,749
Investments	18,999,875	-	-	-	-	18,999,875
Accounts Receivable (Net)	1,308,285	15,392	290	631,044	352,848	2,307,859
Notes Receivable	24,804	-	-	-	27,739	52,543
Due from Other Funds	558,427	936,593	-	-	518,826	2,013,846
Advances to Other Funds	180,000	-	-	-	-	180,000
Taxes Receivable	30,861,901	-	-	-	-	30,861,901
Less: Estimated Uncollectible	(126,619)	-	-	-	-	(126,619)
Due from Washington County	-	14,208,639	-	-	-	14,208,639
Due from State of Tennessee	2,735,724	29,251	-	-	1,300,662	4,065,637
Due from Federal Government	-	-	-	-	211,412	211,412
Due from Local Governments	3,109,582	-	-	-	5,404	3,114,986
Deposits	5,050	-	-	-	-	5,050
Inventories	-	27,345	-	-	190,456	217,801
Restricted Cash and Cash Equivalents	-	-	2,147	38,527	-	40,674
Restricted Investments	-	-	-	-	6,054,856	6,054,856
Total Assets	\$ 57,676,484	19,762,901	2,437	1,628,752	13,100,451	92,171,025

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	1,384,051	143,664	-	-	1,317,642	2,845,357
Accrued Payroll Expenditures	1,138,456	2,819,431	-	-	197,052	4,154,939
Accrued Expenditures	193	-	-	-	5,205	5,398
Due to State of Tennessee	6,995	-	-	-	-	6,995
Due to Other Funds	3,041,392	385,865	2,437	139	1,258,584	4,688,417
Matured Bonds and Interest Payable	4,983	-	-	-	-	4,983
Retainages Payable	-	-	-	-	190,425	190,425
Unearned Revenue	-	-	-	-	100,886	100,886
Contractor Deposits	279,171	-	-	-	-	279,171
Total Liabilities	5,855,241	3,348,960	2,437	139	3,069,794	12,276,571
Deferred Inflows of Resources						
Unearned Revenue - Current Property Taxes	28,865,517	11,209,011	-	-	-	40,074,528
Unavailable Revenue - Property Taxes	1,621,062	-	-	-	-	1,621,062
Unavailable Revenue - Other	428,269	-	-	-	27,739	456,008
Total Deferred Inflows of Resources	30,914,848	11,209,011	0	0	27,739	42,151,598
Fund Balances						
Nonspendable	-	27,345	-	-	190,456	217,801
Restricted	12,457,236	-	-	1,628,613	9,288,635	23,374,484
Committed	1,470,925	610,429	-	-	-	2,081,354
Assigned	2,355,773	4,567,156	-	-	523,827	7,446,756
Unassigned	4,622,461	-	-	-	-	4,622,461
Total Fund Balances	20,906,395	5,204,930	0	1,628,613	10,002,918	37,742,856
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 57,676,484	19,762,901	2,437	1,628,752	13,100,451	92,171,025

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, 2013

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

Total Fund Balances of Governmental Funds	\$ 37,742,856
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	265,690,337
Prepays are expensed when disbursed and are not recognized based upon economic benefit or recorded as assets in the governmental funds.	135,319
Negative net OPEB obligation represents assets of the City that are not recorded at the fund level.	123,745
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.	1,621,062
Other revenues which are earned but not available to finance current period expenditures and are reported as unavailable revenue at the fund level.	456,008
OPEB and termination benefits represent liabilities of the City that are not recorded at the fund level.	(1,754,211)
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.	(2,580,394)
Accrued interest on the notes and bonds payable represents a liability of the City that is generally not recorded at the fund level.	(491,466)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(130,518,140)
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 position.	9,001,951
Net Position of Governmental Activities	<u>\$ 179,427,067</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, 2013

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 55,938,503	22,460,835	-	2,045,854	-	80,445,192
Licenses and Permits	700,729	1,484	-	-	-	702,213
Intergovernmental Revenue	9,739,665	25,422,321	-	-	10,444,553	45,606,539
Charges for Services	963,277	1,213,318	-	-	814,906	2,991,501
Fines and Forfeitures	1,464,956	-	-	-	479,693	1,944,649
Revenue from Use of Property	1,116,928	-	-	-	2,275,251	3,392,179
Investment Earnings	201,504	4,616	454,545	2,396	32,980	696,041
Miscellaneous	952,872	297,554	-	-	529,664	1,780,090
Total Revenues	71,078,434	49,400,128	454,545	2,048,250	14,577,047	137,558,404
Expenditures						
Current						
General Government	11,150,547	-	-	-	-	11,150,547
Public Safety	23,712,346	-	-	-	1,013,785	24,726,131
Public Works	11,521,689	-	-	-	-	11,521,689
Public Welfare	5,414,024	-	-	-	532,804	5,946,828
City Services	-	-	-	-	2,933,658	2,933,658
Education	-	56,247,363	-	-	10,170,835	66,418,198
Miscellaneous	-	-	-	-	7,940	7,940
Capital Outlay	-	213,531	-	-	9,528,398	9,741,929
Debt Service						
Principal Retirement	-	-	6,555,890	1,360,870	-	7,916,760
Interest and Fiscal Charges	-	-	3,540,771	2,800,468	-	6,341,239
Total Expenditures	51,798,606	56,460,894	10,096,661	4,161,338	24,187,420	146,704,919

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,279,828	(7,060,766)	(9,642,116)	(2,113,088)	(9,610,373)	(9,146,515)
Other Financing Sources (Uses)						
Transfers from Other Funds	4,003,966	8,538,675	9,642,116	1,161,942	3,282,641	26,629,340
Transfers to Other Funds	(23,792,306)	(2,185,626)	-	-	(91,096)	(26,069,028)
Sale of Real Estate and Other Equipment	130,386	-	-	-	-	130,386
Bond Issuance	-	-	-	-	3,030,475	3,030,475
Total Other Financing Sources (Uses)	(19,657,954)	6,353,049	9,642,116	1,161,942	6,222,020	3,721,173
Net Change in Fund Balances	(378,126)	(707,717)	0	(951,146)	(3,388,353)	(5,425,342)
Fund Balances, July 1, 2012	21,284,521	5,912,647	-	2,579,759	13,345,320	43,122,247
Purchase Method Inventory Adjustment	-	-	-	-	45,951	45,951
Fund Balances, July 1, 2012 (Restated)	21,284,521	5,912,647	0	2,579,759	13,391,271	43,168,198
Fund Balances, June 30, 2013	\$ 20,906,395	5,204,930	0	1,628,613	10,002,918	37,742,856

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, 2013

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

Net Change in Fund Balances of Governmental Funds	\$ (5,425,342)
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 is exceeded by depreciation.	(2,349,884)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.	(3,380,223)
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.	6,000,999
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.	45,951
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	161,750
Liability for OPEB and termination benefits are not reported in the governmental funds.	(464,092)
Premiums paid for insurance from the governmental funds are expensed as paid. A portion of the payments are prepaid insurance.	14
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.	56,570
Expenses for compensated absences do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	(92,525)
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.	655,984
Change in Net Position of Governmental Activities	<u>\$ (4,790,798)</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property Tax (Net of Discounts)	\$ 28,411,221	28,411,221	28,247,958	(163,263)
Property Tax - Penalty and Interest	355,000	355,000	400,695	45,695
Other Fees - Taxes	-	-	2,884	2,884
Received in Lieu of Taxes	1,469,700	1,469,700	1,650,350	180,650
Local Sales Tax	19,302,750	19,302,750	18,604,998	(697,752)
Business Tax	1,651,750	1,651,750	1,866,905	215,155
Local Beer Tax	2,146,000	2,146,000	2,202,886	56,886
Local Liquor Tax	612,000	612,000	623,007	11,007
Hotel/Motel Tax	1,181,000	1,181,000	1,251,767	70,767
Franchise Tax	400,000	400,000	369,544	(30,456)
Telephone Commissions/Cable	750,000	750,000	717,509	(32,491)
Total Taxes	56,279,421	56,279,421	55,938,503	(340,918)
Licenses and Permits				
Building Permits	465,000	465,000	404,597	(60,403)
Electrical Permits and Electrician Certificates	48,000	48,000	55,423	7,423
Plumbing Permits and Plumbers Certificates	36,000	36,000	30,687	(5,313)
Natural Gas Permits	8,750	8,750	9,569	819
Zoning Permits and Fees	8,585	8,585	16,110	7,525
Mechanical Permits	34,750	34,750	39,900	5,150
Sign Permits	17,500	17,500	16,161	(1,339)
Plan Review Permits	61,000	61,000	39,242	(21,758)
Beverage and Private Club Permits	100,000	100,000	85,702	(14,298)
Other Fees and Licenses	3,000	3,000	3,338	338
Total Licenses and Permits	782,585	782,585	700,729	(81,856)
Intergovernmental Revenues				
State of Tennessee				
Boarding of Prisoners	1,650,500	1,703,660	1,536,546	(167,114)
Sales Tax	4,175,000	4,175,000	4,370,839	195,839
Income Tax	520,000	520,000	768,159	248,159
Beer Tax	30,000	30,000	31,223	1,223
Mixed Drink Tax	565,000	565,000	615,922	50,922
State Street Aid	1,580,000	1,580,000	1,629,929	49,929
Highway Maintenance	290,600	290,600	171,400	(119,200)
Street and Transit	123,000	123,000	129,388	6,388
Excise Taxes	120,000	120,000	50,045	(69,955)
Civil Defense	55,100	55,100	58,350	3,250
Fire Supplement	69,000	69,000	67,800	(1,200)
Police Supplement	86,000	86,000	81,600	(4,400)

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues (Continued)				
Intergovernmental Revenues (Continued)				
State of Tennessee (Continued)				
First TN-VA Development				
District Senior Citizens Grant	60,000	60,000	64,799	4,799
Telecommunications	4,000	4,000	5,415	1,415
Other	-	-	2,000	2,000
Total State of Tennessee	9,328,200	9,381,360	9,583,415	202,055
Washington County				
Public Safety	209,100	209,100	109,058	(100,042)
Senior Citizens	50,000	50,000	40,500	(9,500)
Juvenile Court	4,500	4,500	4,500	-
Total Washington County	263,600	263,600	154,058	(109,542)
Federal Emergency Management	-	49,718	2,192	(47,526)
Total Intergovernmental Revenues	9,591,800	9,694,678	9,739,665	44,987
Charges for Services				
School Bus Charters	89,000	89,000	117,520	28,520
Accident Reports	20,000	20,000	5,408	(14,592)
Sidewalk Assessments/Curb Cuts	4,000	4,000	1,210	(2,790)
Special Work Charges	2,500	2,500	11,259	8,759
Administrative Fees from Other Funds	806,673	806,673	806,673	-
Miscellaneous Services	10,200	10,200	21,207	11,007
Total Charges for Services	932,373	932,373	963,277	30,904
Fines and Forfeitures				
Municipal Courts - Fines and Court Costs	1,422,500	1,422,500	1,464,956	42,456
Total Fines and Forfeitures	1,422,500	1,422,500	1,464,956	42,456
Revenue From Use of Property				
Rents from Buildings and Equipment	478,000	478,000	278,921	(199,079)
Parks and Recreation	498,200	498,200	484,645	(13,555)
Print Shop Charges	48,000	48,000	50,067	2,067
Computer Services (MIS)	268,000	268,000	303,295	35,295
Total Revenue From Use of Property	1,292,200	1,292,200	1,116,928	(175,272)
Investment Earnings				
Investment Income	265,000	265,000	201,504	(63,496)
Total Investment Earnings	265,000	265,000	201,504	(63,496)

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues (Continued)				
Miscellaneous				
Refunds and Reimbursements	200,000	235,502	171,427	(64,075)
Senior Citizens	75,550	75,550	71,938	(3,612)
Donations	79,950	79,950	47,685	(32,265)
Damages	-	-	3,427	3,427
Insurance Recovery	-	-	5,027	5,027
Sale of Methane Gas	250,000	250,000	180,255	(69,745)
Miscellaneous	246,600	255,831	473,113	217,282
Total Miscellaneous	852,100	896,833	952,872	56,039
Total Revenues	71,417,979	71,565,590	71,078,434	(487,156)
Expenditures				
General Government				
City Commission	69,201	69,201	59,901	9,300
City Court	389,014	389,014	285,303	103,711
Staff Attorney	337,276	337,276	293,773	43,503
Juvenile Court	723,822	723,822	701,988	21,834
City Manager	357,847	357,847	379,615	(21,768)
Management Services	427,698	427,698	446,772	(19,074)
Community Relations Office	286,760	286,760	254,511	32,249
Purchasing	173,318	173,318	166,275	7,043
Human Resources	348,722	348,722	343,400	5,322
Planning	616,757	616,757	595,004	21,753
Miscellaneous Appropriations	250,000	250,000	449,234	(199,234)
Risk Management	358,681	358,681	274,232	84,449
Management Information Systems	1,025,323	1,025,323	972,803	52,520
Central Print Shop	105,077	105,077	100,775	4,302
Special Appropriations	4,256,881	4,256,881	4,306,886	(50,005)
Finance Administration	190,642	190,642	192,141	(1,499)
Accounting	784,225	784,225	763,237	20,988
Collections	431,079	431,079	428,433	2,646
Records Management	57,732	57,732	57,256	476
General Elections	75,000	75,000	79,008	(4,008)
Total General Government	11,265,055	11,265,055	11,150,547	114,508
Public Safety				
Student Transportation	1,967,869	1,976,345	2,119,172	(142,827)
Police Department	12,637,907	12,839,621	12,404,677	434,944
Fire Department	9,128,377	9,128,377	8,966,535	161,842

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Public Safety (Continued)				
Civil Defense	219,620	219,620	221,962	(2,342)
Total Public Safety	23,953,773	24,163,963	23,712,346	451,617
Public Works				
Administration	320,682	320,682	316,939	3,743
Streets	5,533,084	5,533,084	5,814,098	(281,014)
Engineering	807,119	807,119	790,337	16,782
Inspection	801,769	801,769	730,425	71,344
Traffic Control	2,607,637	2,607,637	2,591,318	16,319
Sidewalks	54,810	54,810	48,702	6,108
Mowing	301,512	301,512	316,683	(15,171)
General Facilities	509,465	509,465	479,364	30,101
Municipal Building	238,066	238,066	247,609	(9,543)
Keystone	165,135	165,135	159,726	5,409
Facilities Center	17,050	17,050	26,488	(9,438)
Total Public Works	11,356,329	11,356,329	11,521,689	(165,360)
Public Welfare				
Parks and Recreation	4,781,931	4,791,678	4,778,036	13,642
Senior Citizens	831,629	831,629	635,988	195,641
Total Public Welfare	5,613,560	5,623,307	5,414,024	209,283
Total Expenditures	52,188,717	52,408,654	51,798,606	610,048
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,229,262	19,156,936	19,279,828	122,892
Other Financing Sources (Uses)				
Transfer to General Purpose School Fund	(8,538,675)	(8,538,675)	(8,538,675)	-
Transfer to Insurance Fund	(390,000)	(390,000)	(326,255)	63,745
Transfer to Mass Transit	(653,000)	(653,000)	(653,000)	-
Transfer to Freedom Hall	(200,000)	(200,000)	(219,122)	(19,122)
Transfer to Transportation Planning	(65,000)	(65,000)	(67,746)	(2,746)
Transfer to Capital Projects	(2,515,422)	(2,515,422)	(2,216,164)	299,258
Transfer to Special School Projects	(10,500)	(10,500)	(10,500)	-
Transfer to Police Grants	(11,640)	(11,640)	(10,545)	1,095
Transfer to Debt Service	(10,453,993)	(10,453,993)	(9,321,375)	1,132,618
Transfer to Proprietary Funds	(2,481,052)	(2,481,052)	(2,428,924)	52,128
Transfers to Other Funds	(780,000)	(780,000)	-	780,000

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Other Financing Sources (Uses) (Continued)				
Transfer from Freedom Hall	-	-	21,000	21,000
Transfer from Capital Projects	-	9,747	9,747	-
Transfer from Proprietary Funds	3,973,000	3,973,000	3,973,219	219
Sale of Real Estate and Other Equipment	60,000	122,579	130,386	7,807
Total Other Financing Sources (Uses)	<u>(22,066,282)</u>	<u>(21,993,956)</u>	<u>(19,657,954)</u>	<u>2,336,002</u>
Net Change in Fund Balance	(2,837,020)	(2,837,020)	(378,126)	2,458,894
Fund Balance, July 1, 2012	<u>21,284,521</u>	<u>21,284,521</u>	<u>21,284,521</u>	<u>-</u>
Fund Balance, June 30, 2013	<u>\$ 18,447,501</u>	<u>18,447,501</u>	<u>20,906,395</u>	<u>2,458,894</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 PURPOSE SCHOOL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Local Sales Tax	\$ 11,702,358	11,702,358	11,744,376	42,018
County Property Tax	9,302,704	9,826,367	10,076,256	249,889
Interest and Penalty	95,000	95,000	117,452	22,452
Business Tax	260,000	260,000	329,466	69,466
In Lieu - Local Utilities	131,000	131,000	193,285	62,285
Total Taxes	21,491,062	22,014,725	22,460,835	446,110
Licenses and Permits				
Marriage Licenses	1,300	1,300	1,484	184
Total Licenses and Permits	1,300	1,300	1,484	184
Intergovernmental Revenues				
State of Tennessee				
Basic Education Program	24,604,000	24,604,000	24,984,037	380,037
Career Ladder Program	431,000	340,700	339,279	(1,421)
Bank Excise Tax	21,000	21,000	13,690	(7,310)
Mixed Drink Tax	2,000	2,000	3,074	1,074
Telecommunication Tax	4,000	4,000	4,725	725
Other State of Tennessee Funds	15,000	15,000	24,872	9,872
Total State of Tennessee	25,077,000	24,986,700	25,369,677	382,977
Federal				
ROTC Reimbursement	46,000	46,000	52,644	6,644
Total Federal	46,000	46,000	52,644	6,644
Total Intergovernmental Revenues	25,123,000	25,032,700	25,422,321	389,621
Charges for Services				
School Tuition	225,000	225,000	213,622	(11,378)
Educare Revenue	828,751	958,751	852,989	(105,762)
Other Charges	126,249	160,849	146,707	(14,142)
Total Charges for Services	1,180,000	1,344,600	1,213,318	(131,282)
Investment Earnings				
Investment Income	3,600	3,600	4,616	1,016
Total Investment Earnings	3,600	3,600	4,616	1,016

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues (Continued)				
Miscellaneous Revenues				
Refunds and Reimbursements	163,000	163,000	176,667	13,667
Other Local Revenue	108,000	108,500	120,887	12,387
Total Miscellaneous Revenues	271,000	271,500	297,554	26,054
Total Revenues	48,069,962	48,668,425	49,400,128	731,703
Expenditures				
Instruction				
Regular Education	32,041,205	32,580,992	31,415,442	1,165,550
Special Education	4,457,686	4,423,936	4,222,115	201,821
Vocational Education	1,648,440	1,636,540	1,606,236	30,304
Adult Education	-	32,216	9,402	22,814
Alternative Education	780,699	629,549	604,617	24,932
Preschool	176,249	219,693	174,352	45,341
Total Instruction	39,104,279	39,522,926	38,032,164	1,490,762
Support Services				
Health Services	208,647	228,460	219,453	9,007
Student Support	1,524,286	1,526,005	1,476,242	49,763
Regular Education	2,395,831	2,446,239	2,343,329	102,910
Alternative Education	63,059	66,259	48,170	18,089
Special Education	228,182	228,182	226,630	1,552
Vocational Education	82,038	107,038	106,148	890
Board of Education	744,450	773,580	760,240	13,340
Office of Director of Schools	544,982	544,982	529,799	15,183
Office of Principal	4,123,287	4,161,187	4,001,699	159,488
Fiscal Services	386,789	463,814	439,110	24,704
Operation of Plant	5,101,924	5,082,824	4,608,701	474,123
Maintenance of Plant	1,596,194	1,594,907	1,580,688	14,219
Transportation	2,112,469	2,264,549	206,368	2,058,181
Other Support	849,726	852,450	833,119	19,331
Community Services	831,004	953,504	835,503	118,001
Other Capital Outlay	63,025	441,139	213,531	227,608
Total Support Services	20,855,893	21,735,119	18,428,730	3,306,389
Total Expenditures	59,960,172	61,258,045	56,460,894	4,797,151
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,890,210)	(12,589,620)	(7,060,766)	5,528,854

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
Transfer from General Fund	10,506,544	10,506,544	8,538,675	(1,967,869)
Transfer to Educational Facilities Debt Service	(54,500)	(54,500)	(438,076)	(383,576)
Transfer to Debt Service	(1,449,236)	(1,449,236)	(1,044,607)	404,629
Transfer to Special School Project	(12,538)	(37,458)	(31,584)	5,874
Transfer to School Site Based Fund	-	-	(671,359)	(671,359)
Total Other Financing Sources (Uses)	8,990,270	8,965,350	6,353,049	(2,612,301)
Net Change in Fund Balance	(2,899,940)	(3,624,270)	(707,717)	2,916,553
Fund Balance, July 1, 2012	5,912,647	5,912,647	5,912,647	-
Fund Balance, June 30, 2013	\$ 3,012,707	2,288,377	5,204,930	2,916,553

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, 2013

	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		
ASSETS							
Current Assets							
Cash on Hand	\$ -	100	19,300	-	2,681	22,081	-
Cash on Deposit with Paying Agent	138,592	-	-	-	28,137	166,729	-
Cash in Bank	5,174	-	17,255,942	474,993	-	17,736,109	12,935,761
Cash on Deposit with State of Tennessee	1,653,256	-	-	487,257	-	2,140,513	-
Cash Due from Central Depository	1,095,544	2,876,294	-	-	3,911,817	7,883,655	-
Accounts Receivable (Net)	1,463,037	472,983	8,063,254	3,672	189,590	10,192,536	421,194
Notes Receivable	-	-	61,402	-	-	61,402	-
Due from Other Funds	4,210,159	-	581,584	-	2,216,612	7,008,355	9,087
Due from Federal Government	-	-	-	-	369,314	369,314	-
Due from State of Tennessee	-	-	-	-	94,293	94,293	-
Inventories	1,477,775	9,933	3,985,935	-	61,023	5,534,666	565,164
Prepaid Expenses	-	-	100,133	-	2,250	102,383	28,921
Total Current Assets	10,043,537	3,359,310	30,067,550	965,922	6,875,717	51,312,036	13,960,127
Noncurrent Assets							
Capital Assets							
Land	3,106,191	2,100,747	5,255,030	2,281,070	4,980,390	17,723,428	-
Buildings and Improvements	402,798	1,125,249	28,280,398	18,790,894	5,018,692	53,618,031	-
Plant in Service	217,346,588	-	200,847,645	-	-	418,194,233	-
Equipment and Vehicles	10,523,873	8,869,623	12,989,992	1,974,673	8,932,455	43,290,616	5,474,292
Less: Accumulated Depreciation	(83,565,265)	(6,051,107)	(68,212,214)	(8,257,558)	(8,362,839)	(174,448,983)	(1,696,899)
Construction In Progress	5,728,232	28,190	3,624,752	-	2,487,835	11,869,009	8,984
Net Capital Assets	153,542,417	6,072,702	182,785,603	14,789,079	13,056,533	370,246,334	3,786,377
Restricted Assets							
Cash and Cash Equivalents	9	2	19,478,094	-	-	19,478,105	-
Investments	23,867,972	-	1,967,535	-	2,643,396	28,478,903	-
Total Restricted Assets	23,867,981	2	21,445,629	0	2,643,396	47,957,008	0

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	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		
ASSETS (CONTINUED)							
Noncurrent Assets (Continued)							
Other Assets							
Customer Base (Net)	11,372	-	-	-	-	11,372	-
Note Receivable	-	-	280,005	-	-	280,005	-
Total Other Assets	11,372	0	280,005	0	0	291,377	0
Total Noncurrent Assets	177,421,770	6,072,704	204,511,237	14,789,079	15,699,929	418,494,719	3,786,377
Total Assets	187,465,307	9,432,014	234,578,787	15,755,001	22,575,646	469,806,755	17,746,504
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Bond Refunding Costs	459,329	22,611	-	370,441	20,855	873,236	-
Total Deferred Outflows of Resources	459,329	22,611	0	370,441	20,855	873,236	0
LIABILITIES							
Current Liabilities							
Accounts Payable	1,111,093	718,380	12,145,024	75,686	635,845	14,686,028	865,245
Accrued Payroll Expenses	415,390	88,892	446,887	-	181,650	1,132,819	90,720
Accrued Expenses	101,800	5,800	441,058	-	5,193	553,851	3,693,641
Accrued Interest Payable	371,096	14,392	374,506	198,163	18,097	976,254	10,954
Due to Other Funds	202,911	2,253	-	528,244	2,224,041	2,957,449	1,385,422
Deposits Payable	-	-	3,581,494	-	-	3,581,494	-
Unearned Revenue	4,722	20,805	-	-	29,822	55,349	-
Matured Bonds and Interest Payable	33,253	-	-	-	-	33,253	-
Retainages Payable	202,392	-	-	-	52,640	255,032	-
Contractor Deposits	250,332	-	-	-	-	250,332	-
Customer Deposits	-	975	-	-	-	975	-
Special Commission Bonds	-	-	-	-	11,756	11,756	-
Notes and Bonds Payable - Current Portion	4,114,828	506,318	2,735,000	875,000	425,000	8,656,146	387,000
Compensated Absences - Current Portion	349,441	65,685	404,135	-	135,936	955,197	57,744
Deferred Landfill Postclosure Cost - Current Portion	-	37,380	-	-	-	37,380	-
Total Current Liabilities	7,157,258	1,460,880	20,128,104	1,677,093	3,719,980	34,143,315	6,490,726

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	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		
LIABILITIES (CONTINUED)							
Noncurrent Liabilities							
Compensated Absences Payable	71,572	13,454	2,259,764	-	27,842	2,372,632	11,827
OPEB Liability	-	-	2,740,712	-	-	2,740,712	-
Advances from Other Funds	-	-	-	180,000	-	180,000	-
Notes and Bonds Payable	85,328,942	1,164,475	46,415,000	10,765,000	6,085,000	149,758,417	2,242,000
Plus: Bond Premiums and Discounts (Net)	791,865	31,690	(265,414)	19,225	283,447	860,813	-
Deferred Landfill Postclosure Cost	-	373,800	-	-	-	373,800	-
Total Noncurrent Liabilities	86,192,379	1,583,419	51,150,062	10,964,225	6,396,289	156,286,374	2,253,827
Total Liabilities	93,349,637	3,044,299	71,278,166	12,641,318	10,116,269	190,429,689	8,744,553
DEFERRED INFLOWS OF RESOURCES							
Deferred Gain on Bond Refunding	-	-	326,389	-	-	326,389	-
Total Deferred Inflows of Resources	0	0	326,389	0	0	326,389	0
NET POSITION							
Net Investment in Capital Assets	87,634,092	4,392,832	133,200,121	3,500,295	8,927,337	237,654,677	1,146,423
Unrestricted	6,940,907	2,017,494	29,774,111	(16,171)	3,552,895	42,269,236	7,855,528
Total Net Position	\$ 94,574,999	6,410,326	162,974,232	3,484,124	12,480,232	279,923,913	9,001,951

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, 2013

	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		
Operating Revenues							
Charges for Services (Net)	\$ 29,750,192	8,996,315	187,158,958	183,240	5,982,483	232,071,188	26,486,959
Other Revenue	308,933	127,074	3,827,876	46,649	175,567	4,486,099	1,103,946
Total Operating Revenues	30,059,125	9,123,389	190,986,834	229,889	6,158,050	236,557,287	27,590,905
Operating Expenses							
Administration	398,796	261,243	-	-	344,636	1,004,675	-
Personnel Services	8,510,824	2,357,733	-	-	4,270,891	15,139,448	2,248,185
Contractual Services	1,010,188	2,745,017	-	4,543	715,816	4,475,564	19,074,816
Materials and Supplies	1,251,888	141,851	-	-	402,523	1,796,262	38,807
Repairs and Maintenance	2,492,482	1,886,761	9,189,308	25,793	1,560,651	15,154,995	5,363,471
Items for Resale	-	-	-	-	33,728	33,728	-
Other Operating Expenses	4,053,413	280,473	161,692,000	690,861	300,562	167,017,309	127,302
Depreciation and Amortization	5,382,262	806,856	8,004,077	533,755	963,350	15,690,300	513,305
Tax Equivalent	-	-	1,078,569	-	-	1,078,569	-
Total Operating Expenses	23,099,853	8,479,934	179,963,954	1,254,952	8,592,157	221,390,850	27,365,886
Operating Income (Loss)	6,959,272	643,455	11,022,880	(1,025,063)	(2,434,107)	15,166,437	225,019
Nonoperating Revenue (Expenses)							
Investment Income	415,283	2,886	114,261	1,014	3,961	537,405	11,619
Operating Grants	-	-	-	-	1,986,176	1,986,176	-
Interest Expenses and Commissions	(3,515,976)	(76,465)	(2,348,582)	(581,125)	(198,715)	(6,720,863)	(39,301)
Amortization of Loss on Refunding	(85,654)	(7,873)	(13,550)	(43,902)	(7,463)	(158,442)	-
Amortization of Gain on Refunding	-	-	16,882	-	-	16,882	-
Gain (Loss) on Sale of Capital Assets	23,683	-	-	-	(16,313)	7,370	-
Total Nonoperating Revenues (Expenses)	(3,162,664)	(81,452)	(2,230,989)	(624,013)	1,767,646	(4,331,472)	(27,682)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	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	3,796,608	562,003	8,791,891	(1,649,076)	(666,461)	10,834,965	197,337
Transfers and Capital Contributions:							
Transfers In	-	34,086	-	1,920,488	1,161,436	3,116,010	472,832
Transfers Out	(567,566)	(18,913)	(3,500,219)	-	(48,271)	(4,134,969)	(14,185)
Federal Capital Grant Revenue	-	-	-	-	187,858	187,858	-
State Capital Grant Revenue	-	-	-	-	18,594	18,594	-
Total Transfers and Capital Contributions	(567,566)	15,173	(3,500,219)	1,920,488	1,319,617	(812,507)	458,647
Change in Net Position	3,229,042	577,176	5,291,672	271,412	653,156	10,022,458	655,984
Net Position, July 1, 2012	91,345,957	5,833,150	157,682,560	3,212,712	11,827,076	269,901,455	8,345,967
Net Position, June 30, 2013	\$ 94,574,999	6,410,326	162,974,232	3,484,124	12,480,232	279,923,913	9,001,951

