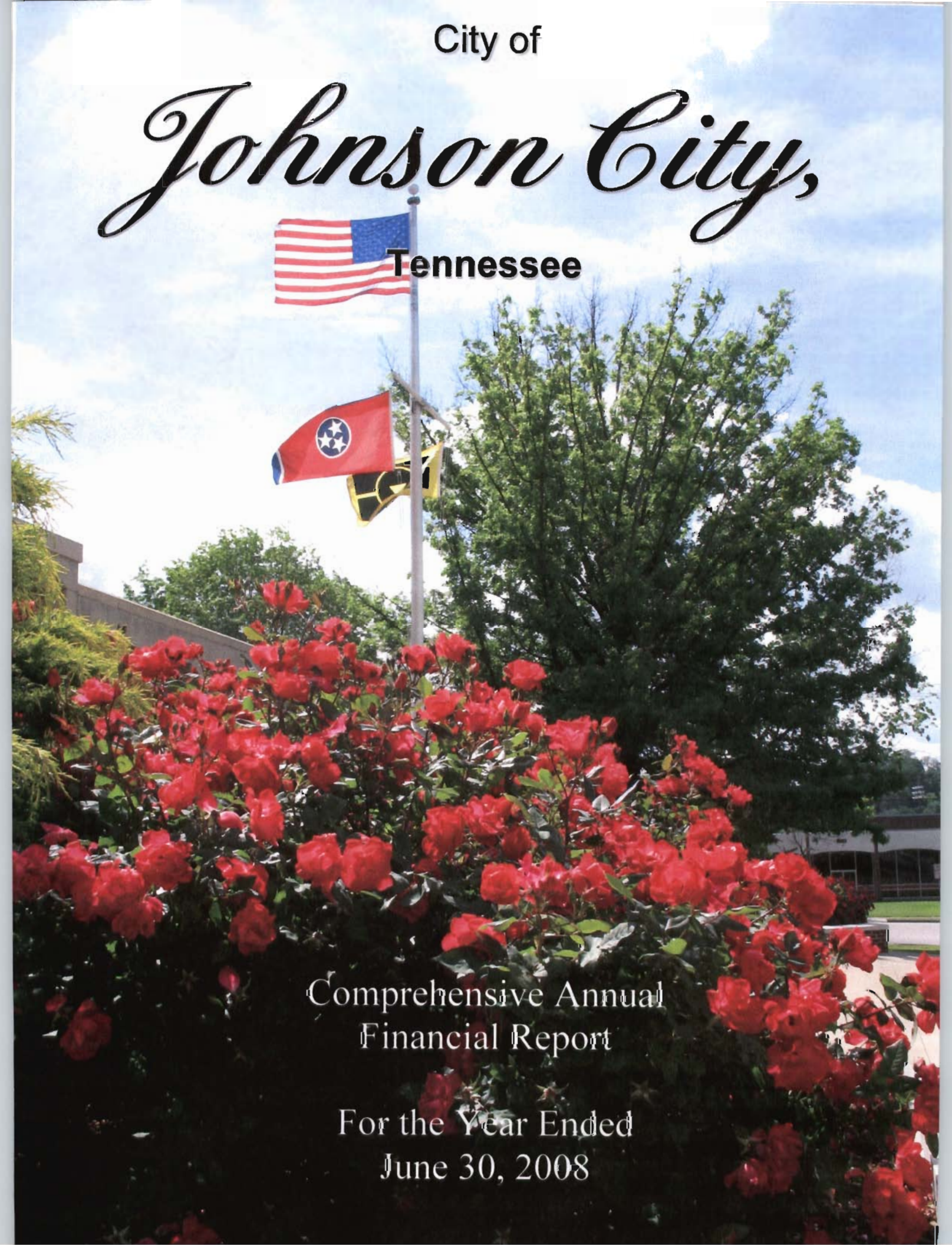
City of

Johnson City,

Tennessee



Comprehensive Annual Financial Report

For the Year Ended
June 30, 2008

Municipal Building

Cover Design by:

Cathy Feathers

Finance Department

City of Johnson City, Tennessee

City of Johnson City, Tennessee

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2008

Prepared by:

Finance Department

Janet Jennings, CPA, Director of Finance

CITY OF JOHNSON CITY, TENNESSEE

BASIC FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION WITH

INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2008

CITY OF JOHNSON CITY, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

Table of Contents

	Page Number
I. INTRODUCTORY SECTION (UNAUDITED)	
Letter of Transmittal	i
GFOA Certificate of Achievement	iv
Organizational Chart	v
List of Elected and Appointed Officials	vi
II. FINANCIAL SECTION	
Independent Auditors' Report	1
A. MANAGEMENT'S DISCUSSION AND ANALYSIS	3
B. BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	16
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	23
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Purpose School Fund	28
Proprietary Funds Financial Statements	
Statement of Net Assets	31
Statement of Revenues, Expenses, and Changes in Fund Net Assets	34
Statement of Cash Flows	36
Component Units Financial Statements	
Combining Statement of Net Assets	39
Combining Statement of Activities	40
Notes to the Financial Statements	41

CITY OF JOHNSON CITY, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

Table of Contents

	Page Number
Required Supplementary Schedules	
Analysis of Funding Progress for Defined Benefit Pension Plans	133
Analysis of Funding Progress for Postemployment Healthcare Plans	134
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund	135
C. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
Nonmajor Governmental Funds	
Combining Balance Sheet	136
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	137
Combining Balance Sheet - Special Revenue Funds	139
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds	140
Combining Balance Sheet - School Funds	141
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - School Funds	142
Combining Balance Sheet - Capital Project Funds	143
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Capital Project Funds	144
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Freedom Hall Civic Center Fund	146
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - School Federal Projects Fund	147
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special School Projects Fund	148
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - School Food Service Fund	149
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Transportation Planning Fund	150
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Drug Fund	151
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Police Grant Fund	152
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Community Development Fund	153
Nonmajor Proprietary Funds	
Combining Statement of Net Assets	154
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	156
Combining Statement of Cash Flows	157
Internal Service Funds	
Combining Statement of Net Assets	159
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	160
Combining Statement of Cash Flows	161

CITY OF JOHNSON CITY, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

Table of Contents

	Page Number
D. SUPPLEMENTAL INFORMATION	
Capital Assets Used in the Operation of Governmental Funds	
Comparative Schedule by Source	163
Schedule by Function and Activity	164
Schedule of Changes by Function and Activity	165
Other	
Schedule of Expenditures of Federal Awards	166
Schedule of Expenditures of State Awards	171
III. STATISTICAL SECTION (UNAUDITED)	
Net Assets by Component	174
Changes in Net Assets	175
Governmental Activities Tax Revenues by Source	178
Fund Balances of Governmental Funds	179
Changes in Fund Balances of Governmental Funds	180
Assessed Value and Estimated Actual Value of Taxable Property	181
Property Tax Rates - Direct and Overlapping Governments	183
Principal Property Taxpayers	184
Property Tax Levies and Collections	185
Ratios of Outstanding Debt by Type	186
Ratios of General Bonded Debt Outstanding	187
Direct and Overlapping Governmental Activities Debt	188
Legal Debt Margin Information	189
Pledged - Revenue Coverage	190
Demographic and Economic Statitstics	192
Principal Employers	193
Full-Time Equivalent City Government Employees by Function	194
Operating Indicators by Function	195
Capital Asset Statistics by Function	196
Schedule of Interfund Transfers	197
Schedule of Bond Principal and Interest Requirements - All Funds - Primary Government	198
Schedule of Note Principal and Interest Requirements - All Funds - Primary Government	199
Schedule of Uncollected Delinquent Taxes	200
Utility Rate Structure & Number of Customers	201
Schedule of Unaccounted for Water	202

CITY OF JOHNSON CITY, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

Table of Contents

	Page Number
IV. COMPLIANCE REPORTS	
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*	203
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	205
Schedule of Findings and Questioned Costs	207

Introductory Section

City of Johnson City Tennessee

601 East Main Street • P. O. Box 2150 • Johnson City, TN 37605 • (423) 434-6000

Office of Finance Director/Recorder/Treasurer

December 22, 2008

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, 2008 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 auditor's 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 following are discretely presented in the financial statements to emphasize that they are legally separate from the City: Johnson City Public Library and the Johnson City Development Authority. 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.

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

Financial Information

Management of the City is responsible for establishing and maintaining internal control designed to ensure that all assets of the City are protected from loss, theft or misuse and to ensure 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 also is responsible for ensuring that adequate internal controls are in place to ensure 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 than 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, and that work has been 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 Fund, Internal Service Funds, Enterprise Funds and four Capital Project Funds are included in the annual appropriated budget. Project-length financial plans are adopted for all Capital Project Funds. The level of budgetary control is established on the department or activity level within an individual fund.