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, 2013

	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		
Cash Flows from Operating Activities							
Receipts from Customers and Users	\$ 28,871,266	8,889,597	180,688,343	317,592	6,121,885	224,888,683	311,883
Receipts from Interfund Services Provided	1,099,906	227,622	5,928,226	-	-	7,255,754	27,326,731
Receipts from Rentals and Other Sales	-	-	3,811,159	-	-	3,811,159	-
Payments to Employees	(8,526,944)	(2,359,729)	(9,179,709)	-	(4,273,707)	(24,340,089)	(2,230,965)
Payments for Contractor Deposits	(221,853)	-	-	-	-	(221,853)	-
Payments to Suppliers	(4,090,080)	(2,716,800)	(161,239,587)	(804,132)	(1,723,754)	(170,574,353)	(25,179,316)
Payments for Interfund Services Used	(5,317,963)	(2,165,287)	-	-	(1,243,657)	(8,726,907)	(42,372)
Payments for Tax Equivalents	-	-	(1,078,569)	-	-	(1,078,569)	-
Change in Customer Deposits	-	-	173,586	-	-	173,586	-
Net Cash Provided by (Used for) Operating Activities	11,814,332	1,875,403	19,103,449	(486,540)	(1,119,233)	31,187,411	185,961
Cash Flows from Noncapital Financing Activities							
Transfers to Other Funds	(567,566)	(18,913)	(3,500,219)	-	(48,271)	(4,134,969)	(14,185)
Transfers from Other Funds	-	34,086	-	1,920,488	1,161,436	3,116,010	705,582
Operating Grants Received	-	-	-	-	2,074,059	2,074,059	-
Loans from (to) Other Funds	(1,286,031)	-	-	(55,000)	-	(1,341,031)	472,832
Interest Paid on Loans from Other Funds	-	-	-	(12,000)	-	(12,000)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,853,597)	15,173	(3,500,219)	1,853,488	3,187,224	(297,931)	1,164,229
Cash Flows from Capital and Related Financing Activities							
Proceeds from Bonds Issued	24,000,000	-	-	-	5,935,000	29,935,000	-
Purchase of Capital Assets	(9,288,814)	(1,252,026)	(9,537,494)	(29,871)	(2,566,242)	(22,674,447)	(8,984)
Deposit on Capital Asset	-	-	-	18,459	-	18,459	-
Receipts (Payments) of Construction Retainages	(79,483)	-	-	-	23,377	(56,106)	-
Capital Grants Received	10,345	-	-	-	206,452	216,797	-
Principal Paid on Capital Debt	(4,012,049)	(471,233)	(2,625,000)	(825,000)	(220,000)	(8,153,282)	-
Interest Paid on Capital Debt	(2,948,032)	(90,250)	(2,366,082)	(584,148)	(44,887)	(6,033,399)	-
Deposit Refund for Sale of Land	-	-	-	(10,000)	-	(10,000)	-
Sale of Capital Assets	23,683	-	-	-	-	23,683	-
Bonds Payable Related to Communication Equipment	-	-	-	-	-	-	(368,000)
Communication Equipment	-	-	-	-	-	-	(11,003)
Acquisition of Note Receivable	-	-	(291,183)	-	-	(291,183)	-
Proceeds from Notes Receivable	-	-	41,273	-	-	41,273	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	7,705,650	(1,813,509)	(14,778,486)	(1,430,560)	3,333,700	(6,983,205)	(387,987)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	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		
Cash Flows from Investing Activities							
Interest and Related Income (Expenses) on Investments	430,901	2,886	114,261	1,014	(2,063)	546,999	(5,724)
Amortization of Bond Premium	(15,618)	-	-	-	-	(15,618)	-
Purchase of Investments	(19,938,502)	-	-	-	(2,643,396)	(22,581,898)	-
Sale of Investments	-	-	25,754	-	-	25,754	-
Net Cash Provided by (Used for) Investing Activities	(19,523,219)	2,886	140,015	1,014	(2,645,459)	(22,024,763)	(5,724)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,856,834)	79,953	964,759	(62,598)	2,756,232	1,881,512	956,479
Cash and Cash Equivalents, July 1, 2012	7,673,537	2,796,443	35,788,577	1,024,848	3,307,613	50,591,018	11,979,282
Reclassified to Properly Reflect Cash Due from Other Funds	(2,924,128)	-	-	-	(2,121,210)	(5,045,338)	-
Adjusted Cash and Cash Equivalents, July 1, 2012	4,749,409	2,796,443	35,788,577	1,024,848	1,186,403	45,545,680	11,979,282
Cash and Cash Equivalents, June 30, 2013	\$ 2,892,575	2,876,396	36,753,336	962,250	3,942,635	47,427,192	12,935,761
Classified as:							
Current Assets	\$ 2,892,566	2,876,394	17,275,242	962,250	3,942,635	27,949,087	12,935,761
Restricted Assets	9	2	19,478,094	-	-	19,478,105	-
Totals	\$ 2,892,575	2,876,396	36,753,336	962,250	3,942,635	47,427,192	12,935,761
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Operating Income (Loss)	\$ 6,959,272	643,455	11,022,880	(1,025,063)	(2,434,107)	15,166,437	225,019
Adjustments:							
Depreciation	5,359,519	806,856	8,446,830	533,755	963,350	16,110,310	513,305
Amortization of Customer Base	22,743	-	-	-	-	22,743	-
Landfill Postclosure Cost	-	(37,380)	-	-	-	(37,380)	-
Changes in the Allowance for Uncollectible Receivables	71,537	-	(327,918)	-	-	(256,381)	-
Changes in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	(163,139)	(6,260)	(559,106)	87,703	(34,688)	(675,490)	(293,773)
(Increase) Decrease in Inventories	34,569	(9,933)	27,755	-	18,299	70,690	(45,094)
(Increase) Decrease in Prepaid Expenses	-	-	(31,337)	-	-	(31,337)	(2,057)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(238,306)	478,231	(280,140)	(82,935)	372,206	249,056	(228,659)
Increase (Decrease) in Accrued Payroll Expenses	(7,239)	-	56,035	-	(4,113)	44,683	6,944
Increase (Decrease) in Compensated Absences	(8,881)	(3,733)	173,586	-	1,297	162,269	10,276
Increase (Decrease) in Customer Deposits	(221,853)	-	21,868	-	-	(199,985)	-
Increase (Decrease) in Other Payables	2,462	4,167	552,996	-	-	559,625	-
Increase (Decrease) in Deferred Revenue	3,648	-	-	-	(1,477)	2,171	-
Net Cash Provided by (Used for) Operating Activities	\$ 11,814,332	1,875,403	19,103,449	(486,540)	(1,119,233)	31,187,411	185,961

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds	Total	
Reconciliation of Cash and Cash Equivalents to Statement of Cash Flows							
Cash on Hand	\$ -	100	19,300	-	2,681	22,081	-
Cash on Deposit with Paying Agent	138,592	-	-	-	28,137	166,729	-
Cash in Bank	5,174	-	17,255,942	474,993	-	17,736,109	12,935,761
Cash on Deposit with State of Tennessee	1,653,256	-	-	487,257	-	2,140,513	-
Cash Due From Central Depository	1,095,544	2,876,294	-	-	3,911,817	7,883,655	-
Restricted Cash	9	2	19,478,094	-	-	19,478,105	-
	<u>\$ 2,892,575</u>	<u>2,876,396</u>	<u>36,753,336</u>	<u>962,250</u>	<u>3,942,635</u>	<u>47,427,192</u>	<u>12,935,761</u>

Non-Cash Capital and Related Financing Activities

Water and Sewer:

- Amortization of Deferred Bond Refunding totaling \$85,654 as shown on the Statement of Revenues, Expenses, and Changes in Net Position.
- Interest paid on capital debt includes \$235,125 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 \$7,873 as shown on the Statement of Revenues, Expenses, and Changes in Net Position.

Johnson City Public Building Authority:

- 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 \$7,463 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 FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2013

	<u>NETCO Fund</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 50,852</u>
Total Assets	<u><u>\$ 50,852</u></u>
LIABILITIES	
Due to Cooperative	<u>\$ 50,852</u>
Total Liabilities	<u><u>\$ 50,852</u></u>

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

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2013

	Johnson City Public Library	Johnson City Development Authority	Total Component Units
ASSETS			
Cash on Hand	\$ 650	-	650
Cash in Bank	220,428	724,266	944,694
Accounts Receivable	1,992	-	1,992
Capital Assets:			
Book Collection	1,138,049	-	1,138,049
Buildings and Improvements	179,594	1,000,000	1,179,594
Equipment and Furniture	809,332	11,286	820,618
Less: Accumulated Depreciation	(617,648)	(7,893)	(625,541)
Total Assets	1,732,397	1,727,659	3,460,056
LIABILITIES			
Accounts Payable	-	54,262	54,262
Accrued Payroll Expenses	42,481	-	42,481
Accrued Interest Payable	-	15,560	15,560
Noncurrent Liabilities:			
Due within one year	24,146	227,708	251,854
Due in more than one year	5,277	546,308	551,585
Total Liabilities	71,904	843,838	915,742
NET POSITION			
Net Investment in Capital Assets	1,502,084	229,377	1,731,461
Restricted by External Contributions	-	2,281	2,281
Restricted by Enabling Legislation	-	683,435	683,435
Restricted for Imagination Library	18,785	-	18,785
Unrestricted	139,624	(31,272)	108,352
Total Net Position	\$ 1,660,493	883,821	2,544,314

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

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2013

Functions/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Johnson City	Johnson City	Total
					Public Library	Development Authority	
Johnson City Public Library:							
General Government	\$ 1,760,282	61,578	1,628,292	-	(70,412)	-	(70,412)
Imagination Library	53,839	-	54,056	-	217	-	217
Total Johnson City Public Library	<u>1,814,121</u>	<u>61,578</u>	<u>1,682,348</u>	<u>0</u>	<u>(70,195)</u>	<u>0</u>	<u>(70,195)</u>
Johnson City Development Authority:							
General Government	38,869	4	-	-	-	(38,865)	(38,865)
Special Projects	-	-	14	-	-	14	14
TIF	207,382	10	399,798	-	-	192,426	192,426
Total Johnson City Development Authority	<u>246,251</u>	<u>14</u>	<u>399,812</u>	<u>0</u>	<u>0</u>	<u>153,575</u>	<u>153,575</u>
Total Component Units	<u>\$ 2,060,372</u>	<u>61,592</u>	<u>2,082,160</u>	<u>0</u>	<u>(70,195)</u>	<u>153,575</u>	<u>83,380</u>
General Revenues:							
Unrestricted Investment Earnings					228	985	1,213
Other General Revenue					74,360	-	74,360
E-Rate Reimbursement					11,952	-	11,952
Total General Revenues					<u>86,540</u>	<u>985</u>	<u>87,525</u>
Change in Net Position					16,345	154,560	170,905
Net Position, Beginning					1,644,148	745,422	2,389,570
Prior Period Adjustment							
Prior Year Accrued Interest was Capitalized					-	(16,161)	(16,161)
Net Position, Beginning of Year Restated					<u>1,644,148</u>	<u>729,261</u>	<u>2,373,409</u>
Net Position, Ending					<u>\$ 1,660,493</u>	<u>883,821</u>	<u>2,544,314</u>

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, 2013

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 units, entities for which the City is considered to be financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on the organization or (2) there is 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 units. 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, 2013

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 Units

Johnson City Public Library - The Johnson City Public Library is a non-profit organization under Internal Revenue Code (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.

Johnson City Development Authority (JCDA) - The JCDA was established in February 1990, to facilitate business development within the City. To accomplish this function, the JCDA operates a tax increment financing (TIF) program that utilizes tax money provided to the JCDA by the City and Washington County for use in redevelopment projects. The JCDA's Board of Commissioners and TIF projects are approved by the City Commission. Separately issued financial statements may be requested from: Johnson City Development Authority; 300 East Main Street, #406; Johnson City, Tennessee 37601.

Joint Ventures and Jointly Governed Organizations

The City is a participant with Washington County in joint ventures to operate the Washington County-Johnson City Animal Control Center, the Washington County-Johnson City Emergency Medical Services, Inc. – Ambulance Division and the Johnson City/Jonesborough/Washington County Economic Development Board, Inc. The City is also a participant with the Johnson City Housing Authority in a joint venture to operate the Johnson City Athletic Club. The City also participates with other local governments in the joint governance of the Tri-Cities Airport Authority.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 units. 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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* accounts for the purchase of food-related materials, supplies, equipment, and services jointly by combining the purchasing requirements of five cities and eight counties in the surrounding area. Processing costs are allocated to each member district and reimbursed to NETCO. An agency fund is generally used to account for assets that the City holds on behalf of others as their agent. All agency funds use the accrual basis of accounting.

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

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.

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. All annual appropriations lapse at fiscal year end.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Due to Other Funds.

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, 2013

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 \$3,751,101. During the fiscal year ended June 30, 2013, \$235,125 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, 2013

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, 2013 was \$8,446,830. In a separately issued report dated November 25, 2013, the Johnson City Power Board reported \$442,753 in 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 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. Accordingly, these items are reported only in the government wide Statement of Net Position. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. These revenues are from delinquent property taxes and other deferred/unavailable revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. At the government-wide level, exchange transactions that are unavailable but earned are recognized in current year revenue. The current year property taxes, which have been levied, but not yet billed as of June 30, are reflected as both unearned and unavailable and are reported in the government-wide Statement of Net Position and the governmental funds Balance Sheet as a deferred inflow of resources.

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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)

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

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.

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. Per the fund balance policy adopted by the City Commission, the Board of Commissioners delegates to the City Manager or Finance Director the authority to assign amounts to be used for specified purposes.

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, 2012 financial statements in order for them to conform to the June 30, 2013 financial statement presentation.

12. Accounting Changes

In the fiscal year ended June 30, 2013, the City early implemented the provisions of one new Governmental Accounting Standards Board (GASB) Statement. This is summarized as follows:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB No. 14 and No. 34)*, modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies criteria for blending component units.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

2. Property Taxes

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

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues and Expenditures / Expenses (Continued)

3. Compensated Absences (Continued)

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 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 sixty days. 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.

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.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues and Expenditures / Expenses (Continued)

3. Compensated Absences (Continued)

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.

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 \$265,690,337 difference are as follows:

Governmental Funds Capital Assets	\$ 462,096,597
Less: Accumulated Depreciation	(192,619,883)
Less: Internal Service Funds Net Capital Assets	<u>(3,786,377)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 265,690,337</u></u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

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

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 \$130,518,140 difference are as follows:

Bonds Payable (net of Deferred Refunding)	\$ 132,940,502
Notes Payable	175,000
Capital Leases	179,741
Less: Internal Service Funds Notes and Bonds Payable	(2,629,000)
Less: Deferred Charge on Refunding	<u>(148,103)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 130,518,140</u></u>

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 is exceeded by depreciation.” This difference does not include depreciation expense of \$513,305 relating to internal service funds. The details of this \$(2,349,884) difference are as follows:

Capital Outlay	\$ 9,741,929
Depreciation Expense	<u>(12,091,813)</u>
Net adjustment to decrease <i>net changes in fund balances -</i> <i>total governmental funds</i> to arrive at <i>changes in net position</i> <i>of governmental activities</i>	<u><u>\$ (2,349,884)</u></u>

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 \$(3,380,223) difference are as follows:

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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)

Cost of Capital Assets	\$ (3,510,609)
Less: Sales Proceeds	130,386
	130,386
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>	\$ (3,380,223)

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 \$161,750 difference are as follows:

Deferred Property Taxes as of June 30, 2013	\$ 1,621,062
Deferred Property Taxes as of June 30, 2012	(1,572,289)
Deferred Other Taxes as of June 30, 2013	428,269
Deferred Other Taxes as of June 30, 2012	(343,031)
Deferred Other Revenue as of June 30, 2013	27,739
	27,739
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>	\$ 161,750

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 \$6,000,999 difference are as follows:

Principal Repayments	\$ 8,907,824
Proceeds from Bonds and Leases	(2,800,000)
Premiums, Amortization, and Deferred Refunding	(106,825)
	(106,825)
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>	\$ 6,000,999

Included in the Internal Service Fund is an additional \$368,000 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, 2013**

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The following funds had a deficit net position at June 30, 2013:

Enterprise Fund:	Golf Course Fund	\$ (428,301)
Capital Project Fund:	Parks	(44,773)

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.

The deficit in the Parks Fund is due to current year expenses exceeding revenues. The deficit will be covered by future borrowings.

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 \$29,460 of cash on hand which has been included in cash and cash equivalents. The City's carrying amount of deposits was \$67,970,503 and the bank balance was \$66,220,028. Of the City's bank balance, \$66,178,923 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). 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, \$41,105 represents cash in trust accounts which are insured by the FDIC.

In addition to the above deposits, the City has \$2,366,229 on deposit with the State of Tennessee, which is held in the Local Government Investment Pool at June 30, 2013.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

B. Investments

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, which limit the types of investments to the following:

Bonds, notes, or treasury bills of the United States Government

Bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by United States agencies

Certificates of deposit and other evidences of deposit at state and federally chartered banks, and savings and loan associations

The local government investment pool

The City does not allow for an investment in securities maturing more than two years from the date of issue.

At June 30, 2013, the City's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Municipal Bonds	\$ 17,321,955	0.26
Certificates of Deposit - Investments	5,989,505	N/A
Cash with Investment Firm	154,764	N/A
Federated Money Market Obligations	508,921	N/A
Fixed Rate Agency Securities	17,458,489	0.45
Treasury Securities	<u>12,100,000</u>	0.00
Total Fair Value	<u>\$ 53,533,634</u>	
Portfolio Weighted Average Maturity		0.26

Classified as:

Investments	\$ 18,999,875
Restricted Investments	<u>34,533,759</u>
Total Investments	<u>\$ 53,533,634</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

B. Investments (Continued)

As of June 30, 2013, the City's investments in fixed rate agency securities and treasury securities were rated as Aaa by Moody's Investors Service. The breakout of municipal bond ratings is as follows:

Rating	Rating Agency	Fair Value	Percentage
Aaa	Moody's	\$ 3,938,208	23%
Aa1	Moody's	3,508,586	20%
Aa2	Moody's	4,583,725	26%
Aa3	Moody's	594,393	3%
A1	Moody's	300,819	2%
Baa1	Moody's	608,322	4%
AAA	Standard & Poor's	501,144	3%
AA+	Standard & Poor's	902,546	5%
AA	Standard & Poor's	1,615,395	9%
AA-	Standard & Poor's	768,817	4%
		\$ 17,321,955	

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

B. Investments (Continued)

Interest Rate Risk (continued)

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, 2013, rates were as follows:

	Terms	Rates
Interest Rate Swap		
Fixed Payment to Counterparty	Fixed	3.746%
Variable Payment from Counterparty		-0.060%
Net Interest Rate Swap Payments		3.686%
Variable-Rate Bond Coupon Payments		1.479%
Synthetic Interest Rate on Bonds		5.165%

Fair Value. As of June 30, 2013, the swap had a negative fair value of (\$2,934,394). 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, 2013, 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, 2013, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ by Moody's, Standard & Poor's and Fitch, respectively.

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

B. Investments (Continued)

Interest Rate Risk (Continued)

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, 2013, 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	Total
	Principal	Interest	Swap Payment	
2014	\$ 2,700,000	396,305	987,848	4,084,153
2015	3,000,000	356,379	888,326	4,244,705
2016	3,350,000	312,016	777,746	4,439,762
2017	3,750,000	262,478	654,265	4,666,743
2018	4,000,000	207,025	516,040	4,723,065
2019-2021	10,000,000	243,994	608,190	10,852,184
	<u>\$ 26,800,000</u>	<u>1,778,197</u>	<u>4,432,415</u>	<u>33,010,612</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, 2013**

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

C. Receivables (Continued)

	General	General Purpose School	Educational Facilities Debt Service	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Receivables						
Taxes	\$ 30,861,901	-	-	-	-	30,861,901
Accounts	1,308,285	15,392	631,044	290	352,848	2,307,859
Notes	24,804	-	-	-	27,739	52,543
Intergovernmental	5,845,306	14,237,890	-	-	1,517,478	21,600,674
Gross Receivables	<u>38,040,296</u>	<u>14,253,282</u>	<u>631,044</u>	<u>290</u>	<u>1,898,065</u>	<u>54,822,977</u>
Less: Allowances for Uncollectibles	(126,619)	-	-	-	-	(126,619)
Net Total Receivables	<u>\$ 37,913,677</u>	<u>14,253,282</u>	<u>631,044</u>	<u>290</u>	<u>1,898,065</u>	<u>54,696,358</u>

	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds	Total Proprietary Funds
Receivables						
Accounts	\$ 2,882,190	821,761	8,716,832	3,672	346,124	12,770,579
Notes	-	-	341,407	-	-	341,407
Intergovernmental	-	-	-	-	463,607	463,607
Gross Receivables	<u>2,882,190</u>	<u>821,761</u>	<u>9,058,239</u>	<u>3,672</u>	<u>809,731</u>	<u>13,575,593</u>
Less: Allowance for Uncollectibles	(1,419,153)	(348,778)	(653,578)	-	(156,534)	(2,578,043)
Net Total Receivables	<u>\$ 1,463,037</u>	<u>472,983</u>	<u>8,404,661</u>	<u>3,672</u>	<u>653,197</u>	<u>10,997,550</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

C. Receivables (Continued)

	Total Governmental Funds	Total Proprietary Funds	Internal Service Funds	Total Primary Government
Receivables				
Taxes	\$ 30,861,901	-	-	30,861,901
Accounts	2,307,859	12,770,579	421,194	15,499,632
Notes	52,543	341,407	-	393,950
Intergovernmental	21,600,674	463,607	-	22,064,281
Gross Receivables	<u>54,822,977</u>	<u>13,575,593</u>	<u>421,194</u>	<u>68,819,764</u>
Less: Allowances for				
Uncollectibles	<u>(126,619)</u>	<u>(2,578,043)</u>	<u>-</u>	<u>(2,704,662)</u>
Net Total Receivables	<u>\$ 54,696,358</u>	<u>10,997,550</u>	<u>421,194</u>	<u>66,115,102</u>

Un

collectible 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:	Water and Sewer Services	\$ 195,108
	City Solid Waste Services	43,036
	Regional Solid Waste Services	10,597
	Stormwater	9,398
		<u>\$ 258,139</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. Property taxes which are delinquent at year end are earned but not available. The tax year 2013 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, 2013

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

D. Capital Assets

Capital asset activity For the Fiscal Year Ended June 30, 2013 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Deletions	
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 21,013,083	32,232	-	21,045,315
Construction in Progress	50,929,609	8,002,758	(41,274,957)	17,657,410
Total Capital Assets, Not Being Depreciated	71,942,692	8,034,990	(41,274,957)	38,702,725
Capital Assets, Being Depreciated:				
Buildings and Improvements	180,429,686	33,796,701	(35,970)	214,190,417
Equipment and Vehicles	41,773,128	2,928,578	(1,289,378)	43,412,328
Infrastructure	162,774,040	3,017,087	-	165,791,127
Total Capital Assets, Being Depreciated	384,976,854	39,742,366	(1,325,348)	423,393,872
Accumulated Depreciation:				
Buildings and Improvements	(81,010,100)	(5,902,347)	28,853	(86,883,594)
Equipment and Vehicles	(25,594,493)	(2,985,520)	1,164,786	(27,415,227)
Infrastructure	(74,603,811)	(3,717,251)	-	(78,321,062)
Total Accumulated Depreciation	(181,208,404)	(12,605,118)	1,193,639	(192,619,883)
Total Capital Assets, Being Depreciated, Net	203,768,450	27,137,248	(131,709)	230,773,989
Governmental Activities Capital Assets, Net	\$ 275,711,142	35,172,238	(41,406,666)	269,476,714

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

General Government	\$ 737,486
Education	5,247,006
Public Welfare	881,718
Public Works	4,504,015
Public Safety	488,145
City Services	233,443
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of those assets	513,305
Total Depreciation Expense - Governmental Activities	\$ 12,605,118

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

D. Capital Assets (Continued)

	Primary Government			Ending Balance
	Beginning Balance	Additions	Deletions	
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 17,081,155	642,273	-	17,723,428
Construction in Progress	16,906,818	7,857,398	(12,895,207)	11,869,009
Total Capital Assets, Not Being Depreciated	33,987,973	8,499,671	(12,895,207)	29,592,437
Capital Assets, Being Depreciated:				
Buildings and Improvements	52,713,644	990,732	(86,345)	53,618,031
Plant in Service	403,012,298	20,039,507	(4,857,572)	418,194,233
Equipment and Vehicles	38,778,388	5,487,024	(974,796)	43,290,616
Total Capital Assets, Being Depreciated	494,504,330	26,517,263	(5,918,713)	515,102,880
Accumulated Depreciation:				
Buildings and Improvements	(15,806,396)	(1,324,035)	92,978	(17,037,453)
Plant in Service	(125,596,041)	(11,613,160)	5,504,409	(131,704,792)
Equipment and Vehicles	(23,391,359)	(3,173,115)	857,736	(25,706,738)
Total Accumulated Depreciation	(164,793,796)	(16,110,310)	6,455,123	(174,448,983)
Total Capital Assets, Being Depreciated, Net	329,710,534	10,406,953	536,410	340,653,897
Business-Type Activities Capital Assets, Net	\$363,698,507	18,906,624	(12,358,797)	370,246,334

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

Business-Type Activities:

Water and Sewer	\$ 5,359,519
City Solid Waste	806,856
Johnson City Power Board	8,446,830
Johnson City Public Building Authority	533,755
Golf Course	56,047
Regional Solid Waste	263,617
Mass Transit	518,549
Stormwater Management	125,137
Total Depreciation Expense - Business-Type Activities	<u>\$ 16,110,310</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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. 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.

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, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The City has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 19.11% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

E. Pension Plan (Continued)

City of Johnson City (Continued)

Annual Pension Cost

For the year ending June 30, 2013, the City's annual pension cost of \$6,980,952 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 9 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 6,980,952	100%	\$ -
June 30, 2012	7,193,297	100%	-
June 30, 2011	7,442,509	100%	-

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 76.63 percent 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) \$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.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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

E. Pension Plan (Continued)

City of Johnson City (Continued)

(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%

Johnson City Schools

Plan Description

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 5.0% of salary to the plan. The employer contribution rate for Johnson City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2013 was 8.88% of annual covered payroll. The employer contribution requirement for Johnson City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2013, 2012, and 2011 were \$2,860,958, \$2,824,933, and \$2,873,082, and respectively, equal to the required contributions for each year.

Johnson City Power Board

Plan Description

Employees of 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 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, TN 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, 2013

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, 2013 was 13.87% 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 year ending June 30, 2013, the Power Board's annual pension cost of \$1,536,294 to TCRS was equal to Power Board's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent 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. 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, 2011 was 11 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 1,536,294	100%	\$ -
June 30, 2012	1,466,085	100%	-
June 30, 2011	1,467,948	100%	-

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) \$10.51 million, and the ratio of the UAAL to the covered payroll was 84.51 percent.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

E. Pension Plan (Continued)

Johnson City Power Board (Continued)

Funded Status and Funding Progress (Continued)

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%

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.

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 81 retirees covered for this health benefit. The quarterly charge for employees is \$387 for individual and \$999 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, 2013, contributions received from active employees were \$1,705,000 and contributions received from retirees were \$232,350.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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

F. Post-Employment Healthcare Benefits (Continued)

City of Johnson City (Continued)

Plan Description (Continued)

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.

	Fiscal Year Ended June 30, 2013
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 1,381,469
2. Interest on net OPEB Obligation	56,035
3. Adjustment to ARC	(42,159)
4. Annual OPEB Cost (Expense) (1+2+3)	1,395,345
5. Contribution made (assumed end of year)*	(922,513)
6. Increase in net OPEB Obligation (4 - 5)	472,832
7. Net OPEB Obligation - Beginning of Year	1,179,686
8. Net OPEB Obligation - End of Year (6 + 7)	\$ 1,652,518

**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, 2013**

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)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013, 2012 and 2011 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 1,395,345	66.00%	\$ 1,652,518
June 30, 2012	1,446,059	73.00%	1,179,686
June 30, 2011	1,386,880	67.00%	789,793

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$19,257,261. The covered payroll (annual payroll of active employees covered by the plan) was \$29,500,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 65.28%.

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, 2013**

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

F. Post-Employment Healthcare Benefits (Continued)

City of Johnson City (Continued)

Actuarial Methods and Assumptions (Continued)

An annual healthcare cost trend rate of 10.00%, initially in 2012, reduced by decrements of one-half percent to an ultimate rate of 5.00% in 2020. There is a 30-year closed amortization of the UAAL and the earliest base year from fiscal year 2008 has 24 years of remaining amortization.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	24-30
Inflation Rate	3.00%
Asset Valuation Method	N/A - Pay As You Go
Investment Return	4.75%
Projected Salary Increases	5.00%
Cost of Living Adjustments	Not Provided by Actuary
Healthcare Cost Trend Rate	10.00%

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, \$357 for employee plus one coverage and \$719 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 \$388 for individual and \$998 for family. There are approximately 113 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.

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, 2013, premiums of \$2,006,486 were collected from active employees and \$90,707 was collected from retirees.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

F. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools (Continued)

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, 2013
Annual OPEB Cost and Net OPEB Obligation (Benefit)	
1. Annual Required Contribution (ARC)	\$ 1,294,887
2. Interest on net OPEB Obligation (Benefit)	(5,333)
3. Adjustment to ARC	4,230
4. Annual OPEB Cost (Expense) (1+2+3)	1,293,784
5. Contribution made (assumed end of year)*	(1,305,245)
6. Increase in net OPEB Obligation (Benefit) (4 - 5)	(11,461)
7. Net OPEB Obligation (Benefit)- Beginning of Year	(112,284)
8. Net OPEB Obligation (Benefit) - End of Year (6 + 7)	\$ (123,745)

**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 (benefit) for fiscal years 2013, 2012 and 2011 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation (Benefit)
June 30, 2013	\$ 1,293,784	101.00%	\$ (123,745)
June 30, 2012	1,381,107	105.00%	(112,284)
June 30, 2011	1,348,511	101.00%	(41,076)

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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

F. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools (Continued)

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$17,158,777. 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 60.63%.

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.

An annual healthcare cost trend rate of 10.00% initially in 2010, reduced by decrements of one-half a percent to an ultimate rate of 4.50% in 2021. There is a 30-year closed amortization of the UAAL and the earliest base year from fiscal year 2008 has 25 years of remaining amortization.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	25-30
Inflation Rate	Not Provided by Actuary
Asset Valuation Method	N/A - Pay As You Go
Investment Return	4.75%
Projected Salary Increases	5.00%
Cost of Living Adjustments	Not Provided by Actuary
Healthcare Cost Trend Rate	10.00%

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

F. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools (Continued)

Actuarial Methods and Assumptions (Continued)

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.

Funding Policy

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

F. Post-Employment Healthcare Benefits (Continued)

Johnson City Power Board (Continued)

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, 2013
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 895,038
2. Interest on net OPEB Obligation	87,041
3. Adjustment to ARC	(105,380)
4. Annual OPEB Cost (Expense) (1+2+3)	876,699
5. Contribution made (assumed end of year)*	(312,007)
6. Increase in net OPEB Obligation (4 - 5)	564,692
7. Net OPEB Obligation - Beginning of Year	2,176,020
8. Net OPEB Obligation - End of Year (6 + 7)	\$ 2,740,712

**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 2013, 2012 and 2011 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 876,699	35.60%	\$ 2,740,712
June 30, 2012	838,545	35.30%	2,176,020
June 30, 2011	783,757	46.10%	1,633,185

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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

F. Post-Employment Healthcare Benefits (Continued)

Johnson City Power Board (Continued)

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 \$9,544,400.

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.

An annual healthcare cost trend rate of 5.00%. There is a 25.52-year (averaged) closed amortization of the UAAL.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Method Not Provided by Actuary, Closed
Remaining Amortization Period	26
Inflation Rate	Not Provided by Actuary
Asset Valuation Method	N/A - Pay As You Go
Investment Return	4.00%
Projected Salary Increases	2.50%
Cost of Living Adjustments	Not Provided by Actuary
Healthcare Cost Trend Rate	9.00%

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013, the general liability program had \$172,229 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, 2012 to June 30, 2013 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 2013 was \$958,215 for the City and \$96,052 for the Schools. A reconciliation of claims for the fiscal years ended June 30, 2013 and 2012 are as follows:

	June 30, 2013			June 30, 2012	Variance
	City	Schools	Total		
Claims Incurred	\$ 499,687	59,698	559,385	733,378	(173,993)
Claims Paid	(230,969)	(48,700)	(279,669)	(332,515)	52,846
Claims Ending	\$ 268,718	10,998	279,716	400,863	(121,147)

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 \$1,807,000.

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, 2013 and 2012 are as follows:

	June 30, 2013			June 30, 2012	Variance
	City	Schools	Total		
Claims Accrued, Beginning	\$ 687,264	524,544	1,211,808	905,287	306,521
Claims Incurred	9,427,267	7,288,771	16,716,038	16,795,637	(79,599)
Claims Paid	(9,535,795)	(7,464,410)	(17,000,205)	(16,489,116)	(511,089)
Claims Accrued, Ending	\$ 578,736	348,905	927,641	1,211,808	(284,167)

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

G. Risk Management (Continued)

The above liabilities are reflected in the Internal Service Funds.

There are additional estimated losses at June 30, 2013 for both automobile and general incidents that have been reflected as liabilities in the Internal Service Funds in the amount of \$955,000.

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 been two claims in the amount of \$179,750 paid from the fund, which was originally established at \$1,000,000, and has accumulated to \$1,967,535 at June 30, 2013.

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

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	
2014	\$ 3,710
Present Value of Minimum Payments	\$ 3,710

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, 2013 are as follows:

Fiscal Year	
2014	\$ 181,790
Less: Interest	(5,759)
Present Value of Minimum Payments	\$ 176,031

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

H. Capital Lease Obligations - Governmental Activities (Continued)

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*	<u>(660,820)</u>
 Total	 <u><u>\$ 645,749</u></u>

*Amortization of leased vehicle and equipment is included with depreciation expense

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:

General Fund:	Date Issued	Amount Issued	Interest Rate	Outstanding June 30, 2013
Note Payable - Land				
Keefauver Farms	9/2/2009	\$ 700,000	n/a	\$ 175,000
				<u>\$ 175,000</u>

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013</u>
Sales Tax Revenue and Unlimited Tax Refunding Bonds, Series 1998	7/15/1998	3,280,000	4.10% - 4.75%	955,000
Local Government Public Improvement Bonds, Series VII-I-1, 2010	12/29/2010	27,945,000	5.00%	27,305,000
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
General Obligation Bonds, Series 2013	5/30/2012	2,800,000	2.00%-4.00%	2,800,000
				<u>39,460,000</u>
<u>Internal Service Fund - Motor Transport:</u>				
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	4,000,000	5.00%	2,629,000
				<u>2,629,000</u>
<u>General Obligation:</u>				
General Obligation Public Improvement Refunding Bonds, Series 1998	7/15/1998	20,060,000	4.10% - 4.75%	2,605,000
General Obligation Refunding Bonds, Series 2006	3/30/2006	6,230,000	3.50% - 4.13%	3,895,000
Local Government Public Improvement Bonds, Series V-K-1	3/12/2009	26,645,000	2.50% - 5.00%	17,785,000
General Obligation Refunding Bonds, Series 2009	6/30/2009	11,390,000	3.00% - 5.00%	8,155,000

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013</u>
Qualified School Construction Bonds, Series 2009	12/01/09	8,160,000	1.52%	6,717,349
The Tennessee Municipal Bond Fund, Series TCSLP 2008	01/09/09	14,898,315	5.00%	11,445,793
The Tennessee Municipal Bond Fund, Series TCSLP 2008	01/09/09	5,200,000	5.00%	4,161,000
General Obligation Bonds, BABs, 2010A	06/24/10	22,500,000	3.64%	22,200,000
Local Government Public Improvement Bonds, Series VII-J-1 2011	02/24/11	2,780,000	4.50% - 5.00%	2,025,000
General Obligation Refunding Bonds, Series 2012	04/30/12	10,797,974	2.00% - 5.00%	10,344,186
				<u>89,333,328</u>
Total Governmental Activities General Obligation Bonds Outstanding				<u>\$ 131,422,328</u>

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:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 305,000	45,363	350,363
2015	320,000	30,875	350,875
2016	330,000	15,675	345,675
	<u>\$ 955,000</u>	<u>91,913</u>	<u>1,046,913</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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-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
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	315,000	1,312,750	1,627,750
2019-2023	2,435,000	6,296,500	8,731,500
2024-2028	9,605,000	4,948,750	14,553,750
2029-2033	11,400,000	2,374,250	13,774,250
2034	2,500,000	125,000	2,625,000
	<u>\$ 27,305,000</u>	<u>20,443,250</u>	<u>47,748,250</u>

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
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	605,000	175,250	780,250
2019-2023	2,900,000	406,000	3,306,000
	<u>\$ 4,765,000</u>	<u>1,468,250</u>	<u>6,233,250</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 2023 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 35,000	109,987	144,987
2015	360,000	108,588	468,588
2016	375,000	94,187	469,187
2017	390,000	75,438	465,438
2018	405,000	67,637	472,637
2019-2023	2,070,000	179,813	2,249,813
	<u>\$ 3,635,000</u>	<u>635,650</u>	<u>4,270,650</u>

General Obligation Bonds, Series 2013, issued May 30, 2013, debt service requirements to maturity in 2017 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 670,000	98,874	768,874
2015	680,000	85,200	765,200
2016	710,000	58,000	768,000
2017	740,000	29,600	769,600
	<u>\$ 2,800,000</u>	<u>271,674</u>	<u>3,071,674</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, issued January 9, 2009, debt service requirements to maturity in 2019 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	470,000	48,150	518,150
2019	493,000	24,650	517,650
	<u>\$ 2,629,000</u>	<u>478,650</u>	<u>3,107,650</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
2014	\$ 830,000	123,738	953,738
2015	870,000	84,312	954,312
2016	905,000	42,987	947,987
	<u>\$ 2,605,000</u>	<u>251,037</u>	<u>2,856,037</u>

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
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	575,000	73,187	648,187
2019-2020	1,235,000	76,175	1,311,175
	<u>\$ 3,895,000</u>	<u>654,912</u>	<u>4,549,912</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 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
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	1,965,000	445,756	2,410,756
2019-2023	7,645,000	1,067,918	8,712,918
2024-2025	1,135,000	80,769	1,215,769
	<u>\$ 17,785,000</u>	<u>4,097,068</u>	<u>21,882,068</u>

General Obligation 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
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	995,000	206,588	1,201,588
2019-2023	1,975,000	614,963	2,589,963
2024-2026	1,530,000	147,087	1,677,087
	<u>\$ 8,155,000</u>	<u>2,126,900</u>	<u>10,281,900</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

I. Long-Term Debt (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

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
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	509,171	123,624	632,795
2019-2023	2,545,856	618,120	3,163,976
2024-2026	1,625,637	381,174	2,006,811
	<u>\$ 6,717,349</u>	<u>1,617,414</u>	<u>8,334,763</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
2014	\$ 599,892	446,911	1,046,803
2015	630,172	425,915	1,056,087
2016	662,451	403,859	1,066,310
2017	695,592	380,673	1,076,265
2018	729,734	356,327	1,086,061
2019-2023	4,235,250	1,371,894	5,607,144
2024-2028	4,283,684	591,872	4,875,556
2029	932,103	50,048	982,151
	<u>12,768,878</u>	<u>4,027,499</u>	<u>16,796,377</u>
Less: Amount Not Drawn	<u>(1,323,085)</u>	<u>-</u>	<u>(1,323,085)</u>
	<u>\$ 11,445,793</u>	<u>4,027,499</u>	<u>15,473,292</u>

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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 2024 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	356,000	144,900	500,900
2019-2023	2,065,000	439,050	2,504,050
2024	477,000	23,850	500,850
	<u>\$ 4,161,000</u>	<u>1,349,100</u>	<u>5,510,100</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
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	325,000	1,188,720	1,513,720
2019-2023	3,225,000	5,591,275	8,816,275
2024-2028	4,030,000	4,696,045	8,726,045
2029-2033	4,995,000	3,485,720	8,480,720
2034-2038	6,155,000	1,925,305	8,080,305
2039-2040	2,850,000	249,690	3,099,690
	<u>\$ 22,200,000</u>	<u>21,957,785</u>	<u>44,157,785</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 2020 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 275,000	72,370	347,370
2015	300,000	62,542	362,542
2016	300,000	51,820	351,820
2017	325,000	41,099	366,099
2018	350,000	29,484	379,484
2019-2020	475,000	21,441	496,441
	<u>\$ 2,025,000</u>	<u>278,756</u>	<u>2,303,756</u>

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
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	993,433	186,211	1,179,644
2019-2023	4,841,415	554,517	5,395,932
2024-2026	900,000	40,650	940,650
	<u>\$ 10,344,186</u>	<u>1,845,535</u>	<u>12,189,721</u>

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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

I. Long-Term Debt (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 8,312,745	5,710,187	14,022,932
2015	8,976,964	5,403,541	14,380,505
2016	9,304,184	5,058,589	14,362,773
2017	8,999,237	4,681,966	13,681,203
2018	8,593,338	4,358,584	12,951,922
2019-2023	36,140,521	17,262,316	53,402,837
2024-2028	23,586,321	10,910,197	34,496,518
2029-2033	17,327,103	5,910,018	23,237,121
2034-2038	8,655,000	2,050,305	10,705,305
2039-2040	2,850,000	249,690	3,099,690
	<u>132,745,413</u>	<u>61,595,393</u>	<u>194,340,806</u>
Less: Amount Not Drawn	(1,323,085)	-	(1,323,085)
	<u>\$ 131,422,328</u>	<u>61,595,393</u>	<u>193,017,721</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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, 2013</u>
Note Payable - Limestone Cove	3/13/2003	\$ 450,000	4.65%	\$ 393,049
Note Payable - Limestone Cove	4/20/2005	125,000	4.25%	112,027
Note Payable - Watauga Flats	4/20/2004	380,000	4.38%	335,749
Note Payable - ARRA Greggtown	1/24/2010	435,000	3.25%	<u>413,825</u>
				<u><u>\$ 1,254,650</u></u>

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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
2014	\$ 7,145	17,368	24,513
2015	7,486	17,037	24,523
2016	7,841	16,691	24,532
2017	8,210	16,328	24,538
2018	8,600	15,949	24,549
2019-2023	49,507	74,011	123,518
2024-2028	62,399	63,344	125,743
2029-2033	78,655	42,835	121,490
2034-2038	99,136	21,447	120,583
2039-2041	64,070	5,686	69,756
	<u>\$ 393,049</u>	<u>290,696</u>	<u>683,745</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
2014	\$ 1,924	4,712	6,636
2015	2,007	4,629	6,636
2016	2,082	4,554	6,636
2017	2,184	4,452	6,636
2018	2,279	4,357	6,636
2019-2023	12,952	20,288	33,240
2024-2028	16,006	17,233	33,239
2029-2033	19,801	13,439	33,240
2034-2038	24,482	8,758	33,240
2039-2043	28,310	3,530	31,840
	<u>\$ 112,027</u>	<u>85,952</u>	<u>197,979</u>

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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
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	7,141	13,569	20,710
2019-2023	40,737	62,875	103,612
2024-2028	50,656	53,133	103,789
2029-2033	63,059	41,011	104,070
2034-2038	78,455	25,929	104,384
2039-2042	70,097	7,440	77,537
	<u>\$ 335,749</u>	<u>261,094</u>	<u>596,843</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
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	7,574	12,430	20,004
2019-2023	41,750	58,270	100,020
2024-2028	49,081	50,939	100,020
2029-2033	57,766	42,254	100,020
2034-2038	67,947	32,073	100,020
2039-2043	79,924	20,096	100,020
2044-2048	81,863	6,109	87,972
	<u>\$ 413,825</u>	<u>274,267</u>	<u>688,092</u>

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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
2014	\$ 21,720	50,120	71,840
2015	22,630	49,225	71,855
2016	23,492	48,339	71,831
2017	24,561	47,320	71,881
2018	25,594	46,305	71,899
2019-2023	144,946	215,444	360,390
2024-2028	178,142	184,649	362,791
2029-2033	219,281	139,539	358,820
2034-2038	270,020	88,207	358,227
2039-2043	242,401	36,752	279,153
2044-2048	81,863	6,109	87,972
	<u>\$ 1,254,650</u>	<u>912,009</u>	<u>2,166,659</u>

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:

Water and Sewer:	Date Issued	Amount Issued	Interest Rate	Outstanding June 30, 2013
Local Government Public Improvement Bonds, Series V-K-1	3/12/2009	\$ 9,520,000	2.50% - 5.00%	\$ 7,125,000
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	901,685	5.00%	784,120
General Obligation Refunding Bonds, Series 2009	6/30/2009	35,385,000	3.00% - 5.00%	29,305,000
General Obligation Bonds, Series 2010A (BABs)	6/24/2010	22,000,000	3.62%	21,700,000

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

<u>Water and Sewer (Continued):</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2013</u>
General Obligation Bonds, Series 2013	5/30/2013	23,970,000	2.00%-4.00%	23,970,000
				<u>82,884,120</u>
<u>City Solid Waste:</u>				
Solid Waste Refunding Bonds	7/15/1998	1,640,000	Variable	485,000
Local Government Public Improvement Bonds, Series V-K-1	3/12/2009	2,350,000	2.50% - 5.00%	1,170,000
General Obligation Refunding Bonds, Series 2012	4/30/2012	17,026	2.00% - 5.00%	15,793
				<u>1,670,793</u>
<u>Stormwater Fund:</u>				
General Obligation Bonds, Series 2013	5/30/2013	5,785,000	2.00%-4.00%	5,785,000
<u>Buffalo Valley Golf Course:</u>				
Golf Course Revenue and Tax Refunding Bonds	7/15/1998	2,465,000	4.10% - 4.75%	725,000
<u>Johnson City Public Building Authority:</u>				
Public Facility Refunding Bonds, Series 2006A	6/29/2006	16,655,000	4.04% - 5.22%	11,640,000
Total Business-Type Activities General Obligation Bonds Outstanding				<u>\$ 102,704,913</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 685,000	285,000	970,000
2015	6,440,000	257,600	6,697,600
	<u>\$ 7,125,000</u>	<u>542,600</u>	<u>7,667,600</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
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	40,266	32,061	72,327
2019-2023	233,750	128,001	361,751
2024-2028	298,314	63,403	361,717
2029	68,897	3,466	72,363
	<u>\$ 784,120</u>	<u>373,479</u>	<u>1,157,599</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
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	1,880,000	1,058,913	2,938,913
2019-2023	6,245,000	4,291,640	10,536,640
2024-2028	8,335,000	2,730,276	11,065,276
2029-2031	6,065,000	618,494	6,683,494
	<u>\$ 29,305,000</u>	<u>13,558,025</u>	<u>42,863,025</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
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	1,153,221	1,668,221
2018	535,000	1,133,910	1,668,910
2019-2023	3,300,000	5,271,964	8,571,964
2024-2028	3,795,000	4,379,844	8,174,844
2029-2033	4,610,000	3,254,205	7,864,205
2034-2038	5,760,000	1,808,555	7,568,555
2039-2040	2,685,000	235,770	2,920,770
	<u>\$ 21,700,000</u>	<u>20,734,785</u>	<u>42,434,785</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

General Obligation Bonds, Series 2013, as issued May 30, 2013, debt service requirements to maturity in 2043 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ -	785,438	785,438
2015	505,000	783,262	1,288,262
2016	525,000	763,062	1,288,062
2017	545,000	742,062	1,287,062
2018	570,000	720,262	1,290,262
2019-2023	3,115,000	3,327,311	6,442,311
2024-2028	3,615,000	2,825,601	6,440,601
2029-2033	4,170,000	2,273,885	6,443,885
2034-2038	4,995,000	1,526,799	6,521,799
2039-2043	5,930,000	634,700	6,564,700
	<u>\$ 23,970,000</u>	<u>14,382,382</u>	<u>38,352,382</u>

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
2014	\$ 155,000	23,038	178,038
2015	160,000	15,675	175,675
2016	170,000	8,074	178,074
	<u>\$ 485,000</u>	<u>46,787</u>	<u>531,787</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
2014	\$ 350,000	46,800	396,800
2015	400,000	32,800	432,800
2016	420,000	16,800	436,800
	<u>\$ 1,170,000</u>	<u>96,400</u>	<u>1,266,400</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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 2012, as issued April 30, 2012, debt service requirements to maturity in 2023 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	1,567	282	1,849
2019-2023	8,565	763	9,328
	<u>\$ 15,793</u>	<u>2,665</u>	<u>18,458</u>

General Obligation Bonds, Series 2013, as issued May 30, 2013, debt service requirements to maturity in 2034 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 195,000	182,718	377,718
2015	200,000	178,313	378,313
2016	210,000	170,313	380,313
2017	220,000	161,913	381,913
2018	225,000	153,113	378,113
2019-2023	1,250,000	656,262	1,906,262
2024-2028	1,445,000	454,918	1,899,918
2029-2033	1,670,000	233,886	1,903,886
2034	370,000	12,489	382,489
	<u>\$ 5,785,000</u>	<u>2,203,925</u>	<u>7,988,925</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 230,000	34,438	264,438
2015	240,000	23,512	263,512
2016	255,000	12,113	267,113
	<u>\$ 725,000</u>	<u>70,063</u>	<u>795,063</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
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	1,160,000	343,745	1,503,745
2019-2023	6,590,000	780,321	7,370,321
	<u>\$ 11,640,000</u>	<u>3,014,640</u>	<u>14,654,640</u>

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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
2014	\$ 4,214,426	4,398,491	8,612,917
2015	10,641,207	4,236,491	14,877,698
2016	4,682,988	3,814,789	8,497,777
2017	4,199,933	3,621,141	7,821,074
2018	4,411,833	3,442,286	7,854,119
2019-2023	20,742,315	14,456,262	35,198,577
2024-2028	17,488,314	10,454,042	27,942,356
2029-2033	16,583,897	6,383,936	22,967,833
2034-2038	11,125,000	3,347,843	14,472,843
2039-2043	8,615,000	870,470	9,485,470
	<u>\$ 102,704,913</u>	<u>55,025,751</u>	<u>157,730,664</u>

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

	Date Issued	Amount Issued	Interest Rate	Outstanding June 30, 2013
<u>Water and Sewer:</u>				
Water and Sewer Revenue and Tax Refunding Bonds	7/15/1998	\$ 19,325,000	4.10% - 4.75%	\$ 4,185,000
Water and Sewer Revenue and Tax Series 2006 Refunding Bonds	3/30/2006	1,795,000	3.50% - 4.12%	<u>1,120,000</u>
				<u>5,305,000</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%	24,085,000
Electric System Revenue Bonds, Series 2008	6/30/2008	28,000,000	4.00% - 5.00%	<u>25,065,000</u>
				<u>49,150,000</u>
Total Business-Type Activities Revenue Bonds Outstanding				<u>\$ 54,455,000</u>

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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
2014	\$ 1,545,000	198,788	1,743,788
2015	1,615,000	125,400	1,740,400
2016	1,025,000	48,687	1,073,687
	<u>\$ 4,185,000</u>	<u>372,875</u>	<u>4,557,875</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
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	165,000	21,025	186,025
2019-2020	355,000	21,850	376,850
	<u>\$ 1,120,000</u>	<u>188,375</u>	<u>1,308,375</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
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	1,455,000	716,550	2,171,550
2019-2023	8,330,000	2,514,950	10,844,950
2024-2028	3,085,000	1,094,000	4,179,000
2029-2032	3,020,000	327,250	3,347,250
	<u>\$ 24,085,000</u>	<u>8,505,350</u>	<u>32,590,350</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
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	945,000	1,022,637	1,967,637
2019-2023	5,365,000	4,479,575	9,844,575
2024-2028	6,740,000	3,101,188	9,841,188
2029-2033	8,580,000	1,265,013	9,845,013
	<u>\$ 25,065,000</u>	<u>14,309,164</u>	<u>39,374,164</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
2014	\$ 4,420,000	2,490,851	6,910,851
2015	4,605,000	2,302,462	6,907,462
2016	4,135,000	2,106,150	6,241,150
2017	3,255,000	1,912,263	5,167,263
2018	2,565,000	1,760,212	4,325,212
2019-2023	14,050,000	7,016,375	21,066,375
2024-2028	9,825,000	4,195,188	14,020,188
2029-2033	11,600,000	1,592,263	13,192,263
	<u>\$ 54,455,000</u>	<u>23,375,764</u>	<u>77,830,764</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

I. Long-Term Debt (Continued)

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 137,547,801	2,800,000	(8,925,473)	131,422,328	8,312,745
Plus: Premiums	1,605,606	230,475	(158,868)	1,677,213	-
Less: Discounts	(181,759)	-	22,720	(159,039)	-
Total Bonds Payable	<u>138,971,648</u>	<u>3,030,475</u>	<u>(9,061,621)</u>	<u>132,940,502</u>	<u>8,312,745</u>
Note Payable - Land	350,000	-	(175,000)	175,000	175,000
Capital Leases	355,092	-	(175,351)	179,741	179,741
OPEB Liability	1,237,270	415,248	-	1,652,518	-
Negative Net OPEB Obligation	(57,584)	(66,161)	-	(123,745)	-
Termination Benefits	98,972	2,721	-	101,693	-
Compensated Absences	2,547,163	1,881,175	(1,778,373)	2,649,965	1,850,147
Governmental Activities Long-Term Liabilities	<u>\$ 143,502,561</u>	<u>5,263,458</u>	<u>(11,190,345)</u>	<u>137,575,674</u>	<u>10,517,633</u>
Business-Type Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 76,812,346	29,755,000	(3,862,433)	102,704,913	4,214,426
Revenue Bonds	58,695,000	-	(4,240,000)	54,455,000	4,420,000
Plus: Premiums	329,466	863,357	(66,596)	1,126,227	-
Less: Discounts	(278,964)	-	13,550	(265,414)	-
Total Bonds Payable	<u>135,557,848</u>	<u>30,618,357</u>	<u>(8,155,479)</u>	<u>158,020,726</u>	<u>8,634,426</u>
Notes Payable	1,275,499	-	(20,849)	1,254,650	21,720
OPEB Liability	2,176,020	564,692	-	2,740,712	-
Compensated Absences	3,283,110	894,415	(849,696)	3,327,829	955,197
Landfill Postclosure Cost	448,560	-	(37,380)	411,180	37,380
Business-Type Activities Long-Term Liabilities	<u>\$ 142,741,037</u>	<u>32,077,464</u>	<u>(9,063,404)</u>	<u>165,755,097</u>	<u>9,648,723</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, 2013**

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, 2013 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Deferred Bond Refunding Costs	\$ (160,601)	-	12,498	(148,103)
Business-Type Activities:				
Deferred Bond Refunding Costs	\$ (1,020,531)	-	147,295	(873,236)
Deferred Gain on Bond Refunding	343,271	-	(16,882)	326,389
	<u>\$ (677,260)</u>	<u>0</u>	<u>130,413</u>	<u>(546,847)</u>

General Obligation Bonds, Series 2013

The City issued \$32,555,000 of General Obligation Debt on May 30, 2013. Included in the amount was \$23,970,000 of Water and Sewer debt, \$5,785,000 of debt for the Storm Water Fund and \$2,800,000 for school capital projects.

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, 2013, the remaining defeased bonds consisted of \$8,920,000 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 \$9,505,000 for a total of \$18,425,000.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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
Fund Balances					
Nonspendable:					
Inventories	\$ -	27,345	-	190,456	217,801
Total Nonspendable	<u>0</u>	<u>27,345</u>	<u>0</u>	<u>190,456</u>	<u>217,801</u>
Restricted for:					
Capital Projects	-	-	-	6,460,979	6,460,979
Debt Service	-	-	1,628,613	-	1,628,613
Education	-	-	-	190,304	190,304
Food Service	-	-	-	1,365,925	1,365,925
Law Enforcement	104,895	-	-	1,028,427	1,133,322
Senior Citizens	159,481	-	-	243,000	402,481
Special Purposes	12,192,860	-	-	-	12,192,860
Total Restricted	<u>12,457,236</u>	<u>-</u>	<u>1,628,613</u>	<u>9,288,635</u>	<u>23,374,484</u>
Committed to:					
Economic Development	1,470,925	-	-	-	1,470,925
Education	-	610,429	-	-	610,429
Total Committed	<u>1,470,925</u>	<u>610,429</u>	<u>0</u>	<u>0</u>	<u>2,081,354</u>
Assigned to:					
Compensated Absences	2,355,773	165,538	-	59,082	2,580,393
Education	-	4,401,618	-	464,745	4,866,363
Total Assigned	<u>2,355,773</u>	<u>4,567,156</u>	<u>0</u>	<u>523,827</u>	<u>7,446,756</u>
Unassigned	<u>4,622,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,622,461</u>
Total	<u>\$ 20,906,395</u>	<u>5,204,930</u>	<u>1,628,613</u>	<u>10,002,918</u>	<u>37,742,856</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

K. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2013, is as follows:

Receivable Fund	Payable Fund	Amount
General Purpose School Fund	School Federal Projects Fund	\$ 774,426
General Purpose School Fund	Special School Projects Fund	162,167
School Food Service Fund	General Purpose School Fund	196,835
Police Technology Fund	Transportation Planning	43,541
Police Technology Fund	Police Grant fund	91,367
Police Technology Fund	Community Development	90,086
Equipment Fund	Parks Fund	5,137
Equipment Fund	Public Facilities Fund	20,403
Equipment Fund	Infrastructure Fund	71,457
General Fund	Johnson City Public Building Authority	528,244
General Fund	Mass Transit	4,915
Motor Transport Fund	General Purpose School Fund	9,087
Water and Sewer Fund	Debt Service Fund	2,437
Water and Sewer Fund	Educational Facilities Debt Service Fund	139
Water and Sewer Fund	General Fund	2,825,255
Water and Sewer Fund	Insurance Fund	1,312,191
Water and Sewer Fund	Motor Transport Fund	70,137
Regional Solid Waste Fund	Golf Fund	2,216,612
Johnson City Power Board	General Fund	190,869
Johnson City Power Board	General Purpose School Fund	179,943
Johnson City Power Board	Solid Waste Fund	2,253
Johnson City Power Board	Mass Transit Fund	2,514
Johnson City Power Board	Water and Sewer Fund	202,911
Johnson City Power Board	Motor Transport Fund	3,094
Total		<u>\$ 9,006,020</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.

The Johnson City Public Building Authority owes the General Fund for loans made to the PBA to fund operations. The remaining balance is \$240,000 and will be paid out at \$60,000 per year over the next four years at a 5% fixed interest rate. The current portion of this loan is reflected in the due to general fund amount above.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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

L. Interfund Transfers

	Transfers In:									Total
	Governmental Activities					Business-Type Activities				
	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Nonmajor Governmental Funds	Internal Service Funds	City Solid Waste Fund	Nonmajor Proprietary Funds	Johnson City Public Building Authority	
Transfers Out:										
Governmental Activities										
General Fund	\$ -	8,538,675	9,321,375	-	2,524,077	326,255	-	1,161,436	1,920,488	23,792,306
General Purpose School Fund	-	-	320,741	1,161,942	702,943	-	-	-	-	2,185,626
Nonmajor Governmental Funds	30,747	-	-	-	55,621	4,728	-	-	-	91,096
Internal Service Funds	-	-	-	-	-	14,185	-	-	-	14,185
Business-Type Activities										
Johnson City Power Board	3,500,219	-	-	-	-	-	-	-	-	3,500,219
Water and Sewer Fund	473,000	-	-	-	-	94,566	-	-	-	567,566
City Solid Waste Fund	-	-	-	-	-	18,913	-	-	-	18,913
Nonmajor Proprietary Funds	-	-	-	-	-	14,185	34,086	-	-	48,271
Totals	<u>\$ 4,003,966</u>	<u>8,538,675</u>	<u>9,642,116</u>	<u>1,161,942</u>	<u>3,282,641</u>	<u>472,832</u>	<u>34,086</u>	<u>1,161,436</u>	<u>1,920,488</u>	<u>30,218,182</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, 2013

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, 2013, the City earned revenue from the leases in the amount of \$444,283.

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 \$736,783 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, 2013, the City paid Waste Management \$2,860,244 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 \$50,776 For the Fiscal Year Ended June 30, 2013.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

P. Defined Contribution Plan

Johnson City Schools offer a 403(b) plan to its employees, administered by the Trust Company of Knoxville. 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 \$381,088 For the Fiscal Year Ended June 30, 2013. 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, 2013.

Q. 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 \$101,693 at June 30, 2013, and is recorded in the government-wide financial statements. The estimated liability is made up of salary, payroll taxes, and insurance benefits.

R. 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, 2013, the City transferred \$1,920,488 to the PBA to lease the Continuing Education Center.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

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, 2013, 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
ASSETS			
Current Assets	\$ 64,473	3,239,852	3,304,325
Capital Assets (Net)	2,555,646	865,185	3,420,831
Total Assets	2,620,119	4,105,037	6,725,156
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Bond Refunding Costs	20,855	-	20,855
Total Deferred Outflows of Resources	20,855	0	20,855
LIABILITIES			
Current Liabilities	2,567,542	184,384	2,751,926
Non-Current Liabilities	501,733	5,527	507,260
Total Liabilities	3,069,275	189,911	3,259,186
NET POSITION			
Net Investment in Capital Assets	1,851,501	865,185	2,716,686
Unrestricted	(2,279,802)	3,049,941	770,139
Total Net Position	\$ (428,301)	3,915,126	3,486,825

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

S. Segment Information (Continued)

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

	Golf Course Fund	Regional Solid Waste Fund	Total
Operating Revenues (Expenses)			
Charges for Services (Net)	\$ 778,831	2,592,627	3,371,458
Other Revenue	3,821	-	3,821
Depreciation and Amortization	(56,047)	(263,617)	(319,664)
Other Operating Expenses	(1,080,548)	(2,220,226)	(3,300,774)
Operating Income (Loss)	(353,943)	108,784	(245,159)
Nonoperating Revenues (Expenses)			
Investment Income	-	3,896	3,896
Interest Expense and Commissions	(47,030)	-	(47,030)
Amortization of Loss on Bond Refunding	(7,463)	-	(7,463)
Gain (Loss) on Sale of Capital Assets	-	(4,814)	(4,814)
Operating Transfers	508,436	(43,543)	464,893
Change in Net Position	100,000	64,323	164,323
Beginning Net Position	(528,301)	3,850,803	3,322,502
Ending Net Position	\$ (428,301)	3,915,126	3,486,825

CONDENSED STATEMENT OF CASH FLOWS

	Golf Course Fund	Regional Solid Waste Fund	Total
Net Cash Provided by (Used for):			
Operating Activities	\$ (298,502)	435,714	137,212
Noncapital Financing Activities	603,838	(138,945)	464,893
Capital and Related Financing Activities	(302,322)	(16,566)	(318,888)
Investing Activities	(3,014)	3,896	882
Net Increase (Decrease)	-	284,099	284,099
Beginning Cash and Cash Equivalents	1,000	2,819,498	2,820,498
Reclassified to Properly Reflect Cash Due from Other Funds	-	(2,121,210)	(2,121,210)
Adjusted Beginning Cash and Cash Equivalents	1,000	698,288	699,288
Ending Cash and Cash Equivalents	\$ 1,000	982,387	983,387

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

T. Notes to the Discretely Presented Component Units

Johnson City Public Library

Capital assets activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
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	267,602	50,191	(23,785)	294,008
Furniture	499,250	16,074	-	515,324
Total Capital Assets, Being Depreciated	946,446	66,265	(23,785)	988,926
Less Accumulated Depreciation for:				
Building Improvements	(2,143)	(9,351)	-	(11,494)
Equipment	(116,702)	(53,116)	23,785	(146,033)
Furniture	(451,118)	(9,003)	-	(460,121)
Total Accumulated Depreciation	(569,963)	(71,470)	23,785	(617,648)
Total Capital Assets, Being Depreciated, Net	376,483	(5,205)	0	371,278
Governmental Activities Capital Assets, Net	\$ 1,514,532	(5,205)	0	1,509,327

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.

Depreciation expense of \$71,470 was charged to the general government function in the statement of activities.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

T. Notes to the Discretely Presented Component Units (Continued)

Johnson City Public Library (Continued)

The Library records a capital lease 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, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Lease	\$ 9,052	-	(1,809)	7,243	1,966
Compensated Absences	21,701	479	-	22,180	22,180
Total Long-term Liabilities	<u>\$ 30,753</u>	<u>479</u>	<u>(1,809)</u>	<u>29,423</u>	<u>24,146</u>

Johnson City Development Authority

Capital assets activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 1,016,161	-	(16,161)	1,000,000
Furniture and Equipment	11,286	-	-	11,286
Total Capital Assets, Being Depreciated	<u>1,027,447</u>	<u>0</u>	<u>(16,161)</u>	<u>1,011,286</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	(7,050)	(843)	-	(7,893)
Total Accumulated Depreciation	<u>(7,050)</u>	<u>(843)</u>	<u>0</u>	<u>(7,893)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 1,020,397</u>	<u>(843)</u>	<u>(16,161)</u>	<u>1,003,393</u>

Depreciation expense of \$843 was charged to the general government function in the statement of activities. No depreciation has been charged for the building since it has not been placed into use. The building has been under construction through an agreement with Northeast State Community College for renovations since it was purchased.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

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

T. Notes to the Discretely Presented Component Units (Continued)

Johnson City Development Authority (Continued)

The note activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable	<u>\$ 1,000,000</u>	<u>-</u>	<u>(225,984)</u>	<u>774,016</u>	<u>227,708</u>

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 \$175,000 to the operations during the year ended June 30, 2013.

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, 2013.

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, the Washington County Economic Development Council (WCEDC) which serves to enhance the tax base of Washington County, recruit new industries and commerce to the area, and to manage the operations of the EDB. During fiscal year 2013, the City funded \$360,248 to the WCEDC.

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 \$30,740 for operations during the year ended June 30, 2013.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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	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, 2013 is presented for the above mentioned organizations except for the JCAC and EMS. The JCAC year-end presented is September 30, 2012. The EMS year end presented is June 30, 2012. The information does not include the Tri-County Industrial Park. All are presented on the accrual basis.

	ACC	EMS	EDB	JCAC
Operating Revenues	\$ 86,617	7,330,820	13,008	143,593
Operating Expenses	(555,597)	(9,469,672)	(10,345)	(139,319)
Other Income (Expense)	464,817	1,949,815	-	47
Net Income (Loss) Transferred to Net Position	(4,163)	(189,037)	2,663	4,321
Net Position, Beginning	760,451	3,082,573	284,290	91,087
Net Position, Ending	\$ 756,288	2,893,536	286,953	95,408
Total Assets	\$ 791,190	6,784,933	297,283	108,019
Total Liabilities	34,902	3,891,397	10,330	12,611
Total Net Position	\$ 756,288	2,893,536	286,953	95,408

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

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

V. Jointly Governed Organization

The Tri-Cities Regional Airport, TN/VA is jointly governed by Johnson City, Kingsport and Bristol, Tennessee; Bristol, Virginia; and Washington and Sullivan County, Tennessee. The City is represented by three of twelve commissioners.

W. 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 have been drawn down to make capital improvements within the General Government. The proceeds were deposited in the Infrastructure, Public Facilities, and Capital Project Funds. The remaining funds available to be drawn by the City were \$1,323,085 as of June 30, 2013. There were no additional draws of these funds during the fiscal year ended June 30, 2013. The remaining balance will be drawn down during the fiscal year ending June 30, 2014.

Changes were made in the current year to the required reporting of water losses. The City was in compliance with all financial performance indicators.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLANS
For the Fiscal Year Ended June 30, 2013

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 unfunded liability of \$47,325 was reestablished to be reflected as the supplemental liability. 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, 2013

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, 2012	\$ -	\$ 19,257	\$ 19,257	0.00%	\$ 29,500	65.3%
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%

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, 2012	\$ -	\$ 17,159	\$ 17,159	0.00%	\$ 28,300	60.6%
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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment Earnings	\$ 423,997	423,997	454,545	30,548
Total Revenues	423,997	423,997	454,545	30,548
Expenditures				
Debt Service				
Principal Retirement	6,918,414	6,918,414	6,555,890	362,524
Interest and Fiscal Charges	4,460,576	4,460,576	3,382,960	1,077,616
Other Fees	-	-	157,811	(157,811)
Total Expenditures	11,378,990	11,378,990	10,096,661	1,282,329
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,954,993)	(10,954,993)	(9,642,116)	1,312,877
Other Financing Sources (Uses)				
Transfer In	10,954,993	10,954,993	9,642,116	(1,312,877)
Total Other Financing Sources (Uses)	10,954,993	10,954,993	9,642,116	(1,312,877)
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1, 2012	-	-	-	-
Fund Balance, June 30, 2013	\$ 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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,132,000	2,132,000	2,045,854	(86,146)
Investment Earnings	-	-	2,396	2,396
Total Revenues	2,132,000	2,132,000	2,048,250	(83,750)
Expenditures				
Debt Service				
Principal Retirement	2,348,107	2,348,107	1,360,870	987,237
Interest and Fiscal Charges	2,941,985	2,941,985	2,800,468	141,517
Total Expenditures	5,290,092	5,290,092	4,161,338	1,128,754
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,158,092)	(3,158,092)	(2,113,088)	1,045,004
Other Financing Sources (Uses)				
Transfer In	1,174,000	1,174,000	1,161,942	(12,058)
Total Other Financing Sources (Uses)	1,174,000	1,174,000	1,161,942	(12,058)
Net Change in Fund Balance	(1,984,092)	(1,984,092)	(951,146)	1,032,946
Fund Balance, July 1, 2012	2,579,759	2,579,759	2,579,759	-
Fund Balance, June 30, 2013	\$ 595,667	595,667	1,628,613	1,032,946

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, 2013**

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash on Hand	\$ 1,937	-	-	1,937
Cash on Deposit with Paying Agent	-	730,799	-	730,799
Cash in Bank	1,568,467	-	190,041	1,758,508
Cash on Deposit with State of Tennessee	-	225,255	-	225,255
Cash Due from Central Depository	1,254,343	467,406	-	1,721,749
Accounts Receivable (Net)	18,185	334,663	-	352,848
Notes Receivable	27,739	-	-	27,739
Due from Other Funds	421,829	96,997	-	518,826
Due from Federal Government	211,412	-	-	211,412
Due from State of Tennessee	1,283,172	17,490	-	1,300,662
Due from Local Government	5,404	-	-	5,404
Inventories	190,456	-	-	190,456
Restricted Investments	-	6,054,856	-	6,054,856
Total Assets	\$ 4,982,944	7,927,466	190,041	13,100,451
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 138,577	1,179,065	-	1,317,642
Accrued Payroll Expenditures	197,052	-	-	197,052
Accrued Expenditures	5,205	-	-	5,205
Due to Other Funds	1,161,587	96,997	-	1,258,584
Retainages Payable	-	190,425	-	190,425
Unearned Revenue	100,886	-	-	100,886
Total Liabilities	1,603,307	1,466,487	0	3,069,794
Deferred Inflows of Resources				
Unavailable Revenue - Other	27,739	-	-	27,739
Total Deferred Inflows of Resources	27,739	0	0	27,739
Fund Balances				
Nonspendable	190,456	-	-	190,456
Restricted	2,637,615	6,460,979	190,041	9,288,635
Assigned	523,827	-	-	523,827
Total Fund Balances	3,351,898	6,460,979	190,041	10,002,918
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,982,944	7,927,466	190,041	13,100,451

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, 2013

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
Revenues				
Federal Government	\$ 9,030,847	537,527	-	9,568,374
State of Tennessee	778,095	-	-	778,095
Local Governments	98,084	-	-	98,084
Charges for Services	814,906	-	-	814,906
Fines and Forfeitures	479,693	-	-	479,693
Revenue from Use of Property	2,275,251	-	-	2,275,251
Investment Earnings	1,522	31,458	-	32,980
Miscellaneous	329,673	199,991	-	529,664
Total Revenues	13,808,071	768,976	0	14,577,047
Expenditures				
Current:				
Public Safety	1,013,785	-	-	1,013,785
Public Welfare	440,180	-	-	440,180
Senior Citizens	88,124	-	-	88,124
Scholarships Awarded	-	-	4,500	4,500
Entertainment and Operation	2,612,621	-	-	2,612,621
Highway and Transportation Planning	321,037	-	-	321,037
Education	7,171,322	-	-	7,171,322
School Food Service	2,999,513	-	-	2,999,513
Miscellaneous	7,940	-	-	7,940
Capital Outlay	200,262	9,328,136	-	9,528,398
Total Expenditures	14,854,784	9,328,136	4,500	24,187,420
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,046,713)	(8,559,160)	(4,500)	(9,610,373)
Other Financing Sources (Uses)				
Transfers (Net)	985,128	2,206,417	-	3,191,545
Bond Issuance	-	3,030,475	-	3,030,475
Total Other Financing Sources (Uses)	985,128	5,236,892	0	6,222,020
Net Change in Fund Balances	(61,585)	(3,322,268)	(4,500)	(3,388,353)
Fund Balances, July 1, 2012	3,367,532	9,783,247	194,541	13,345,320
Purchase Method Inventory Adjustment	45,951	-	-	45,951
Fund Balances, July 1, 2012 (Restated)	3,413,483	9,783,247	194,541	13,391,271
Fund Balances, June 30, 2013	\$ 3,351,898	6,460,979	190,041	10,002,918

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
June 30, 2013

	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
ASSETS										
Cash on Hand	\$ 1,875	-	-	62	-	-	-	-	-	1,937
Cash in Bank	-	1,568,467	-	-	-	-	-	-	-	1,568,467
Cash Due from Central Depository	84,967	-	-	415,679	-	502,439	-	243,120	8,138	1,254,343
Accounts Receivable (Net)	10,384	-	-	7,181	-	-	-	-	620	18,185
Notes Receivable	-	-	-	-	-	-	27,739	-	-	27,739
Due from Other Funds	-	196,835	-	-	-	224,994	-	-	-	421,829
Due from Federal Government	-	-	-	-	114,819	-	96,593	-	-	211,412
Due from State of Tennessee	-	1,184,810	65,871	-	-	-	32,491	-	-	1,283,172
Due from Local Government	-	-	-	-	5,404	-	-	-	-	5,404
Inventories	-	190,456	-	-	-	-	-	-	-	190,456
Total Assets	\$ 97,226	3,140,568	65,871	422,922	120,223	727,433	156,823	243,120	8,758	4,982,944
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts Payable	\$ 13,286	5,577	12,470	6,830	26,372	31,427	33,935	120	8,560	138,577
Accrued Payroll Expenditures	13,444	172,741	5,804	-	-	-	5,063	-	-	197,052
Accrued Expenditures	5,205	-	-	-	-	-	-	-	-	5,205
Due to Other Funds	-	936,593	43,541	-	91,367	-	90,086	-	-	1,161,587
Unearned Revenue	14,730	-	-	83,672	2,484	-	-	-	-	100,886
Total Liabilities	46,665	1,114,911	61,815	90,502	120,223	31,427	129,084	120	8560	1,603,307
Deferred Inflows of Resources										
Unavailable Revenue - Other	-	-	-	-	-	-	27,739	-	-	27,739
Total Deferred Inflows of Resources	0	0	0	0	0	0	27,739	0	0	27,739
Fund Balances										
Nonspendable	-	190,456	-	-	-	-	-	-	-	190,456
Restricted	-	1,365,991	-	332,420	-	696,006	-	243,000	198	2,637,615
Assigned	50,561	469,210	4,056	-	-	-	-	-	-	523,827
Total Fund Balances	50,561	2,025,657	4,056	332,420	0	696,006	0	243,000	198	3,351,898
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 97,226	3,140,568	65,871	422,922	120,223	727,433	156,823	243,120	8,758	4,982,944

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, 2013

	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
Revenues										
Federal Government	\$ -	8,067,981	244,661	-	328,405	-	389,800	-	-	9,030,847
State of Tennessee	-	733,075	12,529	-	-	-	32,491	-	-	778,095
Local Governments	-	-	-	-	98,084	-	-	-	-	98,084
Charges for Services	-	814,551	-	-	-	-	355	-	-	814,906
Fines and Forfeitures	-	-	-	48,875	-	430,818	-	-	-	479,693
Revenue from Use of Property	2,275,251	-	-	-	-	-	-	-	-	2,275,251
Investment Earnings	329	922	-	-	17	-	-	248	6	1,522
Miscellaneous	141,446	66	-	78,656	-	-	17,108	85,569	6,828	329,673
Total Revenues	2,417,026	9,616,595	257,190	127,531	426,506	430,818	439,754	85,817	6,834	13,808,071
Expenditures										
Current:										
Public Safety	-	-	-	184,149	437,051	392,585	-	-	-	1,013,785
Public Welfare	-	-	-	-	-	-	440,180	-	-	440,180
Senior Citizens	-	-	-	-	-	-	-	88,124	-	88,124
Entertainment and Operation	2,612,621	-	-	-	-	-	-	-	-	2,612,621
Highway and Transportation Planning	-	-	321,037	-	-	-	-	-	-	321,037
Education	-	7,171,322	-	-	-	-	-	-	-	7,171,322
School Food Service	-	2,999,513	-	-	-	-	-	-	-	2,999,513
Miscellaneous	-	-	-	-	-	-	-	-	7,940	7,940
Capital Outlay	-	200,262	-	-	-	-	-	-	-	200,262
Total Expenditures	2,612,621	10,371,097	321,037	184,149	437,051	392,585	440,180	88,124	7,940	14,854,784
Excess (Deficiency) of Revenues Over (Under) Expenditures	(195,595)	(754,502)	(63,847)	(56,618)	(10,545)	38,233	(426)	(2,307)	(1,106)	(1,046,713)
Other Financing Sources (Uses)										
Transfers (Net)	198,122	713,443	63,018	-	10,545	-	-	-	-	985,128
Total Other Financing Sources (Uses)	198,122	713,443	63,018	0	10,545	0	0	0	0	985,128
Net Change in Fund Balances	2,527	(41,059)	(829)	(56,618)	-	38,233	(426)	(2,307)	(1,106)	(61,585)
Fund Balances, July 1, 2012	48,034	2,020,765	4,885	389,038	-	657,773	426	245,307	1,304	3,367,532
Purchase Method Inventory Adjustment	-	45,951	-	-	-	-	-	-	-	45,951
Fund Balances, July 1, 2012 (Restated)	48,034	2,066,716	4,885	389,038	0	657,773	426	245,307	1,304	3,413,483
Fund Balances, June 30, 2013	\$ 50,561	2,025,657	4,056	332,420	0	696,006	0	243,000	198	3,351,898

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
SCHOOL FUNDS
June 30, 2013

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
ASSETS					
Cash in Bank	\$ -	-	1,103,722	464,745	1,568,467
Due from Other Funds	-	-	196,835	-	196,835
Due from State of Tennessee	917,575	191,825	75,410	-	1,184,810
Inventories	-	-	190,456	-	190,456
Total Assets	\$ 917,575	191,825	1,566,423	464,745	3,140,568
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ -	-	5,577	-	5,577
Accrued Payroll Expenditures	143,083	29,658	-	-	172,741
Due to Other Funds	774,426	162,167	-	-	936,593
Total Liabilities	917,509	191,825	5,577	0	1,114,911
Fund Balances					
Nonspendable	-	-	190,456	-	190,456
Restricted	66	-	1,365,925	-	1,365,991
Assigned	-	-	4,465	464,745	469,210
Total Fund Balances	66	0	1,560,846	464,745	2,025,657
Total Liabilities and Fund Balances	\$ 917,575	191,825	1,566,423	464,745	3,140,568

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, 2013

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
Revenues					
Federal Government	\$ 5,798,146	-	2,269,835	-	8,067,981
State of Tennessee	-	702,123	30,952	-	733,075
Charges for Services	-	-	814,551	-	814,551
Investment Earnings	-	-	922	-	922
Miscellaneous	66	-	-	-	66
Total Revenues	5,798,212	702,123	3,116,260	0	9,616,595
Expenditures					
Current:					
Education	5,632,013	744,207	-	795,102	7,171,322
School Food Service	-	-	2,999,513	-	2,999,513
Capital Outlay	166,133	-	34,129	-	200,262
Total Expenditures	5,798,146	744,207	3,033,642	795,102	10,371,097
Excess (Deficiency) of Revenues Over (Under) Expenditures	66	(42,084)	82,618	(795,102)	(754,502)
Other Financing Sources (Uses)					
Transfers (Net)	-	42,084	-	671,359	713,443
Total Other Financing Sources (Uses)	0	42,084	0	671,359	713,443
Net Change in Fund Balances	66	-	82,618	(123,743)	(41,059)
Fund Balances, July 1, 2012	-	-	1,432,277	588,488	2,020,765
Purchase Method Inventory Adjustment	-	-	45,951	-	45,951
Fund Balances, July 1, 2012 (Restated)	0	0	1,478,228	588,488	2,066,716
Fund Balances, June 30, 2013	\$ 66	0	1,560,846	464,745	2,025,657

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
June 30, 2013**

	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund	Schools Fund	Total Capital Project Funds
ASSETS						
Cash on Deposit with Paying Agent	\$ -	-	643,219	-	87,580	730,799
Cash on Deposit with State of Tennessee	-	-	-	225,255	-	225,255
Cash Due from Central Depository	162,607	-	-	-	304,799	467,406
Accounts Receivable (Net)	93,465	-	110,581	110,049	20,568	334,663
Due from Other Funds	96,997	-	-	-	-	96,997
Due from State of Tennessee	-	-	-	17,490	-	17,490
Restricted Investments	-	-	1,794,960	-	4,259,896	6,054,856
Total Assets	\$ 353,069	0	2,548,760	352,794	4,672,843	7,927,466
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 78,362	39,636	657,275	114,810	288,982	1,179,065
Due to Other Funds	-	5,137	20,403	71,457	-	96,997
Retainages Payable	-	-	87,794	-	102,631	190,425
Total Liabilities	78,362	44,773	765,472	186,267	391,613	1,466,487
Fund Balances						
Restricted	274,707	(44,773)	1,783,288	166,527	4,281,230	6,460,979
Total Fund Balances	274,707	(44,773)	1,783,288	166,527	4,281,230	6,460,979
Total Liabilities and Fund Balances	\$ 353,069	0	2,548,760	352,794	4,672,843	7,927,466

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, 2013

	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund	Schools Fund	Total Capital Project Funds
Revenues						
Federal Government	\$ 236,293	-	107,568	193,666	-	537,527
Investment Earnings	-	22	13,736	294	17,406	31,458
Miscellaneous	-	72,550	11,026	-	116,415	199,991
Total Revenues	<u>236,293</u>	<u>72,572</u>	<u>132,330</u>	<u>193,960</u>	<u>133,821</u>	<u>768,976</u>
Expenditures						
Current:						
Capital Outlay	1,779,979	210,524	3,229,146	349,863	3,758,624	9,328,136
Total Expenditures	<u>1,779,979</u>	<u>210,524</u>	<u>3,229,146</u>	<u>349,863</u>	<u>3,758,624</u>	<u>9,328,136</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,543,686)</u>	<u>(137,952)</u>	<u>(3,096,816)</u>	<u>(155,903)</u>	<u>(3,624,803)</u>	<u>(8,559,160)</u>
Other Financing Sources (Uses)						
Transfers (Net)	1,651,675	15,247	271,595	280,000	(12,100)	2,206,417
Bond Issuance	-	-	-	-	3,030,475	3,030,475
Total Other Financing Sources (Uses)	<u>1,651,675</u>	<u>15,247</u>	<u>271,595</u>	<u>280,000</u>	<u>3,018,375</u>	<u>5,236,892</u>
Net Change in Fund Balances	107,989	(122,705)	(2,825,221)	124,097	(606,428)	(3,322,268)
Fund Balances, July 1, 2012	<u>166,718</u>	<u>77,932</u>	<u>4,608,509</u>	<u>42,430</u>	<u>4,887,658</u>	<u>9,783,247</u>
Fund Balances, June 30, 2013	<u>\$ 274,707</u>	<u>(44,773)</u>	<u>1,783,288</u>	<u>166,527</u>	<u>4,281,230</u>	<u>6,460,979</u>

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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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Revenue from Use of Property	\$ 1,421,100	2,271,100	2,275,251	4,151
Investment Earnings	-	-	329	329
Miscellaneous	78,900	178,900	141,446	(37,454)
Total Revenues	1,500,000	2,450,000	2,417,026	(32,974)
Expenditures				
Entertainment and Operation	1,700,000	2,650,000	2,612,621	37,379
Total Expenditures	1,700,000	2,650,000	2,612,621	37,379
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200,000)	(200,000)	(195,595)	4,405
Other Financing Sources (Uses)				
Transfer In	200,000	200,000	219,122	19,122
Transfer Out	-	-	(21,000)	(21,000)
Total Other Financing Sources (Uses)	200,000	200,000	198,122	(1,878)
Net Change in Fund Balance	-	-	2,527	2,527
Fund Balance, July 1, 2012	48,034	48,034	48,034	-
Fund Balance, June 30, 2013	\$ 48,034	48,034	50,561	2,527

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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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 6,814,500	6,921,575	5,798,146	(1,123,429)
Miscellaneous	-	-	66	66
Total Revenues	6,814,500	6,921,575	5,798,212	(1,123,363)
Expenditures				
Education	6,634,608	6,713,987	5,632,013	1,081,974
Capital Outlay	179,892	177,588	166,133	11,455
Total Expenditures	6,814,500	6,891,575	5,798,146	1,093,429
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	30,000	66	(29,934)
Other Financing Sources (Uses)				
Transfer Out	-	(30,000)	-	30,000
Total Other Financing Sources (Uses)	0	(30,000)	0	30,000
Net Change in Fund Balance	-	-	66	66
Fund Balance, July 1, 2012	-	-	-	-
Fund Balance, June 30, 2013	\$ 0	0	66	66

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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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
State of Tennessee	\$ 702,650	703,478	702,123	(1,355)
Total Revenues	702,650	703,478	702,123	(1,355)
Expenditures				
Education	737,000	751,436	744,207	7,229
Total Expenditures	737,000	751,436	744,207	7,229
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,350)	(47,958)	(42,084)	5,874
Other Financing Sources (Uses)				
Transfer In	34,350	47,958	42,084	(5,874)
Total Other Financing Sources (Uses)	34,350	47,958	42,084	(5,874)
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1, 2012	-	-	-	-
Fund Balance, June 30, 2013	\$ 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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 2,126,000	2,126,000	2,269,835	143,835
State of Tennessee	-	-	30,952	30,952
Charges for Services	907,000	907,000	814,551	(92,449)
Investment Earnings	7,000	7,000	922	(6,078)
Total Revenues	<u>3,040,000</u>	<u>3,040,000</u>	<u>3,116,260</u>	<u>76,260</u>
Expenditures				
School Food Service	3,030,500	3,030,500	2,999,513	30,987
Capital Outlay	300,000	300,000	34,129	265,871
Total Expenditures	<u>3,330,500</u>	<u>3,330,500</u>	<u>3,033,642</u>	<u>296,858</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(290,500)</u>	<u>(290,500)</u>	<u>82,618</u>	<u>373,118</u>
Fund Balance, July 1, 2012	1,432,277	1,432,277	1,432,277	-
Purchase Method Inventory Adjustment	-	-	45,951	45,951
Fund Balance, July 1, 2012 (Restated)	<u>1,432,277</u>	<u>1,432,277</u>	<u>1,478,228</u>	<u>45,951</u>
Fund Balance, June 30, 2013	<u>\$ 1,141,777</u>	<u>1,141,777</u>	<u>1,560,846</u>	<u>419,069</u>

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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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 284,000	284,000	244,661	(39,339)
State of Tennessee	13,050	13,050	12,529	(521)
Miscellaneous	3,840	3,840	-	(3,840)
Total Revenues	300,890	300,890	257,190	(43,700)
Expenditures				
Highway and Transportation Planning	348,752	348,752	321,037	27,715
Total Expenditures	348,752	348,752	321,037	27,715
Excess (Deficiency) of Revenues Over (Under) Expenditures	(47,862)	(47,862)	(63,847)	(15,985)
Other Financing Sources (Uses)				
Transfer In	65,000	65,000	67,746	2,746
Transfer Out	-	-	(4,728)	(4,728)
Total Other Financing Sources (Uses)	65,000	65,000	63,018	(1,982)
Net Change in Fund Balance	17,138	17,138	(829)	(17,967)
Fund Balance, July 1, 2012	4,885	4,885	4,885	-
Fund Balance, June 30, 2013	\$ 22,023	22,023	4,056	(17,967)

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and Forfeitures	\$ 50,000	50,000	48,875	(1,125)
Miscellaneous	55,000	55,000	78,656	23,656
Total Revenues	<u>105,000</u>	<u>105,000</u>	<u>127,531</u>	<u>22,531</u>
Expenditures				
Public Safety	244,520	244,520	184,149	60,371
Total Expenditures	<u>244,520</u>	<u>244,520</u>	<u>184,149</u>	<u>60,371</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(139,520)</u>	<u>(139,520)</u>	<u>(56,618)</u>	<u>82,902</u>
Fund Balance, July 1, 2012	<u>389,038</u>	<u>389,038</u>	<u>389,038</u>	<u>-</u>
Fund Balance, June 30, 2013	<u>\$ 249,518</u>	<u>249,518</u>	<u>332,420</u>	<u>82,902</u>

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 246,685	341,685	328,405	(13,280)
Local Governments	91,418	91,418	98,084	6,666
Investment Earnings	-	-	17	17
Total Revenues	338,103	433,103	426,506	(6,597)
Expenditures				
Public Safety	349,743	444,743	437,051	7,692
Total Expenditures	349,743	444,743	437,051	7,692
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,640)	(11,640)	(10,545)	1,095
Other Financing Sources (Uses)				
Transfer In	11,640	11,640	10,545	(1,095)
Total Other Financing Sources (Uses)	11,640	11,640	10,545	(1,095)
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1, 2012	-	-	-	-
Fund Balance, June 30, 2013	\$ 0	0	0	0

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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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 420,000	420,000	430,818	10,818
Total Revenues	420,000	420,000	430,818	10,818
Expenditures				
Public Safety	405,957	405,957	392,585	13,372
Total Expenditures	405,957	405,957	392,585	13,372
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,043	14,043	38,233	24,190
Fund Balance, July 1, 2012	657,773	657,773	657,773	-
Fund Balance, June 30, 2013	\$ 671,816	671,816	696,006	24,190

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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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 446,284	446,284	389,800	(56,484)
State of Tennessee	85,552	85,552	32,491	(53,061)
Charges for Services	500	500	355	(145)
Miscellaneous	5,000	5,000	17,108	12,108
Total Revenues	537,336	537,336	439,754	(97,582)
Expenditures				
Public Welfare	543,434	543,434	440,180	103,254
Total Expenditures	543,434	543,434	440,180	103,254
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,098)	(6,098)	(426)	5,672
Fund Balance, July 1, 2012	426	426	426	-
Fund Balance, June 30, 2013	\$ (5,672)	(5,672)	0	5,672

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 600,000	600,000	236,293	(363,707)
Total Revenues	600,000	600,000	236,293	(363,707)
Expenditures				
Capital Outlay	2,312,000	2,312,000	1,779,979	532,021
Total Expenditures	2,312,000	2,312,000	1,779,979	532,021
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,712,000)	(1,712,000)	(1,543,686)	168,314
Other Financing Sources (Uses)				
Transfer In	1,692,000	1,692,000	1,651,675	(40,325)
Total Other Financing Sources (Uses)	1,692,000	1,692,000	1,651,675	(40,325)
Net Change in Fund Balance	(20,000)	(20,000)	107,989	127,989
Fund Balance, July 1, 2012	166,718	166,718	166,718	-
Fund Balance, June 30, 2013	<u>\$ 146,718</u>	<u>146,718</u>	<u>274,707</u>	<u>127,989</u>

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment Earnings	\$ -	-	22	22
Miscellaneous	-	-	72,550	72,550
Total Revenues	-	-	72,572	72,572
Expenditures				
Capital Outlay	272,500	272,500	210,524	61,976
Total Expenditures	272,500	272,500	210,524	61,976
Excess (Deficiency) of Revenues Over (Under) Expenditures	(272,500)	(272,500)	(137,952)	134,548
Other Financing Sources (Uses)				
Transfer In	47,000	47,000	47,000	-
Transfer Out	-	-	(31,753)	(31,753)
Total Other Financing Sources (Uses)	47,000	47,000	15,247	(31,753)
Net Change in Fund Balance	(225,500)	(225,500)	(122,705)	102,795
Fund Balance, July 1, 2012	77,932	77,932	77,932	-
Fund Balance, June 30, 2013	\$ (147,568)	(147,568)	(44,773)	102,795

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 169,692	169,692	107,568	(62,124)
Investment Earnings	-	-	13,736	13,736
Miscellaneous	-	-	11,026	11,026
Total Revenues	169,692	169,692	132,330	(37,362)
Expenditures				
Capital Outlay	3,934,114	3,934,114	3,229,146	704,968
Total Expenditures	3,934,114	3,934,114	3,229,146	704,968
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,764,422)	(3,764,422)	(3,096,816)	667,606
Other Financing Sources (Uses)				
Transfer In	296,422	296,422	271,595	(24,827)
Total Other Financing Sources (Uses)	296,422	296,422	271,595	(24,827)
Net Change in Fund Balance	(3,468,000)	(3,468,000)	(2,825,221)	642,779
Fund Balance, July 1, 2012	4,608,509	4,608,509	4,608,509	-
Fund Balance, June 30, 2013	\$ 1,140,509	1,140,509	1,783,288	642,779

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 5,330,000	5,330,000	193,666	(5,136,334)
Investment Earnings	-	-	294	294
Total Revenues	5,330,000	5,330,000	193,960	(5,136,040)
Expenditures				
Capital Outlay	6,200,000	6,200,000	349,863	5,850,137
Total Expenditures	6,200,000	6,200,000	349,863	5,850,137
Excess (Deficiency) of Revenues Over (Under) Expenditures	(870,000)	(870,000)	(155,903)	714,097
Other Financing Sources (Uses)				
Transfer In	480,000	480,000	280,000	(200,000)
Bond Issuance	390,000	390,000	-	(390,000)
Total Other Financing Sources (Uses)	870,000	870,000	280,000	(590,000)
Net Change in Fund Balance	-	-	124,097	124,097
Fund Balance, July 1, 2012	42,430	42,430	42,430	-
Fund Balance, June 30, 2013	\$ 42,430	42,430	166,527	124,097

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment Earnings	\$ 24,000	24,000	17,406	(6,594)
Miscellaneous	-	-	116,415	116,415
Total Revenues	24,000	24,000	133,821	109,821
Expenditures				
Capital Outlay	4,371,194	4,371,194	3,758,624	612,570
Total Expenditures	4,371,194	4,371,194	3,758,624	612,570
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,347,194)	(4,347,194)	(3,624,803)	722,391
Other Financing Sources (Uses)				
Transfer In	-	-	21,515	21,515
Transfer Out	-	-	(33,615)	(33,615)
Bond Issuance	3,200,000	3,200,000	3,030,475	(169,525)
Total Other Financing Sources (Uses)	3,200,000	3,200,000	3,018,375	(181,625)
Net Change in Fund Balance	(1,147,194)	(1,147,194)	(606,428)	540,766
Fund Balance, July 1, 2012	4,887,658	4,887,658	4,887,658	-
Fund Balance, June 30, 2013	\$ 3,740,464	3,740,464	4,281,230	540,766

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, 2013

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
ASSETS					
Current Assets					
Cash on Hand	\$ 1,000	-	1,681	-	2,681
Cash on Deposit with Paying Agent	-	-	-	28,137	28,137
Cash Due from Central Depository	-	982,387	505,545	2,423,885	3,911,817
Accounts Receivable (Net)	200	40,853	31,890	116,647	189,590
Due from Other Funds	-	2,216,612	-	-	2,216,612
Due from Federal Government	-	-	369,314	-	369,314
Due from State Government	-	-	94,293	-	94,293
Inventories	61,023	-	-	-	61,023
Prepaid Expenses	2,250	-	-	-	2,250
Total Current Assets	64,473	3,239,852	1,002,723	2,568,669	6,875,717
Noncurrent Assets					
Capital Assets					
Land	1,927,942	-	205,990	2,846,458	4,980,390
Buildings and Improvements	1,705,347	179,207	2,316,962	817,176	5,018,692
Equipment and Vehicles	954,050	2,115,990	4,740,542	1,121,873	8,932,455
Less: Accumulated Depreciation	(2,031,693)	(1,430,012)	(4,379,470)	(521,664)	(8,362,839)
Construction in Progress	-	-	-	2,487,835	2,487,835
Net Capital Assets	2,555,646	865,185	2,884,024	6,751,678	13,056,533
Restricted Assets					
Investments	-	-	-	2,643,396	2,643,396
Total Restricted Assets	0	0	0	2,643,396	2,643,396
Total Assets	2,620,119	4,105,037	3,886,747	11,963,743	22,575,646
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Bond Refunding Costs	20,855	-	-	-	20,855
Total Deferred Outflows of Resources	20,855	0	0	0	20,855
LIABILITIES					
Current Liabilities					
Accounts Payable	14,467	115,239	15,817	490,322	635,845
Accrued Payroll Expenses	36,462	29,647	96,422	19,119	181,650
Accrued Expenses	4,437	756	-	-	5,193
Accrued Interest Payable	2,870	-	-	15,227	18,097
Due to Other Funds	2,216,612	-	7,429	-	2,224,041
Unearned Revenue	29,822	-	-	-	29,822
Retainages Payable	-	-	-	52,640	52,640
Special Commission Bonds	-	11,756	-	-	11,756
Compensated Absences - Current Portion	32,872	26,986	61,380	14,698	135,936
Bonds Payable - Current Portion	230,000	-	-	195,000	425,000
Total Current Liabilities	2,567,542	184,384	181,048	787,006	3,719,980
Noncurrent Liabilities					
Compensated Absences Payable	6,733	5,527	12,572	3,010	27,842
Bonds Payable	495,000	-	-	5,590,000	6,085,000
Premium on Bonds Payable	-	-	-	283,447	283,447
Total Noncurrent Liabilities	501,733	5,527	12,572	5,876,457	6,396,289
Total Liabilities	3,069,275	189,911	193,620	6,663,463	10,116,269
NET POSITION					
Net Investment in Capital Assets	1,851,501	865,185	2,884,024	3,326,627	8,927,337
Unrestricted	(2,279,802)	3,049,941	809,103	1,973,653	3,552,895
Total Net Position	\$ (428,301)	3,915,126	3,693,127	5,300,280	12,480,232

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, 2013

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
Operating Revenues					
Charges for Services (Net)	\$ 778,831	2,592,627	488,848	2,122,177	5,982,483
Other Revenue	3,821	-	135,675	36,071	175,567
Total Operating Revenues	782,652	2,592,627	624,523	2,158,248	6,158,050
Operating Expenses					
Administration	-	209,903	-	134,733	344,636
Personnel Services	731,853	790,886	2,282,613	465,539	4,270,891
Contractual Services	501	554,681	58,563	102,071	715,816
Materials and Supplies	80,360	73,401	150,367	98,395	402,523
Repairs and Maintenance	103,581	586,694	561,183	309,193	1,560,651
Items for Resale	33,728	-	-	-	33,728
Other Operating Expenses	130,525	4,661	99,722	65,654	300,562
Depreciation and Amortization	56,047	263,617	518,549	125,137	963,350
Total Operating Expenses	1,136,595	2,483,843	3,670,997	1,300,722	8,592,157
Operating Income (Loss)	(353,943)	108,784	(3,046,474)	857,526	(2,434,107)
Nonoperating Revenues (Expenses)					
Investment Income	-	3,896	-	65	3,961
Operating Grants	-	-	1,986,176	-	1,986,176
Interest Expenses and Commissions	(47,030)	-	-	(151,685)	(198,715)
Amortization of Loss on Bond Refunding	(7,463)	-	-	-	(7,463)
Gain (Loss) on Sale of Capital Assets	-	(4,814)	(11,499)	-	(16,313)
Total Nonoperating Revenues (Expenses)	(54,493)	(918)	1,974,677	(151,620)	1,767,646
Income (Loss) Before Transfers and Capital Contributions	(408,436)	107,866	(1,071,797)	705,906	(666,461)
Transfers and Capital Contributions					
Transfers In	508,436	-	653,000	-	1,161,436
Transfers Out	-	(43,543)	(4,728)	-	(48,271)
Federal Capital Grant Revenue	-	-	187,858	-	187,858
State Capital Grant Revenue	-	-	18,594	-	18,594
Total Transfers and Capital Contributions	508,436	(43,543)	854,724	0	1,319,617
Change in Net Position	100,000	64,323	(217,073)	705,906	653,156
Net Position, July 1, 2012	(528,301)	3,850,803	3,910,200	4,594,374	11,827,076
Net Position, June 30, 2013	\$ (428,301)	3,915,126	3,693,127	5,300,280	12,480,232

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
Cash Flows from Operating Activities					
Receipts from Customers and Users	\$ 780,975	2,587,190	614,151	2,139,569	6,121,885
Payments to Employees	(741,344)	(787,028)	(2,279,171)	(466,164)	(4,273,707)
Payments to Suppliers	(268,635)	(614,979)	(735,178)	(104,962)	(1,723,754)
Payments for Interfund Services Used	(69,498)	(749,469)	(253,394)	(171,296)	(1,243,657)
Net Cash Provided by (Used for) Operating Activities	(298,502)	435,714	(2,653,592)	1,397,147	(1,119,233)
Cash Flows from Noncapital Financing Activities					
Transfers to Other Funds	-	(43,543)	(4,728)	-	(48,271)
Advances from (to) Other Funds	603,838	(95,402)	653,000	-	1,161,436
Operating Grants Received	-	-	2,074,059	-	2,074,059
Net Cash Provided by (Used for) Noncapital Financing Activities	603,838	(138,945)	2,722,331	0	3,187,224
Cash Flows from Capital and Related Financing Activities					
Proceeds from Bonds Issued	-	-	-	5,935,000	5,935,000
Purchase of Capital Assets	(37,435)	(16,566)	(175,867)	(2,336,374)	(2,566,242)
Construction Retainage	-	-	(29,263)	52,640	23,377
Capital Grants Received	-	-	206,452	-	206,452
Principal Paid on Capital Debt	(220,000)	-	-	-	(220,000)
Interest Paid on Capital Debt	(44,887)	-	-	-	(44,887)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(302,322)	(16,566)	1,322	3,651,266	3,333,700
Cash Flows from Investing Activities					
Interest and Related Income/Expenses on Investments Restricted Investments	(3,014)	3,896	-	(2,945)	(2,063)
	-	-	-	(2,643,396)	(2,643,396)
Net Cash Provided by (Used for) Investing Activities	(3,014)	3,896	0	(2,646,341)	(2,645,459)
Net Increase (Decrease) in Cash and Cash Equivalents	-	284,099	70,061	2,402,072	2,756,232
Cash and Cash Equivalents, July 1, 2012	1,000	2,819,498	437,165	49,950	3,307,613
Reclassified to Properly Reflect Cash Due from Other Funds	-	(2,121,210)	-	-	(2,121,210)
Adjusted Cash and Cash Equivalents, July 1, 2012	1,000	698,288	437,165	49,950	1,186,403
Cash and Cash Equivalents, June 30, 2013	\$ 1,000	982,387	507,226	2,452,022	3,942,635
Classified as Current Assets	\$ 1,000	982,387	507,226	2,452,022	3,942,635

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	\$ (353,943)	108,784	(3,046,474)	857,526	(2,434,107)
Adjustments:					
Depreciation	56,047	263,617	518,549	125,137	963,350
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(200)	(5,437)	(10,372)	(18,679)	(34,688)
(Increase) Decrease in Inventories	18,299	-	-	-	18,299
Increase (Decrease) in Accounts Payable and Accrued Expenses	(7,737)	64,892	(118,737)	433,788	372,206
Increase (Decrease) in Accrued Payroll Expenses	(3,210)	(110)	2,067	(2,860)	(4,113)
Increase (Decrease) in Compensated Absences	(6,281)	3,968	1,375	2,235	1,297
Increase (Decrease) in Deferred Revenue	(1,477)	-	-	-	(1,477)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (298,502)</u>	<u>435,714</u>	<u>(2,653,592)</u>	<u>1,397,147</u>	<u>(1,119,233)</u>

Non-Cash Capital and Related Financing Activities

Buffalo Valley Golf Course:

- Amortization of Deferred Bond Refunding totaling \$7,463 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 on Deposit with Paying Agent	-	-	-	28,137	28,137
Cash Due From Central Depository	-	982,387	505,545	2,423,885	3,911,817
	<u>\$ 1,000</u>	<u>982,387</u>	<u>507,226</u>	<u>2,452,022</u>	<u>3,942,635</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, 2013

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
ASSETS			
Current Assets			
Cash in Bank	\$ 12,935,761	-	12,935,761
Accounts Receivable (Net)	341,482	79,712	421,194
Due from Other Funds	-	9,087	9,087
Inventories	-	565,164	565,164
Prepaid Expenses	28,921	-	28,921
Total Current Assets	13,306,164	653,963	13,960,127
Noncurrent Assets			
Capital Assets			
Construction in Progress	-	8,984	8,984
Equipment and Vehicles	-	5,474,292	5,474,292
Less: Accumulated Depreciation	-	(1,696,899)	(1,696,899)
Net Capital Assets	0	3,786,377	3,786,377
Total Assets	13,306,164	4,440,340	17,746,504
LIABILITIES			
Current Liabilities			
Accounts Payable	575,698	289,547	865,245
Accrued Payroll Expenses	6,592	84,128	90,720
Accrued Interest Payable	-	10,954	10,954
Due to Other Funds	70,137	1,315,285	1,385,422
Other Liabilities	3,693,641	-	3,693,641
Compensated Absences - Current Portion	-	57,744	57,744
Bonds Payable - Current Portion	-	387,000	387,000
Total Current Liabilities	4,346,068	2,144,658	6,490,726
Noncurrent Liabilities			
Compensated Absences Payable	-	11,827	11,827
Bonds Payable	-	2,242,000	2,242,000
Total Noncurrent Liabilities	0	2,253,827	2,253,827
Total Liabilities	4,346,068	4,398,485	8,744,553
NET POSITION			
Net Investment in Capital Assets	-	1,146,423	1,146,423
Unrestricted	8,960,096	(1,104,568)	7,855,528
Total Net Position	\$ 8,960,096	41,855	9,001,951

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, 2013

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
Operating Revenues			
Charges for Services (Net)	\$ 18,547,093	7,939,866	26,486,959
Other Revenue	1,089,382	14,564	1,103,946
Total Operating Revenues	<u>19,636,475</u>	<u>7,954,430</u>	<u>27,590,905</u>
Operating Expenses			
Personnel Services	219,535	2,028,650	2,248,185
Contractual Services	19,005,628	69,188	19,074,816
Materials and Supplies	-	38,807	38,807
Repairs and Maintenance	-	5,363,471	5,363,471
Other Operating Expenses	-	127,302	127,302
Depreciation and Amortization	-	513,305	513,305
Total Operating Expenses	<u>19,225,163</u>	<u>8,140,723</u>	<u>27,365,886</u>
Operating Income (Loss)	<u>411,312</u>	<u>(186,293)</u>	<u>225,019</u>
Nonoperating Revenues (Expenses)			
Investment Income	11,619	-	11,619
Interest Expenses and Fiscal Charges	-	(39,301)	(39,301)
Total Nonoperating Revenues (Expenses)	<u>11,619</u>	<u>(39,301)</u>	<u>(27,682)</u>
Income (Loss) Before Transfers	<u>422,931</u>	<u>(225,594)</u>	<u>197,337</u>
Transfers			
Transfers In	472,832	-	472,832
Transfers Out	-	(14,185)	(14,185)
Total Transfers	<u>472,832</u>	<u>(14,185)</u>	<u>458,647</u>
Change in Net Position	<u>895,763</u>	<u>(239,779)</u>	<u>655,984</u>
Net Position, July 1, 2012	<u>8,064,333</u>	<u>281,634</u>	<u>8,345,967</u>
Net Position, June 30, 2013	<u>\$ 8,960,096</u>	<u>41,855</u>	<u>9,001,951</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, 2013

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ -	311,883	311,883
Receipts from Interfund Services Provided	19,721,561	7,605,170	27,326,731
Payments to Employees	(218,757)	(2,012,208)	(2,230,965)
Payments to Suppliers	(19,652,710)	(5,526,606)	(25,179,316)
Payments for Interfund Services Used	-	(42,372)	(42,372)
Net Cash Provided by (Used for) Operating Activities	(149,906)	335,867	185,961
Cash Flows from Noncapital Financing Activities			
Advances from Other Funds	621,934	83,648	705,582
Transfers from Other Funds	472,832	-	472,832
Transfers to Other Funds	-	(14,185)	(14,185)
Net Cash Provided by (Used for) Noncapital Financing Activities	1,094,766	69,463	1,164,229
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	-	(8,984)	(8,984)
Payments on Long Term Debt	-	(368,000)	(368,000)
Interest Paid on Long Term Debt	-	(11,003)	(11,003)
Net Cash Provided by (Used for) Capital and Related Financing Activities	0	(387,987)	(387,987)
Cash Flows from Investing Activities			
Interest Received	11,619	-	11,619
Interest Paid	-	(17,343)	(17,343)
Net Cash Provided by (Used for) Investing Activities	11,619	(17,343)	(5,724)
Net Increase (Decrease) in Cash and Cash Equivalents	956,479	-	956,479
Cash and Cash Equivalents, July 1, 2012	11,979,282	-	11,979,282
Cash and Cash Equivalents, June 30, 2013	\$ 12,935,761	0	12,935,761
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ 411,312	(186,293)	225,019
Adjustments:			
Depreciation and Amortization	-	513,305	513,305
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(256,396)	(37,377)	(293,773)
(Increase) Decrease in Inventories	-	(45,094)	(45,094)
(Increase) Decrease in Prepaid Expenses	(2,057)	-	(2,057)
Increase (Decrease) in Accounts Payable	547,558	71,790	619,348
Increase (Decrease) in Accrued Payroll Expenses	778	6,166	6,944
Increase (Decrease) in Compensated Absences	-	10,276	10,276
Increase (Decrease) in Other Liabilities	(851,101)	3,094	(848,007)
Net Cash Provided by (Used for) Operating Activities	\$ (149,906)	335,867	185,961
Reconciliation of Cash and Cash Equivalents from Statement of Cash Flows			
Cash in Bank	\$ 12,935,761	-	12,935,761
	\$ 12,935,761	0	12,935,761

See Independent Auditors' Report.

AGENCY FUND

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2013

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash and Cash Equivalents	\$ 42,195	1,695,201	1,686,544	50,852
Total Assets	\$ 42,195	1,695,201	1,686,544	50,852
LIABILITIES				
Due to Cooperative	\$ 42,195	1,695,201	1,686,544	50,852
Total Liabilities	\$ 42,195	1,695,201	1,686,544	50,852

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

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 SOURCE¹
June 30, 2013

Governmental Funds Capital Assets	2013	2012
Land	\$ 21,045,315	21,013,083
Buildings and Improvements	214,190,417	180,429,686
Equipment and Vehicles	37,938,036	36,298,835
Infrastructure	165,791,127	162,774,040
Construction in Progress	17,648,426	50,929,609
 Total Governmental Funds Capital Assets	 \$ 456,613,321	 451,445,253
 Investments in Governmental Funds Capital Assets by Source		
General Fund	\$ 240,949,470	234,472,483
General Purpose School Fund	4,128,004	4,257,217
Special Revenue Funds	192,114,454	160,012,977
Capital Project Funds	1,772,967	1,772,967
Construction in Progress	17,648,426	50,929,609
 Total Governmental Funds Capital Assets	 \$ 456,613,321	 451,445,253

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

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹
June 30, 2013

Function and Activity	Land	Buildings and Improvements	Equipment and Vehicles	Infrastructure	Construction in Progress	Total
General Government:						
General Administration	\$ 7,401,584	16,587,593	1,880,253	-	-	25,869,430
Information Technology	-	-	1,979,621	-	-	1,979,621
Total General Government	7,401,584	16,587,593	3,859,874	0	0	27,849,051
Education:						
General Operations	8,036,132	175,348,322	4,548,822	1,211,575	2,208,843	191,353,694
Food Service	-	-	2,781,073	-	-	2,781,073
Student Transit	-	-	4,003,671	-	-	4,003,671
Total Education	8,036,132	175,348,322	11,333,566	1,211,575	2,208,843	198,138,438
Public Welfare and Recreation	2,436,745	8,766,697	2,415,197	6,025,552	13,651,429	33,295,620
Public Works:						
Public Services	1,397,887	447,414	7,726,406	158,554,000	1,492,788	169,618,495
Recycling	-	462,980	-	-	-	462,980
Total Public Works	1,397,887	910,394	7,726,406	158,554,000	1,492,788	170,081,475
Public Safety:						
Police	-	115,407	6,048,644	-	-	6,164,051
Fire	-	5,407,149	6,294,637	-	295,366	11,997,152
Civil Defense	-	46,000	226,218	-	-	272,218
Total Public Safety	0	5,568,556	12,569,499	0	295,366	18,433,421
City Service:						
Library	1,772,967	7,008,855	-	-	-	8,781,822
Community Development	-	-	10,494	-	-	10,494
Metropolitan Transportation Planning	-	-	23,000	-	-	23,000
Total City Service	1,772,967	7,008,855	33,494	0	0	8,815,316
Total Governmental Funds						
Capital Assets	\$ 21,045,315	214,190,417	37,938,036	165,791,127	17,648,426	456,613,321

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

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY¹
For the Fiscal Year Ended June 30, 2013

Function and Activity	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	June 30, 2012	Additions	Deletions	June 30, 2013
General Government:				
General Administration	\$ 23,000,806	2,907,394	(38,769)	25,869,431
Information Technology	1,920,325	59,295	-	1,979,620
Total General Government	<u>24,921,131</u>	<u>2,966,689</u>	<u>(38,769)</u>	<u>27,849,051</u>
Education:				
General Operations	190,471,065	1,596,603	(713,974)	191,353,694
Food Service	2,767,928	13,145	-	2,781,073
Student Transit	3,702,343	549,080	(247,752)	4,003,671
Total Education	<u>196,941,336</u>	<u>2,158,828</u>	<u>(961,726)</u>	<u>198,138,438</u>
Public Welfare and Recreation:				
Total Public Welfare	<u>34,913,752</u>	<u>4,227,953</u>	<u>(5,846,085)</u>	<u>33,295,620</u>
Public Works:				
Public Services	167,782,164	1,891,931	(55,600)	169,618,495
Recycling	462,980	-	-	462,980
Total Public Works	<u>168,245,144</u>	<u>1,891,931</u>	<u>(55,600)</u>	<u>170,081,475</u>
Public Safety:				
Police	5,991,129	386,586	(213,664)	6,164,051
Fire	11,460,094	568,173	(31,115)	11,997,152
Civil Defense	272,218	-	-	272,218
Total Public Safety	<u>17,723,441</u>	<u>954,759</u>	<u>(244,779)</u>	<u>18,433,421</u>
City Service:				
Library	8,666,955	114,867	-	8,781,822
Community Development	10,494	-	-	10,494
Metropolitan Transportation Planning	23,000	-	-	23,000
Total City Service	<u>8,700,449</u>	<u>114,867</u>	<u>0</u>	<u>8,815,316</u>
Total Governmental Funds				
Capital Assets	<u>\$ 451,445,253</u>	<u>12,315,027</u>	<u>(7,146,959)</u>	<u>456,613,321</u>

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

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2013
PRIMARY GOVERNMENT							
General Fund							
Direct Programs:							
97.036	Department of Homeland Security #FEMA-1974-DR-TN	Federal Emergency Management Agency	\$ (24,272)	22,541	-	208	(1,523) *
<i>Sub-total Direct Programs</i>			<u>(24,272)</u>	<u>22,541</u>	<u>0</u>	<u>208</u>	<u>(1,523)</u>
Pass Through State of Tennessee:							
84.184	Safe Schools/Healthy Students Program	U.S. Department of Education Johnson City Schools	(7,142)	46,896	43,718	-	(3,964) *
97.042	MIEMPGC100F2010/DEFAU #EMOG-11	Federal Emergency Management Agency Tennessee Emergency Management Agency	-	58,350	58,350	-	-
<i>Sub-total Pass Through State of Tennessee</i>			<u>(7,142)</u>	<u>105,246</u>	<u>102,068</u>	<u>0</u>	<u>(3,964)</u>
Pass Through Other Organizations:							
93.044	Title III-B, III-D, & III-E JOCITY-2012-HOOT-12 and JOCITY-2013-HOOT-13	U.S. Department of Health and Human Services First TN Development District (from State of TN)	(867)	40,150	45,099	-	(5,816) *
<i>Sub-total Pass Through Other Organizations</i>			<u>(867)</u>	<u>40,150</u>	<u>45,099</u>	<u>0</u>	<u>(5,816)</u>
Total General Fund			<u>(32,281)</u>	<u>167,937</u>	<u>147,167</u>	<u>208</u>	<u>(11,303)</u>
Transportation Planning Fund							
Pass Through State of Tennessee:							
20.514	Project TN-90-X012 - Planning/Research Sec. 5303 - GG0612306	U.S. Department of Transportation TN Department of Transportation	(8,553)	33,930	33,224	-	(7,847) *
20.205	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	U.S. Department of Transportation TN Department of Transportation	(2,930)	12,389	12,529	-	(3,070) *
20.205	Highway Planning and Construction Z-05-024246	U.S. Department of Transportation TN Department of Transportation	(123,640)	280,127	211,438	-	(54,951) *
Total Transportation Planning Fund			<u>(135,123)</u>	<u>326,446</u>	<u>257,191</u>	<u>0</u>	<u>(65,868)</u>
Police Grant Fund							
Direct Programs:							
16.607	Bullet Proof Vest Program #200-BU-BX-01007843	U.S. Department of Justice	(6,562)	6,562	5,404	-	(5,404) *

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2013
PRIMARY GOVERNMENT (CONTINUED)							
Police Grant Fund (Continued)							
Direct Programs (Continued):							
16.738	ARRA - Byrne Jag V Recovery Act #2009-SB-B9-2486	U.S. Department of Justice	19,804	-	19,804	-	-
16.738	Byrne JAG VI - JC/Wash Co Law Enforcement #2012-DJ-BX-0079	U.S. Department of Justice	-	20,468	20,468	-	-
16.738	Byrne JAG 2011 - JC/Wash Co Law Enforcement #2011-DJ-BX-3375	U.S. Department of Justice	25,999	8	26,007	-	-
	TOTAL JAG PROGRAM		<u>45,803</u>	<u>20,476</u>	<u>66,279</u>	<u>0</u>	<u>0</u>
16.71	COPS Hiring Program #2011-UM-WX-0175	U.S. Department of Justice	(20,377)	149,908	169,912	-	(40,381) *
		<i>Sub-total Direct Programs</i>	<u>18,864</u>	<u>176,946</u>	<u>241,595</u>	<u>0</u>	<u>(45,785)</u>
Pass Through State of Tennessee:							
20.607	Safer Johnson City Streets IV #Z13GHS162	TN Department of Transportation Governor's Highway Safety Office	-	7,814	9,267	-	(1,453) *
20.601	Safer Johnson City Streets III #154AL-12-59	TN Department of Transportation Governor's Highway Safety Office	(2,405)	6,637	4,250	18	-
16.738	JAG: JC Targeted Community Crime Reduction #31701-06157	TN Office of Criminal Justice Programs	-	21,923	21,923	-	-
16.575	JAG: JC Targeted Community Crime Reduction N/A	TN Office of Criminal Justice Programs	-	-	51,404	-	(51,404) *
		<i>Sub-total Pass Through State of Tennessee</i>	<u>(2,405)</u>	<u>36,374</u>	<u>86,844</u>	<u>18</u>	<u>(52,857)</u>
Pass Through Local Agency:							
84.184	Safe Schools/Healthy Students Program	U. S. Department of Education Johnson City Schools	(22,374)	98,876	98,084	-	(21,582) *
		<i>Sub-total Pass Through Local Agency</i>	<u>(22,374)</u>	<u>98,876</u>	<u>98,084</u>	<u>0</u>	<u>(21,582)</u>
Total Police Grant Fund			<u>(5,915)</u>	<u>312,196</u>	<u>426,523</u>	<u>18</u>	<u>(120,224)</u>

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2013
PRIMARY GOVERNMENT (CONTINUED)							
Community Development Fund							
<i>Direct Programs:</i>							
14.218	Community Development Block Grant B-MC-47-0008	U.S. Department of Housing & Urban Development	(153,438)	446,645	389,800	-	(96,593) *
Total Community Development Fund			<i>Sub-total Direct Programs</i>	<u>446,645</u>	<u>389,800</u>	<u>0</u>	<u>(96,593)</u> *
Mass Transit Fund							
<i>Direct Programs:</i>							
20.507	Project #TN-90-X354-01 - Operating GG-13-34336	U.S. Department of Transportation	-	750,578	1,017,679	-	(267,101) *
20.507	Project #TN-90-X336 - Operating GG-12-39086-00	U.S. Department of Transportation	(304,287)	394,695	90,408	-	-
20.507	Project #TN-04-0050 - Capital GG-11-36239	U.S. Department of Transportation	(16,610)	65,070	48,460	-	-
20.507	Project #TN-90-X354-01 - Capital GG-13-34336	U.S. Department of Transportation	-	142,764	176,552	-	(33,788) *
20.507	Project #TN-90-X298 - Capital GG-10-30640-00	U.S. Department of Transportation	(11,515)	31,344	39,104	-	(19,275) *
20.507	Project #TN-90-X319 - Capital GG-11-33910-00	U.S. Department of Transportation	(37,321)	60,719	23,398	-	-
20.507	Project #TN-90-X336- Capital GG-11-33910-00	U.S. Department of Transportation	(2,800)	16,078	24,947	-	(11,669) *
20.507	ARRA Grant # TN-96-X007-Capital	U.S. Department of Transportation	(42,830)	42,830	-	-	-
			<i>Sub-total Direct Programs</i>	<u>1,504,078</u>	<u>1,420,548</u>	<u>0</u>	<u>(331,833)</u> *

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2013
PRIMARY GOVERNMENT (CONTINUED)							
Mass Transit Fund (Continued)							
<i>Pass Through State of Tennessee:</i>							
20.516	Job Access - Operating TN-37-X075/Z-09-215686-00 TN-90-X039/GG-10-34497-00	U.S. Department of Transportation	(49,636)	60,079	10,443	-	-
			-	61,596	87,458	-	(25,862) *
20.521	New Freedom - Operating TN-57-X008-01-GG-1133980 TN-57-X011/GG-1134335	U.S. Department of Transportation	(3,442)	30,916	27,474	-	-
			-	-	11,620	-	(11,620) *
		<i>Sub-total Pass Through State of Tennessee</i>	<u>(53,078)</u>	<u>152,591</u>	<u>136,995</u>	<u>0</u>	<u>(37,482)</u>
Total Mass Transit Fund			<u>(468,441)</u>	<u>1,656,669</u>	<u>1,557,543</u>	<u>0</u>	<u>(369,315)</u>
City Solid Waste Fund							
<i>Pass Through Other Organizations:</i>							
97.036	Department of Homeland Security #FEMA-1974-DR-TN	Federal Emergency Management Agency	(5,141)	5,141	-	-	-
Total City Solid Waste Fund			<u>(5,141)</u>	<u>5,141</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital Projects - Infrastructure Fund							
<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	(3,200)	3,892	692	-	-
20.205	Upgrade and Install Traffic Signals #111350.00	U.S. Department of Transportation Tennessee Department of Transportation	(1,259)	8,730	32,061	-	(24,590) *
20.205	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	U.S. Department of Transportation TN Department of Transportation	(3,456)	4,509	18,543	-	(17,490) *
20.205	Access Road for VA Medical Center #102618.00	U.S. Department of Transportation TN Department of Transportation	-	-	32,210	-	(32,210) *
20.205	Mountain View/Browns Mill Traffic Circle #114592.00	U.S. Department of Transportation TN Department of Transportation	(9,249)	19,039	10,237	-	(447) *
20.205	Indian Ridge/State of Franklin Intersection #111351.00	U.S. Department of Transportation TN Department of Transportation	(14,557)	61,679	105,673	-	(58,551) *
Total Capital Projects - Infrastructure Fund			<u>(31,721)</u>	<u>97,849</u>	<u>199,416</u>	<u>0</u>	<u>(133,288)</u>

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2013	
PRIMARY GOVERNMENT (CONTINUED)								
Capital Projects - Equipment Fund								
<i>Direct Programs:</i>								
97.044	Assistance to Firefighters Grant #EMW-2011-FV-01490	U.S. Department of Homeland Security/FEMA	-	150,000	236,293	-	(86,293) *	
Total Capital Projects - Equipment Fund			<i>Sub-total Direct Programs</i>	<u>0</u>	<u>150,000</u>	<u>236,293</u>	<u>0</u>	<u>(86,293)</u> *
Capital Projects - Facilities Fund								
<i>Direct Programs:</i>								
97.044	Assistance to Firefighters Grant #EMW-2011-FO-02451	U.S. Department of Homeland Security/FEMA	-	3,800	107,568	-	(103,768) *	
Total Capital Projects - Facilities Fund			<i>Sub-total Direct Programs</i>	<u>0</u>	<u>3,800</u>	<u>107,568</u>	<u>0</u>	<u>(103,768)</u> *
School Federal Projects Fund								
<i>Pass Through State of Tennessee:</i>								
84.002	Adult Basic Education Z-07-033707-00	Department of Labor and Workforce Development	(106,102)	219,006	251,192	-	(138,288) *	
84.048	Carl Perkins	U.S. Department of Education	(82,844)	216,351	165,914	-	(32,407) *	
84.027	IDEA, Project	U.S. Department of Education	(286,806)	1,567,872	1,357,880	-	(76,814) *	
84.173	Preschool Incentive Project	U.S. Department of Education	(12,943)	38,408	35,753	-	(10,288) *	
Total IDEA CLUSTER			<u>(299,749)</u>	<u>1,606,280</u>	<u>1,393,633</u>	<u>0</u>	<u>(87,102)</u> *	
84.010	Title I, Project	U.S. Department of Education	(115,585)	1,644,470	1,731,660	-	(202,775) *	
84.367A	Title II, Part A	U.S. Department of Education	2,276	260,549	314,410	-	(51,585) *	
84.365A	Title III, ESL	U.S. Department of Education	(18,348)	37,617	42,254	-	(22,985) *	
84.196	TITLE X, Part C, McKinney Homeless Grant	U.S. Department of Education	(35,765)	78,134	66,000	-	(23,631) *	

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2013	
PRIMARY GOVERNMENT (CONTINUED)								
School Federal Projects Fund (Continued)								
<i>Pass Through State of Tennessee (Continued):</i>								
84.287C	21st Century Community Learning Center	U.S. Department of Education	(81,907)	148,793	158,900	-	(92,014) *	
84.184L	Heroes Element 1,2,3	U.S. Department of Education	(104,921)	785,176	680,255	-	-	
84.184L	Heroes Element 4,5	U.S. Department of Education	(67,192)	473,271	406,079	-	-	
	Total Heroes Program		<u>(172,113)</u>	<u>1,258,447</u>	<u>1,086,334</u>	<u>0</u>	<u>0</u>	
84.410	Education Jobs Grant, ARRA	U.S. Department of Education	(264,442)	410,545	146,103	-	-	
84.395	First to the Top Grant, ARRA	U.S. Department of Education	(68,661)	231,584	260,900	-	(97,977) *	
Total School Federal Projects Fund			<i>Sub-total Pass Through State of Tennessee</i>	<u>(1,243,240)</u>	<u>6,111,776</u>	<u>5,617,300</u>	<u>0</u>	<u>(748,764)</u>
Special School Projects Fund								
<i>Pass Through State of Tennessee:</i>								
84.397	Coordinated School Health ARRA	Tennessee Department of Education	(38,995)	38,995	-	-	-	
Total Special School Projects Fund			<u>(38,995)</u>	<u>38,995</u>	<u>0</u>	<u>0</u>	<u>0</u>	
School Food Service Fund								
<i>Pass Through State of Tennessee:</i>								
10.553	National School Breakfast Program	U.S. Department of Agriculture	(50,349)	416,935	390,976	-	(24,390) *	
10.555	National School Lunch Program	U.S. Department of Agriculture	(171,999)	1,909,713	1,782,681	-	(44,967) *	
10.500	National School Snack Program	U.S. Department of Agriculture	(3,541)	55,422	51,881	-	-	

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2013
PRIMARY GOVERNMENT (CONTINUED)							
School Food Service Fund (Continued)							
Pass Through State of Tennessee (Continued):							
10.582	Fresh Fruits and Vegetables	U.S. Department of Agriculture	(11,595)	50,338	44,296	-	(5,553) *
		<i>Sub-total Pass Through State of Tennessee</i>	<u>(237,484)</u>	<u>2,432,408</u>	<u>2,269,834</u>	<u>0</u>	<u>(74,910)</u>
Pass Through Northeast Tennessee Cooperative:							
10.550	USDA: Commodity Supplemental Feeding - Commodities Match	Tennessee Department of Agriculture	-	30,952	30,952	-	-
	Feeding - Commodities Distributed	Tennessee Department of Agriculture	-	199,487	199,487	-	-
		<i>Sub-total Pass Through Northeast Tennessee Cooperative</i>	<u>0</u>	<u>230,439</u>	<u>230,439</u>	<u>0</u>	<u>0</u>
Total School Food Service Fund			<u>(237,484)</u>	<u>2,662,847</u>	<u>2,500,273</u>	<u>0</u>	<u>(74,910)</u>
Johnson City Power Board							
Pass Through State of Tennessee:							
97.036	Disaster Relief Grant	Tennessee Emergency Management (TEMA)	(359,711)	269,783	-	-	(89,928) *
Total Johnson City Power Board			<u>(359,711)</u>	<u>269,783</u>	<u>0</u>	<u>0</u>	<u>(89,928)</u>
TOTAL FEDERAL GRANTS			<u>\$ (2,711,490)</u>	<u>12,250,084</u>	<u>11,439,074</u>	<u>226</u>	<u>(1,900,254)</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, 2013, the City made no payments to subrecipients.

* Receivable ** Unused Revenue

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2013
PRIMARY GOVERNMENT							
General Fund							
Direct Programs:							
97.036	Department of Homeland Security #FEMA-1974-DR-TN	Federal Emergency Management Agency	\$ (24,272)	22,541	-	208	(1,523) *
<i>Sub-total Direct Programs</i>			<u>(24,272)</u>	<u>22,541</u>	<u>0</u>	<u>208</u>	<u>(1,523)</u>
Pass Through State of Tennessee:							
84.184	Safe Schools/Healthy Students Program	U.S. Department of Education Johnson City Schools	(7,142)	46,896	43,718	-	(3,964) *
97.042	MIEMPGC100F2010/DEFAU #EMOG-11	Federal Emergency Management Agency Tennessee Emergency Management Agency	-	58,350	58,350	-	-
<i>Sub-total Pass Through State of Tennessee</i>			<u>(7,142)</u>	<u>105,246</u>	<u>102,068</u>	<u>0</u>	<u>(3,964)</u>
Pass Through Other Organizations:							
93.044	Title III-B, III-D, & III-E JOCITY-2012-HOOT-12 and JOCITY-2013-HOOT-13	U.S. Department of Health and Human Services First TN Development District (from State of TN)	(867)	40,150	45,099	-	(5,816) *
<i>Sub-total Pass Through Other Organizations</i>			<u>(867)</u>	<u>40,150</u>	<u>45,099</u>	<u>0</u>	<u>(5,816)</u>
Total General Fund			<u>(32,281)</u>	<u>167,937</u>	<u>147,167</u>	<u>208</u>	<u>(11,303)</u>
Transportation Planning Fund							
Pass Through State of Tennessee:							
20.514	Project TN-90-X012 - Planning/Research Sec. 5303 - GG0612306	U.S. Department of Transportation TN Department of Transportation	(8,553)	33,930	33,224	-	(7,847) *
20.205	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	U.S. Department of Transportation TN Department of Transportation	(2,930)	12,389	12,529	-	(3,070) *
20.205	Highway Planning and Construction Z-05-024246	U.S. Department of Transportation TN Department of Transportation	(123,640)	280,127	211,438	-	(54,951) *
Total Transportation Planning Fund			<u>(135,123)</u>	<u>326,446</u>	<u>257,191</u>	<u>0</u>	<u>(65,868)</u>
Police Grant Fund							
Direct Programs:							
16.607	Bullet Proof Vest Program #200-BU-BX-01007843	U.S. Department of Justice	(6,562)	6,562	5,404	-	(5,404) *

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2013
PRIMARY GOVERNMENT (CONTINUED)							
Police Grant Fund (Continued)							
Direct Programs (Continued):							
16.738	ARRA - Byrne Jag V Recovery Act #2009-SB-B9-2486	U.S. Department of Justice	19,804	-	19,804	-	-
16.738	Byrne JAG VI - JC/Wash Co Law Enforcement #2012-DJ-BX-0079	U.S. Department of Justice	-	20,468	20,468	-	-
16.738	Byrne JAG 2011 - JC/Wash Co Law Enforcement #2011-DJ-BX-3375	U.S. Department of Justice	25,999	8	26,007	-	-
TOTAL JAG PROGRAM			<u>45,803</u>	<u>20,476</u>	<u>66,279</u>	<u>0</u>	<u>0</u>
16.71	COPS Hiring Program #2011-UM-WX-0175	U.S. Department of Justice	(20,377)	149,908	169,912	-	(40,381) *
<i>Sub-total Direct Programs</i>			<u>18,864</u>	<u>176,946</u>	<u>241,595</u>	<u>0</u>	<u>(45,785)</u>
Pass Through State of Tennessee:							
20.607	Safer Johnson City Streets IV #Z13GHS162	TN Department of Transportation Governor's Highway Safety Office	-	7,814	9,267	-	(1,453) *
20.601	Safer Johnson City Streets III #154AL-12-59	TN Department of Transportation Governor's Highway Safety Office	(2,405)	6,637	4,250	18	-
16.738	JAG: JC Targeted Community Crime Reduction #31701-06157	TN Office of Criminal Justice Programs	-	21,923	21,923	-	-
16.575	JAG: JC Targeted Community Crime Reduction N/A	TN Office of Criminal Justice Programs	-	-	51,404	-	(51,404) *
<i>Sub-total Pass Through State of Tennessee</i>			<u>(2,405)</u>	<u>36,374</u>	<u>86,844</u>	<u>18</u>	<u>(52,857)</u>
Pass Through Local Agency:							
84.184	Safe Schools/Healthy Students Program	U. S. Department of Education Johnson City Schools	(22,374)	98,876	98,084	-	(21,582) *
<i>Sub-total Pass Through Local Agency</i>			<u>(22,374)</u>	<u>98,876</u>	<u>98,084</u>	<u>0</u>	<u>(21,582)</u>
Total Police Grant Fund			<u>(5,915)</u>	<u>312,196</u>	<u>426,523</u>	<u>18</u>	<u>(120,224)</u>

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2013
PRIMARY GOVERNMENT (CONTINUED)							
Community Development Fund							
<i>Direct Programs:</i>							
14.218	Community Development Block Grant B-MC-47-0008	U.S. Department of Housing & Urban Development	(153,438)	446,645	389,800	-	(96,593) *
Total Community Development Fund			<i>Sub-total Direct Programs</i> (153,438)	446,645	389,800	0	(96,593)
Mass Transit Fund							
<i>Direct Programs:</i>							
20.507	Project #TN-90-X354-01 - Operating GG-13-34336	U.S. Department of Transportation	-	750,578	1,017,679	-	(267,101) *
20.507	Project #TN-90-X336 - Operating GG-12-39086-00	U.S. Department of Transportation	(304,287)	394,695	90,408	-	-
20.507	Project #TN-04-0050 - Capital GG-11-36239	U.S. Department of Transportation	(16,610)	65,070	48,460	-	-
20.507	Project #TN-90-X354-01 - Capital GG-13-34336	U.S. Department of Transportation	-	142,764	176,552	-	(33,788) *
20.507	Project #TN-90-X298 - Capital GG-10-30640-00	U.S. Department of Transportation	(11,515)	31,344	39,104	-	(19,275) *
20.507	Project #TN-90-X319 - Capital GG-11-33910-00	U.S. Department of Transportation	(37,321)	60,719	23,398	-	-
20.507	Project #TN-90-X336- Capital GG-11-33910-00	U.S. Department of Transportation	(2,800)	16,078	24,947	-	(11,669) *
20.507	ARRA Grant # TN-96-X007-Capital	U.S. Department of Transportation	(42,830)	42,830	-	-	-
			<i>Sub-total Direct Programs</i> (415,363)	1,504,078	1,420,548	0	(331,833)

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2013
PRIMARY GOVERNMENT (CONTINUED)							
Mass Transit Fund (Continued)							
<i>Pass Through State of Tennessee:</i>							
20.516	Job Access - Operating TN-37-X075/Z-09-215686-00 TN-90-X039/GG-10-34497-00	U.S. Department of Transportation	(49,636)	60,079	10,443	-	-
			-	61,596	87,458	-	(25,862) *
20.521	New Freedom - Operating TN-57-X008-01-GG-1133980 TN-57-X011/GG-1134335	U.S. Department of Transportation	(3,442)	30,916	27,474	-	-
			-	-	11,620	-	(11,620) *
		<i>Sub-total Pass Through State of Tennessee</i>	<u>(53,078)</u>	<u>152,591</u>	<u>136,995</u>	<u>0</u>	<u>(37,482)</u>
Total Mass Transit Fund			<u>(468,441)</u>	<u>1,656,669</u>	<u>1,557,543</u>	<u>0</u>	<u>(369,315)</u>
City Solid Waste Fund							
<i>Pass Through Other Organizations:</i>							
97.036	Department of Homeland Security #FEMA-1974-DR-TN	Federal Emergency Management Agency	(5,141)	5,141	-	-	-
Total City Solid Waste Fund			<u>(5,141)</u>	<u>5,141</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital Projects - Infrastructure Fund							
<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	(3,200)	3,892	692	-	-
20.205	Upgrade and Install Traffic Signals #111350.00	U.S. Department of Transportation Tennessee Department of Transportation	(1,259)	8,730	32,061	-	(24,590) *
20.205	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	U.S. Department of Transportation TN Department of Transportation	(3,456)	4,509	18,543	-	(17,490) *
20.205	Access Road for VA Medical Center #102618.00	U.S. Department of Transportation TN Department of Transportation	-	-	32,210	-	(32,210) *
20.205	Mountain View/Browns Mill Traffic Circle #114592.00	U.S. Department of Transportation TN Department of Transportation	(9,249)	19,039	10,237	-	(447) *
20.205	Indian Ridge/State of Franklin Intersection #111351.00	U.S. Department of Transportation TN Department of Transportation	(14,557)	61,679	105,673	-	(58,551) *
Total Capital Projects - Infrastructure Fund			<u>(31,721)</u>	<u>97,849</u>	<u>199,416</u>	<u>0</u>	<u>(133,288)</u>

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2013	
PRIMARY GOVERNMENT (CONTINUED)								
Capital Projects - Equipment Fund								
<i>Direct Programs:</i>								
97.044	Assistance to Firefighters Grant #EMW-2011-FV-01490	U.S. Department of Homeland Security/FEMA	-	150,000	236,293	-	(86,293) *	
Total Capital Projects - Equipment Fund			<i>Sub-total Direct Programs</i>	<u>0</u>	<u>150,000</u>	<u>236,293</u>	<u>0</u>	<u>(86,293)</u> *
Capital Projects - Facilities Fund								
<i>Direct Programs:</i>								
97.044	Assistance to Firefighters Grant #EMW-2011-FO-02451	U.S. Department of Homeland Security/FEMA	-	3,800	107,568	-	(103,768) *	
Total Capital Projects - Facilities Fund			<i>Sub-total Direct Programs</i>	<u>0</u>	<u>3,800</u>	<u>107,568</u>	<u>0</u>	<u>(103,768)</u> *
School Federal Projects Fund								
<i>Pass Through State of Tennessee:</i>								
84.002	Adult Basic Education Z-07-033707-00	Department of Labor and Workforce Development	(106,102)	219,006	251,192	-	(138,288) *	
84.048	Carl Perkins	U.S. Department of Education	(82,844)	216,351	165,914	-	(32,407) *	
84.027	IDEA, Project	U.S. Department of Education	(286,806)	1,567,872	1,357,880	-	(76,814) *	
84.173	Preschool Incentive Project	U.S. Department of Education	(12,943)	38,408	35,753	-	(10,288) *	
Total IDEA CLUSTER			<u>(299,749)</u>	<u>1,606,280</u>	<u>1,393,633</u>	<u>0</u>	<u>(87,102)</u> *	
84.010	Title I, Project	U.S. Department of Education	(115,585)	1,644,470	1,731,660	-	(202,775) *	
84.367A	Title II, Part A	U.S. Department of Education	2,276	260,549	314,410	-	(51,585) *	
84.365A	Title III, ESL	U.S. Department of Education	(18,348)	37,617	42,254	-	(22,985) *	
84.196	TITLE X, Part C, McKinney Homeless Grant	U.S. Department of Education	(35,765)	78,134	66,000	-	(23,631) *	

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2013
PRIMARY GOVERNMENT (CONTINUED)							
School Federal Projects Fund (Continued)							
<i>Pass Through State of Tennessee (Continued):</i>							
84.287C	21st Century Community Learning Center	U.S. Department of Education	(81,907)	148,793	158,900	-	(92,014) *
84.184L	Heroes Element 1,2,3	U.S. Department of Education	(104,921)	785,176	680,255	-	-
84.184L	Heroes Element 4,5	U.S. Department of Education	(67,192)	473,271	406,079	-	-
	Total Heroes Program		<u>(172,113)</u>	<u>1,258,447</u>	<u>1,086,334</u>	<u>0</u>	<u>0</u>
84.410	Education Jobs Grant, ARRA	U.S. Department of Education	(264,442)	410,545	146,103	-	-
84.395	First to the Top Grant, ARRA	U.S. Department of Education	(68,661)	231,584	260,900	-	(97,977) *
Total School Federal Projects Fund			<i>Sub-total Pass Through State of Tennessee</i>	<u>(1,243,240)</u>	<u>6,111,776</u>	<u>0</u>	<u>(748,764)</u>
Special School Projects Fund							
<i>Pass Through State of Tennessee:</i>							
84.397	Coordinated School Health ARRA	Tennessee Department of Education	(38,995)	38,995	-	-	-
Total Special School Projects Fund			<u>(38,995)</u>	<u>38,995</u>	<u>0</u>	<u>0</u>	<u>0</u>
School Food Service Fund							
<i>Pass Through State of Tennessee:</i>							
10.553	National School Breakfast Program	U.S. Department of Agriculture	(50,349)	416,935	390,976	-	(24,390) *
10.555	National School Lunch Program	U.S. Department of Agriculture	(171,999)	1,909,713	1,782,681	-	(44,967) *
10.500	National School Snack Program	U.S. Department of Agriculture	(3,541)	55,422	51,881	-	-

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2013
PRIMARY GOVERNMENT (CONTINUED)							
School Food Service Fund (Continued)							
Pass Through State of Tennessee (Continued):							
10.582	Fresh Fruits and Vegetables	U.S. Department of Agriculture	(11,595)	50,338	44,296	-	(5,553) *
		<i>Sub-total Pass Through State of Tennessee:</i>	<u>(237,484)</u>	<u>2,432,408</u>	<u>2,269,834</u>	<u>0</u>	<u>(74,910)</u>
Pass Through Northeast Tennessee Cooperative:							
10.550	USDA: Commodity Supplemental Feeding - Commodities Match	Tennessee Department of Agriculture	-	30,952	30,952	-	-
	Feeding - Commodities Distributed	Tennessee Department of Agriculture	-	199,487	199,487	-	-
		<i>Sub-total Pass Through Northeast Tennessee Cooperative</i>	<u>0</u>	<u>230,439</u>	<u>230,439</u>	<u>0</u>	<u>0</u>
Total School Food Service Fund			<u>(237,484)</u>	<u>2,662,847</u>	<u>2,500,273</u>	<u>0</u>	<u>(74,910)</u>
Johnson City Power Board							
Pass Through State of Tennessee:							
97.036	Disaster Relief Grant	Tennessee Emergency Management (TEMA)	(359,711)	269,783	-	-	(89,928) *
Total Johnson City Power Board			<u>(359,711)</u>	<u>269,783</u>	<u>0</u>	<u>0</u>	<u>(89,928)</u>
TOTAL FEDERAL GRANTS			<u>\$ (2,711,490)</u>	<u>12,250,084</u>	<u>11,439,074</u>	<u>226</u>	<u>(1,900,254)</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, 2013, the City made no payments 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, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2013
PRIMARY GOVERNMENT							
General Fund							
Direct Programs:							
N/A	State Boarding of Prisoners	Tennessee Department of Correction	\$ (237,296)	1,605,564	1,536,546	-	(168,278) *
<i>Sub-total Direct Programs</i>			<u>(237,296)</u>	<u>1,605,564</u>	<u>1,536,546</u>	<u>0</u>	<u>(168,278)</u>
Pass Through Other Organizations:							
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	2,106	-	2,106	-	-
N/A	H.E.A.L Grant - Carver #20100555	Mountain States Foundation	2,000	-	2,000	-	-
N/A	Senior Center Operations JOCITY-2007-HOOT-12	TN Commission on Aging First TN Development District	(1,667)	1,667	-	-	-
N/A	Senior Center Operations JOCITY-2007-HOOT-12	TN Commission on Aging First TN Development District	-	18,058	19,700	-	(1,642) *
<i>Sub-total Pass Through Other Organizations</i>			<u>2,439</u>	<u>24,225</u>	<u>28,306</u>	<u>0</u>	<u>(1,642)</u>
Total General Fund			<u>(234,857)</u>	<u>1,629,789</u>	<u>1,564,852</u>	<u>0</u>	<u>(169,920)</u>
Community Development Fund							
Direct Programs:							
N/A	Emergency Shelter Grant Z-05-020660-01	TN Department of Human Services	(30,841)	30,841	32,491	-	(32,491) *
Total Community Development Fund			<u>(30,841)</u>	<u>30,841</u>	<u>32,491</u>	<u>0</u>	<u>(32,491)</u>

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2013
PRIMARY GOVERNMENT (CONTINUED)							
Mass Transit							
Direct Programs:							
N/A	Job Access - Operating	Tennessee Department of Transportation					
	TN-90-4309, GG-10-34497-00		-	30,798	43,729	-	(12,931) *
	TN-90-X075, Z-09-215686-00		(16,552)	21,773	5,221	-	-
N/A	Project - Operating	Tennessee Department of Transportation					
	TN-90-X336, GG12-39086-00		(58,775)	60,635	3,318	-	(1,458) *
N/A	Project - Operating - New Freedom	Tennessee Department of Transportation					
	TN-57-X008-01, GG-11-33980		(5,165)	5,165	5,810	-	(5,810) *
	TN-90-X075, GG-11-34335			410,768	462,791		(52,023) *
N/A	Project - Capital	Tennessee Department of Transportation					
	TN-90-X087, GG-1239591		-	7,395	7,395	-	-
	TN-90-X354,GG-13-34336-00		-	-	22,069	-	(22,069) *
	TN-90-X336,GG12-39086-00		(350)	350	-	-	-
	TN-04-0050,GG-11-36239		(2,076)	8,134	6,058	-	-
	TN-90-X319,GG-11-33910-00		(4,665)	7,590	2,925	-	-
Total Mass Transit Fund			(87,583)	552,608	559,316	0	(94,291)
Water and Sewer Fund							
Pass Through Other Organizations:							
N/A	Fast Track Infrastructure Dev. Grant	TN Economic/Community Development					
	GG-08-24744	Sullivan County, TN	(79,929)	79,929	-	-	-
Total Water and Sewer Fund			(79,929)	79,929	0	0	0

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2013

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2012	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2013
PRIMARY GOVERNMENT (CONTINUED)							
Special School Projects Fund							
<i>Pass Through State of Tennessee:</i>							
N/A	Lottery Pre-K	Tennessee Department of Education	(101,778)	385,317	320,966	-	(37,427) *
93.645	Family Resources	Tennessee Department of Education	(1,177)	27,961	29,612	-	(2,828) *
N/A	Lottery for Education: Afterschool Pgm	Tennessee Department of Education	(107,971)	225,529	223,645	-	(106,087) *
N/A	Safe Schools	Tennessee Department of Education	(27,300)	39,495	27,900	-	(15,705) *
N/A	Enforce Underage Drinking	Tennessee Department of Education	(38,994)	109,215	100,000	-	(29,779) *
Total Special School Projects Fund			<i>Sub-total Pass Through State of Tennessee</i>	<u>787,517</u>	<u>702,123</u>	<u>0</u>	<u>(191,826)</u>
Capital Projects - Infrastructure Fund							
<i>Direct Programs:</i>							
N/A	State Industrial Access Road Proj ID:116966.00 Proj. Number:90953-3533-04	Tennessee Department of Transportation	-	-	14,100	-	(14,100) *
Total Capital Projects-Infrastructure Fund			<i>Sub-Total Direct Programs</i>	<u>0</u>	<u>14,100</u>	<u>0</u>	<u>(14,100)</u>
Johnson City Power Board							
<i>Direct Programs:</i>							
N/A	Disaster Relief Grant	Tennessee Emergency Management	(59,952)	-	-	-	(59,952) *
Total Johnson City Power Board			<i>Sub-total Direct Programs</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(59,952)</u>
TOTAL STATE GRANTS-PRIMARY GOVERNMENT			<u>\$ (770,382)</u>	<u>3,080,684</u>	<u>2,872,882</u>	<u>0</u>	<u>(562,580)</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:	<u>Page</u>
<u>Financial Trends</u>	
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	180
<u>Revenue Capacity</u>	
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	188
<u>Debt Capacity</u>	
<i>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.</i>	192
<u>Demographic and Economic Information</u>	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	198
<u>Operating Information</u>	
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<u>Other Statistical Schedules</u>	
<i>These statistical schedules present information that is required to be presented by the State of Tennessee as supplementary information.</i>	204
<u>Sources:</u> 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				
	2004	2005	2006	2007	2008
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 68,066,836	\$ 69,035,062	\$ 67,480,139	\$ 67,467,865	\$ 93,255,452
Restricted	1,339,792	1,235,783	1,108,571	6,625,729	-
Unrestricted	27,064,737	38,368,429	51,502,610	57,777,385	75,895,859
Total Governmental Activities Net Position	<u>\$ 96,471,365</u>	<u>108,639,274</u>	<u>120,091,320</u>	<u>131,870,979</u>	<u>169,151,311</u>
Business-Type Activities					
Invested in Capital Assets, Net of Related Debt	\$ 151,024,946	\$ 164,362,698	\$ 170,338,354	\$ 181,475,490	\$ 187,286,301
Restricted	595,205	501,521	660,326	483,449	482,776
Unrestricted	9,307,410	8,347,415	14,036,942	14,101,598	20,336,221
Total Business-Type Activities Net Position	<u>\$ 160,927,561</u>	<u>\$ 173,211,634</u>	<u>\$ 185,035,622</u>	<u>\$ 196,060,537</u>	<u>\$ 208,105,298</u>
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$ 219,091,782	\$ 233,397,760	\$ 236,542,197	\$ 248,943,355	\$ 280,541,753
Restricted	1,934,997	1,737,304	1,768,897	7,109,178	482,776
Unrestricted	36,372,147	46,715,844	66,815,848	71,878,983	96,232,080
Total Primary Government Net Position	<u>\$ 257,398,926</u>	<u>\$ 281,850,908</u>	<u>\$ 305,126,942</u>	<u>\$ 327,931,516</u>	<u>\$ 377,256,609</u>
	2009	2010	2011	2012	2013
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 112,115,146	\$ 129,428,685	\$ 152,945,239	\$ 141,450,516	\$ 135,679,728
Restricted	-	206,878	200,340	194,541	190,041
Unrestricted	68,979,090	56,010,915	34,617,050	42,572,808	43,557,298
Total Governmental Activities Net Position	<u>\$ 181,094,236</u>	<u>\$ 185,646,478</u>	<u>\$ 187,762,629</u>	<u>\$ 184,217,865</u>	<u>\$ 179,427,067</u>
Business-Type Activities					
Invested in Capital Assets, Net of Related Debt	\$ 208,312,172	\$ 207,558,747	\$ 219,263,153	\$ 229,640,982	\$ 237,654,677
Restricted	1,785,757	3,375,467	21,071,959	-	-
Unrestricted	15,865,673	34,958,404	20,585,763	40,260,473	42,269,236
Total Business-Type Activities Net Position	<u>\$ 225,963,602</u>	<u>\$ 245,892,618</u>	<u>\$ 260,920,875</u>	<u>\$ 269,901,455</u>	<u>\$ 279,923,913</u>
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$ 320,427,318	\$ 336,987,432	\$ 372,208,392	\$ 371,091,498	\$ 373,334,405
Restricted	1,785,757	3,582,345	21,272,299	194,541	190,041
Unrestricted	84,844,763	90,969,319	55,202,813	82,833,281	85,826,534
Total Primary Government Net Position	<u>\$ 407,057,838</u>	<u>\$ 431,539,096</u>	<u>\$ 448,683,504</u>	<u>\$ 454,119,320</u>	<u>\$ 459,350,980</u>

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				
	2004	2005	2006	2007	2008
Expenses					
<u>Governmental Activities:</u>					
General Government	\$ 7,249,216	\$ 7,518,525	\$ 7,102,418	\$ 10,246,706	\$ 12,982,708
Public Safety	17,676,316	18,254,020	19,537,869	20,196,334	23,050,291
Public Works	11,581,458	10,648,651	11,740,047	11,954,349	11,759,714
Public Welfare	5,485,982	6,211,203	6,309,383	6,551,969	5,455,063
City Services	2,090,545	1,818,017	1,789,975	2,105,771	2,262,984
Education	48,542,847	51,957,017	54,448,620	57,396,706	61,434,692
Interest on Long-Term Debt	4,713,367	4,760,654	3,040,993	7,140,164	4,144,293
Total Governmental Activities Expenses	<u>\$ 97,339,731</u>	<u>\$ 101,168,087</u>	<u>\$ 103,969,305</u>	<u>\$ 115,591,999</u>	<u>\$ 121,089,745</u>
<u>Business-Type Activities:</u>					
Water and Sewer	\$ 16,885,803	\$ 17,309,426	\$ 18,616,496	\$ 21,053,584	\$ 21,710,919
City Solid Waste	6,737,417	6,654,113	7,040,115	7,294,552	7,813,531
Regional Solid Waste	1,272,173	1,410,536	1,615,196	1,658,724	1,818,585
Johnson City Power Board	118,868,370	119,754,592	133,197,667	143,319,219	153,413,844
Public Building Authority	3,295,700	2,376,597	2,294,949	2,107,230	1,805,760
Mass Transit	1,934,480	1,901,831	2,193,038	2,489,530	2,842,568
Stormwater Management	-	-	-	144,542	495,011
Golf Courses	1,217,833	1,231,510	1,393,946	1,472,066	1,462,210
Total Business-Type Activities Expenses	<u>\$ 150,211,776</u>	<u>\$ 150,638,605</u>	<u>\$ 166,351,407</u>	<u>\$ 179,539,447</u>	<u>\$ 191,362,428</u>
Total Primary Government Expenses	<u>\$ 247,551,507</u>	<u>\$ 251,806,692</u>	<u>\$ 270,320,712</u>	<u>\$ 295,131,446</u>	<u>\$ 312,452,173</u>
	2009	2010	2011	2012	2013
<u>Governmental Activities:</u>					
General Government	\$ 13,517,750	\$ 16,250,413	\$ 10,696,245	\$ 9,782,991	\$ 12,419,584
Public Safety	23,320,230	20,093,411	23,894,249	30,769,395	31,395,845
Public Works	14,699,318	15,041,881	14,922,121	12,036,441	12,642,482
Public Welfare	7,305,539	3,459,067	7,371,142	11,407,275	11,672,092
City Services	3,078,092	2,923,687	2,222,801	2,299,905	3,554,162
Education	63,517,290	65,853,223	69,230,829	64,996,820	66,648,109
Interest on Long-Term Debt	5,767,393	6,685,700	7,238,948	6,562,354	5,209,256
Total Governmental Activities Expenses	<u>\$ 131,205,612</u>	<u>\$ 130,307,382</u>	<u>\$ 135,576,335</u>	<u>\$ 137,855,181</u>	<u>\$ 143,541,530</u>
<u>Business-Type Activities:</u>					
Water and Sewer	\$ 22,830,928	\$ 21,601,917	\$ 24,164,954	\$ 25,926,353	\$ 26,701,483
City Solid Waste	8,060,129	8,017,980	8,335,603	8,403,638	8,564,272
Regional Solid Waste	1,871,460	1,925,909	2,006,080	2,182,604	182,309,204
Johnson City Power Board	178,834,070	163,283,389	185,044,289	176,494,179	1,879,979
Public Building Authority	1,984,687	2,015,126	2,006,730	1,864,558	2,483,843
Mass Transit	3,021,432	3,449,299	3,431,139	4,020,869	3,670,997
Stormwater Management	773,631	1,004,367	999,687	1,066,427	1,452,407
Golf Courses	1,330,540	1,239,672	1,322,319	1,286,000	1,191,088
Total Business-Type Activities Expenses	<u>\$ 218,706,877</u>	<u>\$ 202,537,659</u>	<u>\$ 227,310,801</u>	<u>\$ 221,244,628</u>	<u>\$ 228,253,273</u>
Total Primary Government Expenses	<u>\$ 349,912,489</u>	<u>\$ 332,845,041</u>	<u>\$ 362,887,136</u>	<u>\$ 359,099,809</u>	<u>\$ 371,794,803</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
CHANGES IN NET POSITION
FOR THE FISCAL YEARS NOTED
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2004	2005	2006	2007	2008
Program Revenues					
<u>Governmental Activities:</u>					
Charges for Services:					
Public Safety	\$ 1,351,314	\$ 1,470,777	\$ 1,577,697	\$ 1,507,099	\$ 1,586,621
City Services	2,419,198	2,105,424	2,113,662	2,445,477	2,441,483
Education	2,262,888	2,445,031	2,708,056	3,038,039	2,752,587
Other Activities	1,224,777	1,232,901	2,469,235	2,332,593	2,829,651
Operating Grants and Contributions	26,225,494	30,133,808	30,516,925	33,419,313	35,525,329
Capital Grants and Contributions	2,277,006	626,238	164,833	-	31,055
Total Governmental Activities Program Revenues	<u>35,760,677</u>	<u>38,014,179</u>	<u>39,550,408</u>	<u>42,742,521</u>	<u>45,166,726</u>
<u>Business-Type Activities:</u>					
Charges for Services:					
Water and Sewer	\$ 19,690,045	\$ 20,288,469	\$ 21,772,092	\$ 23,133,709	\$ 23,543,970
City Solid Waste	7,897,479	7,917,942	8,257,612	8,622,823	9,100,844
Johnson City Power Board	124,669,151	128,314,735	141,680,530	150,526,423	161,195,320
Other Activities	5,621,249	5,194,686	5,277,396	5,499,351	6,653,378
Operating Grants and Contributions	1,142,869	995,661	1,103,458	1,249,319	1,509,571
Capital Grants and Contributions	1,090,342	1,717,925	818,212	397,599	797,607
Total Business-Type Activities Program Revenues	<u>160,111,135</u>	<u>164,429,418</u>	<u>178,909,300</u>	<u>189,429,224</u>	<u>202,800,690</u>
Total Primary Government Program Revenues	<u>\$ 195,871,812</u>	<u>\$ 202,443,597</u>	<u>\$ 218,459,708</u>	<u>\$ 232,171,745</u>	<u>\$ 247,967,416</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (61,579,054)	\$ (63,153,908)	\$ (64,418,897)	\$ (72,849,478)	\$ (75,923,019)
Business-Type Activities	9,899,359	13,790,813	12,557,893	9,889,777	11,438,262
Total Primary Government Net (Expense)	<u>\$ (51,679,695)</u>	<u>\$ (49,363,095)</u>	<u>\$ (51,861,004)</u>	<u>\$ (62,959,701)</u>	<u>\$ (64,484,757)</u>
	2009	2010	2011	2012	2013
<u>Governmental Activities:</u>					
Charges for Services:					
Public Safety	\$ 2,011,006	\$ 1,960,333	\$ 2,697,091	\$ 2,380,508	\$ 2,029,068
City Services	3,578,736	2,700,531	2,753,846	2,235,809	3,907,698
Education	2,844,579	2,671,448	2,567,520	2,582,695	2,759,877
Other Activities	3,430,184	3,537,310	2,216,496	2,208,010	2,087,215
Operating Grants and Contributions	36,812,901	39,362,241	40,426,029	39,773,105	39,259,020
Capital Grants and Contributions	-	162,945	1,895,492	261,616	537,527
Total Governmental Activities Program Revenues	<u>48,677,406</u>	<u>50,394,808</u>	<u>52,556,474</u>	<u>49,441,743</u>	<u>50,580,405</u>
<u>Business-Type Activities:</u>					
Charges for Services:					
Water and Sewer	\$ 25,057,671	\$ 26,264,591	\$ 28,708,578	\$ 28,237,701	\$ 30,059,125
City Solid Waste	8,902,029	8,418,244	8,912,152	8,900,554	9,123,389
Johnson City Power Board	193,154,773	177,398,118	196,431,434	186,025,548	190,986,834
Other Activities	7,238,218	7,658,923	7,937,319	6,271,078	6,387,939
Operating Grants and Contributions	1,702,482	1,775,802	1,646,942	2,045,037	1,986,176
Capital Grants and Contributions	724,175	2,614,722	564,276	762,107	206,452
Total Business-Type Activities Program Revenues	<u>236,779,348</u>	<u>224,130,400</u>	<u>244,200,701</u>	<u>232,242,025</u>	<u>238,749,915</u>
Total Primary Government Program Revenues	<u>\$ 285,456,754</u>	<u>\$ 274,525,208</u>	<u>\$ 296,757,175</u>	<u>\$ 281,683,768</u>	<u>\$ 289,330,320</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (82,528,206)	\$ (79,912,574)	\$ (83,019,861)	\$ (88,413,438)	\$ (92,961,125)
Business-Type Activities	18,072,471	21,592,741	16,889,900	10,997,397	10,496,642
Total Primary Government Net (Expense)	<u>\$ (64,455,735)</u>	<u>\$ (58,319,833)</u>	<u>\$ (66,129,961)</u>	<u>\$ (77,416,041)</u>	<u>\$ (82,464,483)</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
CHANGES IN NET POSITION
FOR THE FISCAL YEARS NOTED
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Position					
<u>Governmental Activities:</u>					
Taxes:					
Property Taxes	\$ 30,057,774	\$ 32,741,230	\$ 33,591,476	\$ 34,543,483	\$ 36,458,981
Sales Taxes	28,721,469	30,095,052	32,012,124	33,525,842	34,904,671
Other Taxes	6,477,387	6,867,324	7,510,307	7,802,498	8,474,886
Unrestricted Investment Earnings	270,478	737,108	1,858,159	2,775,619	2,560,328
Miscellaneous	1,530,007	1,366,945	174,525	5,889,333	29,340,255
Transfers	2,148,158	2,278,248	2,098,500	1,565,076	2,203,230
Total Governmental Activities	<u>\$ 69,205,273</u>	<u>\$ 74,085,907</u>	<u>\$ 77,245,091</u>	<u>\$ 86,101,851</u>	<u>\$ 113,942,351</u>
<u>Business-Type Activities:</u>					
Unrestricted Investment Earnings	\$ 245,100	\$ 332,770	\$ 1,167,313	\$ 2,770,991	\$ 2,350,892
Miscellaneous	-	438,738	197,282	(5,428)	458,838
Transfers	(2,148,158)	(2,278,248)	(2,098,500)	(1,565,076)	(2,203,230)
Total Business-Type Activities	<u>\$ (1,903,058)</u>	<u>\$ (1,506,740)</u>	<u>\$ (733,905)</u>	<u>\$ 1,200,487</u>	<u>\$ 606,500</u>
Total Primary Government	<u>\$ 67,302,215</u>	<u>\$ 72,579,167</u>	<u>\$ 76,511,186</u>	<u>\$ 87,302,338</u>	<u>\$ 114,548,851</u>
Change in Net Position					
Governmental Activities	\$ 7,626,219	\$ 10,931,999	\$ 12,826,194	\$ 13,252,373	\$ 38,019,332
Business-Type Activities	7,996,301	12,284,073	11,823,988	11,090,264	12,044,762
Total Change in Net Position	<u>\$ 15,622,520</u>	<u>\$ 23,216,072</u>	<u>\$ 24,650,182</u>	<u>\$ 24,342,637</u>	<u>\$ 50,064,094</u>
	2009	2010	2011	2012	2013
<u>Governmental Activities:</u>					
Taxes:					
Property Taxes	\$ 36,519,412	\$ 38,250,017	\$ 38,777,516	\$ 39,620,005	\$ 40,737,653
Sales Taxes	33,539,491	32,718,394	34,184,073	36,282,655	36,766,067
Other Taxes	8,244,855	7,455,763	7,643,741	8,555,389	8,933,160
Unrestricted Investment Earnings	1,305,131	685,114	1,203,024	858,348	707,660
Miscellaneous	12,780,319	3,107,369	870,110	6,254	6,828
Transfers	2,081,923	2,242,433	2,463,274	999,170	1,018,959
Total Governmental Activities	<u>\$ 94,471,131</u>	<u>\$ 84,459,090</u>	<u>\$ 85,141,738</u>	<u>\$ 86,321,821</u>	<u>\$ 88,170,327</u>
<u>Business-Type Activities:</u>					
Unrestricted Investment Earnings	\$ 1,857,877	\$ 539,657	\$ 759,353	\$ 672,785	\$ 537,405
Miscellaneous	9,879	39,051	(157,722)	3,888	7,370
Transfers	(2,081,923)	(2,242,433)	(2,463,274)	(999,170)	(1,018,959)
Total Business-Type Activities	<u>\$ (214,167)</u>	<u>\$ (1,663,725)</u>	<u>\$ (1,861,643)</u>	<u>\$ (322,497)</u>	<u>\$ (474,184)</u>
Total Primary Government	<u>\$ 94,256,964</u>	<u>\$ 82,795,365</u>	<u>\$ 83,280,095</u>	<u>\$ 85,999,324</u>	<u>\$ 87,696,143</u>
Change in Net Position					
Governmental Activities	\$ 11,942,925	\$ 4,546,516	\$ 2,121,877	\$ (2,091,617)	\$ (4,790,798)
Business-Type Activities	17,858,304	19,929,016	15,028,257	10,674,900	10,022,458
Total Change in Net Position	<u>\$ 29,801,229</u>	<u>\$ 24,475,532</u>	<u>\$ 17,150,134</u>	<u>\$ 8,583,283</u>	<u>\$ 5,231,660</u>

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)

Fiscal Year	Property Tax	In-Lieu of Tax	Local Sales Tax	State Sales Tax	Business Tax	Local Beer Tax	Local Liquor Tax	Hotel / Motel Tax	Franchise Tax	Telephone / Cable Tax	Other Taxes	Total
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
2013	38,894,018	1,843,635	32,395,228	4,370,839	2,196,371	2,234,109	623,007	1,251,767	369,544	717,509	1,540,853	86,436,880

CITY OF JOHNSON CITY, TENNESSEE
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	12,138,874	12,163,561	12,457,236
Committed	-	-	-	-	-	-	-	2,298,866	1,041,826	1,470,925
Assigned	-	-	-	-	-	-	-	-	2,285,394	2,355,773
Unassigned	-	-	-	-	-	-	-	5,415,721	5,793,740	4,622,461
Designated	2,239,857	2,739,904	3,139,975	1,465,885	2,703,817	2,691,246	906,223	-	-	-
Unreserved	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>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>	<u>20,906,395</u>
All Other Governmental Funds										
Non-Spendable	-	-	-	-	-	-	-	379,649	190,851	217,801
Restricted	-	-	-	-	-	-	-	27,643,974	15,136,934	10,917,248
Committed	-	-	-	-	-	-	-	315,206	897,179	610,429
Assigned	-	-	-	-	-	-	-	6,635,805	5,612,762	5,090,983
Unassigned	-	-	-	-	-	-	-	(6,028)	-	-
Designated	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	6,838,620	7,359,144	7,100,574	6,914,743	6,324,458	5,769,456	8,252,204	-	-	-
Capital Projects Funds	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>\$ 12,194,635</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>	<u>16,836,461</u>

Beginning in the Fiscal Year 2011, the presentation of fund balance was changed to conform with GASB 54.

CITY OF JOHNSON CITY, TENNESSEE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Taxes	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	80,445,192
Licenses and Permits	907,393	988,999	1,141,199	1,063,241	1,014,440	908,596	681,554	791,485	789,430	702,213
Intergovernmental	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	45,606,539
Charges for Services	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	2,991,501
Fines and Forfeitures	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	1,944,649
Use of Property	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	3,392,179
Investment Earnings	251,925	632,101	1,541,663	2,292,312	2,187,458	1,230,320	675,880	1,191,996	846,990	696,041
Miscellaneous	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	1,780,090
Total Revenues	102,966,322	109,525,740	116,478,578	126,264,021	156,500,265	140,525,642	132,558,855	135,407,553	134,608,151	137,558,404
Expenditures:										
General Government	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	11,150,547
Public Safety	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	24,726,131
Public Works	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	11,521,689
Public Welfare	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	5,946,828
City Services	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	2,933,658
Education	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	66,418,198
Miscellaneous	63,273	18,423	-	19,000	-	21,645	7,250	649	6,950	7,940
Capital Outlay	3,557,667	7,505,676	6,450,204	10,734,831	13,732,994	26,201,893	27,297,556	47,635,088	20,717,402	9,741,929
Debt Service:										
Principal	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	7,916,760
Interest and Fiscal Fees	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	6,341,239
Other Charges	-	266,066	304,043	-	-	-	-	-	-	-
Total Expenditures	102,816,295	110,999,391	115,530,759	129,637,950	136,030,363	151,513,931	154,579,736	181,130,797	152,597,563	146,704,919
Excess of revenues over (under) expenditures	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)	(9,146,515)

(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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other Financing Sources (Uses):										
Transfers (Net)	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	560,312
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	2,090,751	-	8,249,610	7,000,000	-	-	12,242,223	-	3,239,146	3,030,475
Refunding Bonds Premium	-	-	58,861	15,425	-	-	1,873,661	-	1,034,541	-
Insurance Recovery	-	-	71,623	-	-	-	-	-	-	-
Sale of Property	416,597	66,467	317,641	1,490,276	432,995	143,145	1,186,158	61,816	129,557	130,386
Capital Leases	-	403,802	-	-	-	-	495,161	704,688	-	-
Total Other Financing Sources (Uses)	4,521,076	2,618,427	11,031,984	10,932,701	5,224,520	2,141,373	15,210,635	13,209,917	5,734,388	3,721,173
Net Change in Fund Balances	4,671,103	1,144,776	11,979,803	7,558,772	25,694,422	(8,846,916)	(6,810,246)	(32,513,327)	(12,255,024)	(5,425,342)
 Debt Service as a Percentage of Noncapital Expenditures	 11.9%	 11.8%	 12.3%	 13.7%	 9.7%	 8.2%	 9.6%	 11.0%	 10.3%	 10.4%

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				
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%
2013	2012	909,372,575	754,500,160	99,025,795	50,171,410	1,813,069,940	1.57	5,844,618,770	31.02%

Source: City of Johnson City Finance Department

Note: Tax rates are per \$100 of assessed value

CITY OF JOHNSON CITY, TENNESSEE
PROPERTY TAX RATES (per \$100 assessed value)
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Johnson City Direct Rates*	2.15	1.93	1.93	1.93	1.93	1.93	1.54	1.54	1.57	1.57
Washington County Direct Rates										
General	0.68	0.63	0.63	0.63	0.82	0.83	0.64	0.65	0.71	0.65
Upkeep (Highway)	0.16	0.14	0.14	0.14	0.19	0.19	0.15	0.15	0.15	0.15
General Purpose School	0.76	0.82	0.82	0.82	0.82	0.88	0.70	0.69	0.70	0.74
Debt Service	0.27	0.23	0.23	0.36	0.47	0.50	0.39	0.39	0.32	0.33
Solid Waste/Sanitation	0.06	0.05	0.05	0.05	0.05	0.05	0.04	0.04	0.04	0.04
Total Direct Rate	<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>	<u>1.91</u>
Carter County Direct Rates										
General	0.72	0.85	0.85	0.73	0.73	0.75	0.80	0.80	0.95	0.87
Highway/Public Works	0.08	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.13	0.13
General Purpose Schools	1.24	1.25	1.25	0.96	0.96	0.96	0.96	0.96	0.99	1.04
General Debt Service	0.18	0.36	0.36	0.31	0.31	0.41	0.42	0.42	0.09	0.12
Total Direct Rate	<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>	<u>2.15</u>
Sullivan County Rates										
General	0.63	0.74	0.71	0.70	0.71	0.71	0.60	0.58	0.58	0.67
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	0.06	0.05	0.06	0.05	0.05	0.04	0.06	0.06	0.08
General Purpose Schools	1.53	1.65	1.59	1.59	1.59	1.59	1.34	1.31	1.30	1.39
School Capital Project	0.07	0.10	0.08	0.08	0.08	0.08	0.07	0.07	0.07	0.07
General Debt Service	0.07	0.10	0.08	0.08	0.08	0.08	0.07	0.10	0.11	0.11
Total Direct Rate	<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>2.13</u>	<u>2.33</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	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Glimcher Mall Johnson City LLC	\$ 22,631,920	1	1.2%	\$ 17,367,960	2	1.6%
United Telephone SE Inc	18,653,630	2	1.0%	22,788,504	1	2.1%
Wal-Mart/Sams Real Estate	18,398,500	3	1.0%	4,839,000	10	0.5%
The Haven at Knob Creek	10,686,400	4	0.6%	-	-	-
Atmos Energy Corporation	10,068,377	5	0.6%	6,030,841	8	0.6%
Sofha Real Estate	10,014,000	6	0.6%	-	-	-
American Water Heater Co	9,365,367	7	0.5%	6,641,952	7	0.6%
Johnson City Crossing LP	8,682,560	8	0.5%	6,752,030	6	0.6%
Hallmark Johnson City	7,563,920	9	0.4%	-	-	-
Mountain States Properties	7,390,777	10	0.4%	8,307,520	5	0.8%
Robert Bosch Corporation	-	-	-	10,019,796	3	0.9%
Siemens Industrial	-	-	-	9,050,772	4	0.9%
Harris-Tarkett Inc	-	-	-	5,361,499	9	0.5%
Totals	\$ 123,455,451		6.8%	\$ 97,159,874		9.2%

Total Taxable Assessed Value:

FYE 2013 (Tax Year 2012)	1,813,069,940
FYE 2004 (Tax Year 2003)	1,060,903,073

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

**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	
2004	22,723,186	37,268	22,760,454	22,019,690	96.75%	682,072	22,701,762	99.74%	58,692
2005	24,282,470	(66,281)	24,216,189	23,694,840	97.85%	513,573	24,208,413	99.97%	7,776
2006	23,967,796	381,747	24,349,543	23,677,242	97.24%	665,901	24,343,143	99.97%	6,400
2007	25,245,152	199,779	25,444,931	24,718,999	97.15%	722,375	25,441,374	99.99%	3,557
2008	26,684,753	(49,731)	26,635,022	25,856,042	97.08%	740,293	26,596,335	99.85%	38,687
2009	26,298,062	756,006	27,054,068	25,979,435	96.03%	928,984	26,908,419	99.46%	145,649
2010	27,883,067	(158,053)	27,725,014	26,606,701	95.97%	942,366	27,549,067	99.37%	175,947
2011	27,891,695	(169,097)	27,722,598	26,778,757	96.60%	697,522	27,476,279	99.11%	246,319
2012	28,335,227	(108,039)	28,227,188	27,377,900	96.99%	500,774	27,878,674	98.77%	348,514
2013	28,506,943	(75,478)	28,431,465	27,520,081	96.79%	-	27,520,081	96.79%	911,384

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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			
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	138,971,648	350,000	355,092	76,533,381	59,024,466	1,275,499	276,510,086	14.07%	4,333
2013	132,940,502	175,000	179,741	103,831,140	54,189,586	1,254,650	292,570,619	13.96%	4,534

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)

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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	215,505,029	(2,579,759)	212,925,270	3.66%	3,337
2013	236,771,642	(1,628,613)	235,143,029	4.02%	3,644

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.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2013
(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Carter County	\$ 28,523,359	2.00%	570,467
Sullivan County	76,432,185	0.04%	30,573
Washington County	<u>148,415,000</u>	62.00%	<u>92,017,300</u>
<i>Subtotal, Overlapping Debt</i>	253,370,544		92,618,340
City of Johnson City Direct Debt	<u>133,295,243</u>	100.00%	<u>133,295,243</u>
Total Direct and Overlapping Debt	<u>\$ 386,665,787</u>		<u>225,913,583</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.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	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	181,306,994
Total Net Debt Applicable to Limit	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	93,480,502
Legal Debt Margin	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	87,826,492
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	70.13%	60.34%	60.09%	55.19%	47.93%	52.86%	55.85%	57.46%	54.68%	51.56%

Legal Debt Margin Calculation for		Fiscal Year 2013
Total Taxable Assessed Value		\$ 1,813,069,940
Debt Limit (10% of Taxable Assessed Value)		181,306,994
Debt Applicable to Limit:		
General Obligation Debt		132,940,502
Less: Sales Tax Revenue Bonds		<u>(39,460,000)</u>
Total Net Debt Applicable to Limit		<u>93,480,502</u>
Legal Debt Margin		<u>\$ 87,826,492</u>

Note: Under the City

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	
<u>Water and Sewer Revenue Bonds:</u>							
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
2013	30,059,125	23,099,853	6,959,272	1,615,000	319,125	1,934,125	3.60
<u>City Solid Waste Revenue Bonds:</u>							
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
2013	9,123,389	8,479,934	643,455	N/A	N/A	N/A	N/A
<u>Regional Solid Waste Revenue Bonds:</u>							
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
2013	2,592,627	2,483,843	108,784	N/A	N/A	N/A	N/A
<u>Golf Course Revenue Bonds:</u>							
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
2013	782,652	1,136,595	(353,943)	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	
Johnson City Power Board Revenue Bonds:							
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
2013	190,986,834	179,963,954	11,022,880	2,625,000	2,352,038	4,977,038	2.21

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.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)**

Fiscal Year Ended			Per Capita	Median	Education		Unemployment
June 30	Population	Personal Income	Personal	Age	Level in	School	Rate
			Income¹		Years of	Enrollment	
					Formal		
					Schooling		
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%
2013	64,528	2,095,417,744	32,473	42.8	13.44	7,559	8.4%

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

¹Data presented is for Washington County, TN

*projected

**CITY OF JOHNSON CITY, TENNESSEE
PRINCIPAL EMPLOYERS
FOR THE FISCAL YEARS NOTED
(Unaudited)**

Employer	2013			2003*		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Johnson City Medical Center	3,500	1	5.5%	3,541	1	6.3%
East Tennessee State University	2,330	2	3.7%	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	1.9%	1,150	6	2.1%
Johnson City School Systems	920	8	1.4%	920	7	1.6%
City of Johnson City	909	9	1.4%	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>15,902</u>		<u>24.8%</u>	<u>14,258</u>		<u>25.6%</u>

Total Washington County Employment:

FYE 2013	63,720
FYE 2003	55,800

Sources:

- Johnson City Economic Development Board
- Tennessee Department of Labor & Workforce Development
- First Tennessee Development District

*Information for 2004 is not available.

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	120	116	91	94	96	96	75	75	75	73
Public Safety	294	294	310	297	294	280	274	272	309	308
Public Works	90	89	90	94	90	92	99	99	100	97
Public Welfare	74	74	74	75	68	60	55	52	48	50
City Services	34	34	34	36	34	34	48	49	48	50
Education	827	829	832	832	846	900	897	901	900	930
Water and Sewer	145	146	150	153	147	145	154	153	154	162
Solid Waste	47	45	46	47	47	47	48	45	46	48
Storm Water Mgmt	-	-	-	-	7	7	7	8	8	8
Mass Transit	57	55	49	49	49	50	49	51	53	59
Golf Courses	12	12	10	8	8	8	8	10	9	7
	<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>	<u>1,792</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	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011	2012	2013
Public Safety:										
Student Transportation:										
Miles	398,550	388,700	399,255	403,328	443,526	459,448	448,090	457,426	482,582	522,207
Passengers	891,123	878,450	961,496	991,432	993,748	1,015,715	1,075,845	1,095,209	1,130,359	1,209,276
Police:										
Physical Arrests	5,433	7,126	7,457	6,764	7,365	6,641	6,144	3,717	5,924	5,843
Parking Citations	N/A	3,678	3,195	3,020	2,493	2,202	2,574	2,393	2,005	2,267
Traffic Citations	14,986	19,538	23,092	21,829	26,602	23,624	24,700	22,998	22,826	20,482
Camera Enforcement Citations	-	-	-	-	-	-	753	10,848	5,522	4,216
Fire:										
Calls Answered	3,190	3,006	2,912	3,543	3,378	3,123	7,599	6,657	8,716	9,704
Inspections	1,225	1,788	1,802	1,980	1,581	1,844	1,844	975	1,318	1,895
Public Works:										
Potholes Repaired	N/A	695	211	53	103	404	812	930	854	568
Streets Swept (linear miles)	1,450	2,264	2,484	2,500	2,500	5,963	5,963	5,963	5,963	4,948
Traffic Signals Repaired/Replaced	N/A	372	371	241	245	235	250	236	197	184
Snow & Ice Control Treatment (lane miles)	N/A	3,000	2,200	2,800	2,226	3,450	7,700	9,240	1,112	5,562
Public Welfare:										
Parks and Recreation:										
Pool Admissions	N/A	50,584	51,710	51,789	46,988	51,428	59,242	59,207	73,970	48,841
Youth Basketball Participants	1,260	1,234	1,128	912	1,057	724	682	714	677	650
Youth Kickball	N/A	N/A	N/A	N/A	N/A	N/A	86	118	160	105
Youth Soccer Participants	1,955	1,906	1,895	1,691	1,846	1,714	1,466	1,513	1,657	1,584
Youth Softball & Tee-ball Participants	524	516	487	383	436	370	298	290	242	164
Tennis Instruction Participants	194	200	216	210	284	266	266	174	179	161
Adult Basketball Teams	54	44	30	29	26	25	26	22	29	22
Adult Softball Teams	132	131	81	127	143	118	139	121	132	131
Senior Citizens:										
Programs/Events Attendance	159,256	161,094	142,054	141,508	146,989	136,000	114,000	96,795	93,021	131,064
City Services:										
Freedom Hall:										
Events	N/A	69	61	60	58	54	52	42	34	42
Water and Sewer:										
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	16.15 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	28.00 mgd
Water Taps	848	783	792	802	606	458	408	300	297	325
Sewer Taps	580	618	628	596	349	276	192	168	197	221
Solid Waste:										
Refuse Collected (Tons)	95,895	95,002	95,372	95,849	98,766	93,364	88,253	89,251	84,987	86,177
Recyclables Sold (Tons)	4,401	4,395	4,456	4,519	4,932	4,779	5,408	5,791	5,816	5,954
Mulch Sold as Boiler Fuel (Tons)	12,533	13,365	10,004	13,414	11,068	12,054	15,576	13,105	17,477	14,501
Leaves Collected (Tons)	3,326	3,447	3,643	3,602	3,072	3,850	3,661	3,041	3,193	3,512
Mass Transit:										
Passenger Miles	1,387,312	1,460,394	1,681,266	1,470,000	1,662,747	2,204,905	2,270,321	*	*	*
Golf Courses:										
18-Hole Rounds Played	48,415	55,000	47,775	47,349	51,668	49,652	44,834	47,114	46,311	36,635

Source: Various City Departments

Note: Operating Indicators are not available for the general government function.
Data not available prior to 2004.

¹Increase result of new water meter put into place at Watauga Water Treatment Plant

* no longer collected-not required by FTA NTD reporting.

See Independent Auditors' Report.

**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	2013
Public Safety:										
Student Transportation:										
Buses	51	54	52	52	53	54	54	54	49	57
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	154	163	166	170	162	191	187	205	198	184
Motorcycle Units	3	3	3	3	3	3	3	3	3	3
Fire:										
Stations	8	8	8	8	9	9	9	9	9	9
Fire Trucks/Rescue Units	27	26	27	15	15	21	22	20	30	31
Public Works:										
Streets (Miles)	483.1	488.9	496.89	505.01	505.01	505.64	505.64	508.29	529.2	530.49
Traffic Signals	84	85	86	91	91	92	92	94	94	96
Public Welfare:										
Parks and Recreation:										
Park Sites	19	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	1,081
Swimming Pools	2	2	2	2	2	2	2	2	2	3
Tennis Courts	17	17	17	17	17	17	17	17	17	17
Community/Recreation Centers	4	4	4	4	4	4	4	4	4	5
Senior Citizens:										
Senior Centers	1	1	1	1	1	1	1	1	1	0
School System:										
Elementary Schools	8	8	8	8	8	8	8	8	8	8
Secondary Schools	2	2	2	2	2	2	2	2	2	3
Water and Sewer:										
Water Mains (Miles)	840.7	854.5	871.3	960	900	901	910	918	922	930
Fire Hydrants	2,622	2,639	2,828	3,108	3,109	3,259	3,290	3,327	3,379	3,422
Sanitary Sewers (Miles)	474.3	474.8	505.3	525	536	551	539	561	568	575
Manholes	10,743	10,766	11,452	11,525	12,088	12,611	12,411	12,600	12,736	12,911
Solid Waste:										
Collection Trucks	46	48	51	51	52	55	47	50	53	51
Golf Courses	2	2	2	2	2	2	2	2	2	2
Mass Transit:										
Buses/Trolleys/Vans	33	35	43	43	39	40	37	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.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
 SCHEDULE OF INTERFUND TRANSFERS
 For the Fiscal Year Ended June 30, 2013
 (Unaudited)

	Transfers In:										Transfers Out:								
	General Fund	General Purpose School	Transportation Planning	Police Grant Fund	Freedom Hall	Special School Projects	School Site Based Fund	Debt Service Fund	Educ Facilities Debt Service Fund		Capital Projects Funds				Enterprise Funds			Internal Service Funds	
										Parks	Schools	Equipment	Infrastructure	Public Facilities	City Solid Waste	Golf Fund	Mass Transit	Public Building Authority	Insurance Fund
General Fund	\$ -	8,538,675	67,746	10,545	219,122	10,500	-	9,321,375	-	47,000	21,515	1,651,675	280,000	215,974	-	508,436	653,000	1,920,488	326,255
Special Revenue Funds:																			
General Purpose School Fund	-	-	-	-	-	31,584	671,359	320,741	1,161,942	-	-	-	-	-	-	-	-	-	-
Freedom Hall	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation Planning	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,728
Capital Projects:																			
Parks	9,747	-	-	-	-	-	-	-	-	-	-	-	-	22,006	-	-	-	-	-
Schools	-	-	-	-	-	-	-	-	-	-	-	-	-	33,615	-	-	-	-	-
Internal Service Funds:																			
Motor Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,185
Enterprise Funds:																			
Johnson City Power Board	3,500,219	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mass Transit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,728
Water and Sewer	473,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	94,566
Regional Solid Waste	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,086	-	-	-	9,457
City Solid Waste	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,913
Totals	\$ 4,003,966	8,538,675	67,746	10,545	219,122	42,084	671,359	9,642,116	1,161,942	47,000	21,515	1,651,675	280,000	271,595	34,086	508,436	653,000	1,920,488	472,832

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2013
(Unaudited)

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	16,947,171	12,599,529	29,546,700
2015	24,223,171	11,942,494	36,165,665
2016	18,122,172	10,979,528	29,101,700
2017	16,454,170	10,215,370	26,669,540
2018	15,570,171	9,561,082	25,131,253
2019	14,935,167	8,950,426	23,885,593
2020	14,710,167	8,331,745	23,041,912
2021	13,688,168	7,725,803	21,413,971
2022	14,193,167	7,153,453	21,346,620
2023	13,406,167	6,573,526	19,979,693
2024	10,973,171	6,062,515	17,035,686
2025	10,618,171	5,605,790	16,223,961
2026	10,167,293	5,154,250	15,321,543
2027	9,358,000	4,599,098	13,957,098
2028	9,783,000	4,137,774	13,920,774
2029	10,171,000	3,721,040	13,892,040
2030	9,555,000	3,227,375	12,782,375
2031	9,985,000	2,766,444	12,751,444
2032	8,155,000	2,282,020	10,437,020
2033	7,645,000	1,889,338	9,534,338
2034	5,970,000	1,516,420	7,486,420
2035	3,280,000	1,222,533	4,502,533
2036	3,385,000	1,059,432	4,444,432
2037	3,510,000	888,603	4,398,603
2038	3,635,000	711,160	4,346,160
2039	3,780,000	525,793	4,305,793
2040	3,985,000	332,742	4,317,742
2041	1,200,000	129,500	1,329,500
2042	1,225,000	87,500	1,312,500
2043	1,275,000	44,625	1,319,625
Less: Amount not drawn	(1,323,085)	-	(1,323,085)
	<u>\$ 288,582,241</u>	<u>139,996,908</u>	<u>428,579,149</u>

The total reflected on the statement of net position has been increased by debt premium costs of \$2,803,490 less discounts of \$424,453.

See Independent Auditors' Report

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS -
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2013
(Unaudited)

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	196,720	50,120	246,840
2015	22,630	49,225	71,855
2016	23,492	48,339	71,831
2017	24,561	47,320	71,881
2018	25,594	46,305	71,899
2019	26,669	45,290	71,959
2020	27,708	44,231	71,939
2021	28,953	43,039	71,992
2022	30,174	41,838	72,012
2023	31,442	41,046	72,488
2024	32,700	39,858	72,558
2025	34,150	38,408	72,558
2026	35,592	36,966	72,558
2027	37,095	35,463	72,558
2028	38,605	33,954	72,559
2029	40,301	31,463	71,764
2030	42,007	29,757	71,764
2031	43,790	27,974	71,764
2032	45,599	26,165	71,764
2033	47,584	24,180	71,764
2034	49,607	22,038	71,645
2035	51,716	19,930	71,646
2036	53,880	17,765	71,645
2037	56,211	15,434	71,645
2038	58,606	13,040	71,646
2039	61,111	12,032	73,143
2040	63,698	9,445	73,143
2041	59,019	6,752	65,771
2042	36,913	4,789	41,702
2043	21,660	3,734	25,394
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>\$ 1,429,650</u>	<u>912,009</u>	<u>2,341,659</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES
June 30, 2013
(Unaudited)

Tax Year	Uncollected Delinquent Taxes June 30, 2013
2012	\$ 911,384
2011	348,513
2010	246,319
2009	175,947
2008	145,649
2007	38,688
2006	3,557
2005	6,400
2004	7,776
2003	58,692
Total	\$1,942,925

Uncollected Delinquent Taxes Filed in Chancery Court:

As of April 1, 2013, the above delinquent taxes for 2003 through 2011 have been filed by the City Attorney with the Washington County Chancery Court.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
UTILITY RATE STRUCTURE & NUMBER OF CUSTOMERS
June 30, 2013
(Unaudited)

<u>Water Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Base	\$4.13	\$8.26
0 - 20,000 Gallons Used	\$3.21 / 1,000 gal.	\$6.42 / 1,000 gal.
20,001 - 190,000 Gallons Used	\$2.57 / 1,000 gal.	\$5.14 / 1,000 gal.
190,000 - 490,000 Gallons Used	\$2.31 / 1,000 gal.	\$4.62 / 1,000 gal.
Over 490,000 Gallons Used	\$2.09 / 1,000 gal.	\$4.18 / 1,000 gal.
<u>Sewer Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Base	\$4.75	9.50
0 - 20,000 Gallons Used	\$4.77 / 1,000 gal.	\$9.54 / 1,000 gal.
20,001 - 190,000 Gallons Used	\$4.77 / 1,000 gal.	\$9.54 / 1,000 gal.
190,000 - 490,000 Gallons Used	\$4.77 / 1,000 gal.	\$9.54 / 1,000 gal.
Over 490,000 Gallons Used	\$4.77 / 1,000 gal.	\$9.54 / 1,000 gal.
<u>Residential Collection Rates:</u>	<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 ⁵	\$2.50/mon.	-
Two Carts-Outside City	-	\$24 / mon.
Three Carts-Outside City	-	\$48 / mon.
<u>Commercial Collection Rates:</u>	<u>Inside City¹</u>	<u>Outside City²</u>
4 yard ³	\$62.50 / mon.	\$110.00 / mon.
6 yard ³	\$77.50 / mon.	\$127.50 / mon.
8 yard ³	\$92.50 / mon.	\$145.00 / mon.
Each Commercial Cart-Inside City	\$14/mon.	-
Additional Carts-Inside City ⁴	\$2.50/mon.	-
One Cart-Outside City	-	\$16 / mon.
Two Carts-Outside City	-	\$24 / mon.
Three Carts-Outside City	-	\$48 / mon.
<u>Number of Customers:</u>	<u>Inside City</u>	<u>Outside City</u>
Water	26,924	16,322
Sewer	23,885	4,032
Solid Waste ⁵	21,422	10,058
<u>Unaccounted for Water⁶:</u>	<u>Gallons</u>	<u>% of Total Gallons</u>
Water supplied	5,821,677	100.00%
Authorized/Billed consumption	3,258,340	55.97%
Non-revenue water	<u>2,563,337</u>	<u>44.03%</u>

Sources:

- City of Johnson City Water/Sewer Department
- City of Johnson City Solid Waste Department

¹Does not include dumpster which can be purchased or rented.

²Includes dumpster which is furnished.

³Rates based on one collection per week.

⁴Decal purchased annually for \$30.

⁵Does not include garbage pulls, front loader or container rentals.

⁶Additional details available on Schedule of Unaccounted for Water

See Independent Auditors' Report.

City of Johnson City, Tennessee

Schedule of Unaccounted for Water – AWWA Method

June 30, 2013

AWWA WLCC Free Water Audit Software: Reporting Worksheet				Back to Instructions
Copyright © 2010, American Water Works Association. All Rights Reserved. (WAS v4.2)				
Water Audit Report for: City of Johnson City Water/Sewer Services Department				
Reporting Year: 2013 / 7/2012 - 6/2013				
Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades				
All volumes to be entered as: MILLION GALLONS (US) PER YEAR				
WATER SUPPLIED << Enter grading in column 'E'				
Volume from own sources:	<input type="text" value="7"/>	<input type="text" value="5,894.772"/>	Million gallons (US)/yr (MG/Yr)	
Master meter error adjustment (enter positive value):	<input type="text" value="7"/>	<input type="text" value="67.667"/>	over-registered MG/Yr	
Water imported:	<input type="text" value="9"/>	<input type="text" value="7.768"/>	MG/Yr	
Water exported:	<input type="text" value="7"/>	<input type="text" value="13.196"/>	MG/Yr	
WATER SUPPLIED:		<input type="text" value="5,821.677"/>	MG/Yr	
AUTHORIZED CONSUMPTION				
Billed metered:	<input type="text" value="8"/>	<input type="text" value="3,258.340"/>	MG/Yr	
Billed unmetered:	<input type="text" value="10"/>	<input type="text" value="0.000"/>	MG/Yr	
Unbilled metered:	<input type="text" value="10"/>	<input type="text" value="0.000"/>	MG/Yr	
Unbilled unmetered:	<input type="text" value="9"/>	<input type="text" value="72.771"/>	MG/Yr	
Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed				
AUTHORIZED CONSUMPTION:		<input type="text" value="3,331.111"/>	MG/Yr	
<div style="float: right; font-size: x-small;"> Click here: <input type="text" value="9"/> for help using option buttons below Use buttons to select percentage of water supplied OR value Choose this option to enter a percentage of billed metered consumption. This is NOT a default value. </div>				
WATER LOSSES (Water Supplied - Authorized Consumption) <input type="text" value="2,490.566"/> MG/Yr				
Apparent Losses				
Unauthorized consumption:	<input type="text" value="8"/>	<input type="text" value="14.554"/>	MG/Yr	
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed				
Customer metering inaccuracies:	<input type="text" value="7"/>	<input type="text" value="49.619"/>	MG/Yr	
Systematic data handling errors:	<input type="text" value="7"/>	<input type="text" value="1.500"/>	MG/Yr	
Apparent Losses:		<input type="text" value="65.674"/>		
Real Losses (Current Annual Real Losses or CARL)				
Real Losses = Water Losses - Apparent Losses:		<input type="text" value="2,424.893"/>	MG/Yr	
WATER LOSSES:		<input type="text" value="2,490.566"/>	MG/Yr	
NON-REVENUE WATER				
NON-REVENUE WATER:		<input type="text" value="2,563.337"/>	MG/Yr	
= Total Water Loss + Unbilled Metered + Unbilled Unmetered				
SYSTEM DATA				
Length of mains:	<input type="text" value="5"/>	<input type="text" value="903.0"/>	miles	
Number of active AND inactive service connections:	<input type="text" value="8"/>	<input type="text" value="43,343"/>		
Connection density:	<input type="text" value="10"/>	<input type="text" value="48"/>	conn./mile main	
Average length of customer service line:	<input type="text" value="10"/>	<input type="text" value="0.0"/>	ft (pipe length between curbstop and customer meter or property boundary)	
Average operating pressure:	<input type="text" value="7"/>	<input type="text" value="114.6"/>	psi	
COST DATA				
Total annual cost of operating water system:	<input type="text" value="10"/>	<input type="text" value="\$16,707,200"/>	\$/Year	
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="8"/>	<input type="text" value="\$8.88"/>	\$/1000 gallons (US)	
Variable production cost (applied to Real Losses):	<input type="text" value="8"/>	<input type="text" value="\$335.69"/>	\$/Million gallons	
PERFORMANCE INDICATORS				
Financial Indicators				
Non-revenue water as percent by volume of Water Supplied:			<input type="text" value="44.0%"/>	
Non-revenue water as percent by cost of operating system:			<input type="text" value="8.5%"/>	
Annual cost of Apparent Losses:			<input type="text" value="\$523,161"/>	
Annual cost of Real Losses:			<input type="text" value="\$814,012"/>	
Operational Efficiency Indicators				
Apparent Losses per service connection per day:			<input type="text" value="4.15"/> gallons/connection/day	
Real Losses per service connection per day*:			<input type="text" value="153.26"/> gallons/connection/day	
Real Losses per length of main per day**:			<input type="text" value="N/A"/>	
Real Losses per service connection per day per psi pressure:			<input type="text" value="1.34"/> gallons/connection/day/psi	
Unavoidable Annual Real Losses (UARL):			<input type="text" value="476.25"/> million gallons/year	
From Above, Real Losses = Current Annual Real Losses (CARL):			<input type="text" value="2,424.89"/> million gallons/year	
Infrastructure Leakage Index (ILI) [CARL/UARL]:			<input type="text" value="5.09"/>	
* only the most applicable of these two indicators will be calculated				
WATER AUDIT DATA VALIDITY SCORE:				
*** YOUR SCORE IS: 77 out of 100 ***				
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score				
PRIORITY AREAS FOR ATTENTION:				
Based on the information provided, audit accuracy can be improved by addressing the following components:				
<input type="text" value="1: Volume from own sources"/>				
<input type="text" value="2: Master meter error adjustment"/>				
<input type="text" value="3: Water exported"/>				
For more information, click here to see the Grading Matrix worksheet				

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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 20, 2013. Our report includes a reference to other auditors who audited the financial statements of the Johnson City Schools Site Based Fund, a nonmajor special revenue fund of the City, as described in our report on the City's financial statements. In addition, we have audited the discretely presented component units of the City. This report does not include the results of the testing of internal control over financial reporting and on compliance and other matters that are reported in those separately issued audit reports.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. *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.

City of Johnson City, Tennessee
Independent Auditors' Report on
Internal Control and Compliance

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (11-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

City of Johnson City, Tennessee's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Blackburn, Childers and Steagall, PLLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 20, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Johnson City, Tennessee's (the City) compliance with the types of compliance requirements described in the *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, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Blackburn, Childers and Steagall, PLLC
BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 20, 2013

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

Section I - Summary of Auditors' Results

1. The auditors' report based on our audit and the report of other auditors expresses an unmodified opinion on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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 reported 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 unmodified 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>
Title I, U.S. Department of Education	84.010
21 st Century, U.S. Department of Education	84.287C
Title II, Part A, U.S. Department of Education	84.367A
Assistance to Firefighters	97.044
U.S. Department of Transportation	20.507
Community Development Block Grant	14.218
National School Breakfast Program	10.553
National School Lunch Program	10.555

8. The threshold for distinguishing Types A and B programs was \$343,172.
9. The City was determined to be a low-risk auditee.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

Section II - Financial Statement Findings

Current Year Findings

None Reported.

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 efforts 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 of the City. 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. Improvements have been made in this area at the City. 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 and the Schools.

Management Comments: Purchasing and Schools will review the list of cardholders and eliminate cards as necessary to ensure that there are 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 during fiscal year 2012 to transfer responsibility for reconciliation, monitoring and supporting documentation storage from Purchasing to Finance. This change has been very successful. Schools will review their procedures to ensure that tighter controls are in place.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

Section II - Financial Statement Findings (Continued)

Prior Year Findings Implemented

None Reported.

Section III - Federal Award Findings and Questioned Costs

None Reported.