Profile of the Government

Policy-making and legislative authority are vested in the Board of Commissioners, consisting of the mayor and four other members. The Commission is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees and hiring the City's manager. The City's manager is responsible for carrying out the policies and ordinances of the Commission, for over-seeing the day-to-day operations of the City and for appointing the heads of departments. The Commission is elected on a non-partisan basis. Board members serve four-year staggered terms, with an election every two years. The mayor is elected to serve a two-year term.

The City provides a full range of services as directed by its charter and includes 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 enterprise fund concept.

Economic Condition and Outlook

Johnson City, along with Kingsport and Bristol, Tennessee and Virginia, make up the "Tri-Cities" area of Northeastern Tennessee. Including Erwin and Elizabethton, the area has an MSA population of 516,974. 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.

The City continues to experience healthy population growth. Unemployment rates for the MSA experienced a increase during the fiscal year, ending the year at 6.6%. A balance of property and sales taxes support the City's finances. Continued growth in these areas, effective cost containment by City departments and the implementation of innovative ideas, such as the gas-to-energy project, have contributed to healthy fiscal performance, and thus allowed the City to continue to operate with no increase in the property tax rate. As a result, the City's property tax rate continues to be the lowest of all the surrounding areas.

Accomplishments

The City of Johnson City, in conjunction with neighboring municipalities and the business and education community, conducted the 5th Annual Economic Summit during fiscal year 2008. 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. Noteworthy accomplishments of the city government for the Fiscal Year Ending June 30, 2008 are as follows:

- Acquisition of police vehicles, fire trucks, public works equipment, school buses, parks and recreation vehicles and equipment, solid waste equipment, stormwater management vehicles and transit vehicles, utilizing cash reserves.
- Completed construction on Fire Station #9 on Highway 11E at Carroll Creek Road.
- Commenced construction on Tennessee Street project.
- Commenced construction on Buffalo/Plymouth Road project.
- Continued construction project to upgrade the Regional Wastewater Treatment Plant.
- Continued construction project to renovate the Science Hill High School 8-9 Campus.
- Installed telescopic seating at Freedom Hall Civic Center.
- Completed installation of computerized ticketing at Freedom Hall Civic Center.
- Developed and published a guide called "READY WASHINGTON COUNTY" as an informational resource to be used by households to prepare for emergency situations caused by manmade or natural disasters.
- Hosted ASA Girls National Slow-Pitch Championship.
- Hosted the first Jr. NBA/WNBA local skills competition.

- Received the national "Project of the Year" award from the Environmental Protection Agency for the Iris Glen Gas-to-Energy Project.
- Featured in the international *Journal on Active Aging* publication, for the Senior Center's "Quest for the Best" program.
- Received Platinum Awards for the Regional and Knob Creek Wastewater Plants and a Silver Award for the Brush Creek Wastewater Plant, from the National Association of Clean Water Agencies.
- Received KY-TN WEF Operational Excellence Awards for Regional and Knob Creek Wastewater Plants.

Capital Projects

The City government maintains and revises annually a five-year capital improvement program, which includes present projects, funding sources and recognizes future projects. Proceeds from general obligation bond issues are accounted for in Capital Projects Funds until improvement projects are completed. Completed projects are transferred to Capital Assets. Capital Projects Fund statements, as well as the Capital Asset schedules, can be found in the nonmajor governmental fund statements, following the notes to the financial statements.

Cash Management

All cash, except that which is restricted, is pooled to gain a maximum interest rate. First Tennessee, our depository bank, automatically invests all collected cash balances daily at an interest rate equal to the interest rate on federal funds or higher. All funds are secured in the City's name with acceptable state or federal issues equal to 100% of the deposited funds.

Risk Management

The Risk Management Program includes all lines of loss exposure. These exposure areas include: Worker's Compensation, Property Damage, General Liability, Automobile Coverage, Errors and Omission, Crime, Boiler and Machinery and Accidental Death and Dismemberment. The City is self-insured for some insurance coverage. Specific and aggregate reinsurance is maintained to cover any losses in excess of self-insurance reserves. Health Insurance is self-insured and was administered by Blue Cross and Blue Shield during fiscal year 2008.

Awards

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Johnson City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the City's seventh 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 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and are submitting it to GFOA to determine its eligibility for another award.

Acknowledgements

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

Respectfully submitted,

Janet Jennings

Janet Jennings, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Johnson City Tennessee

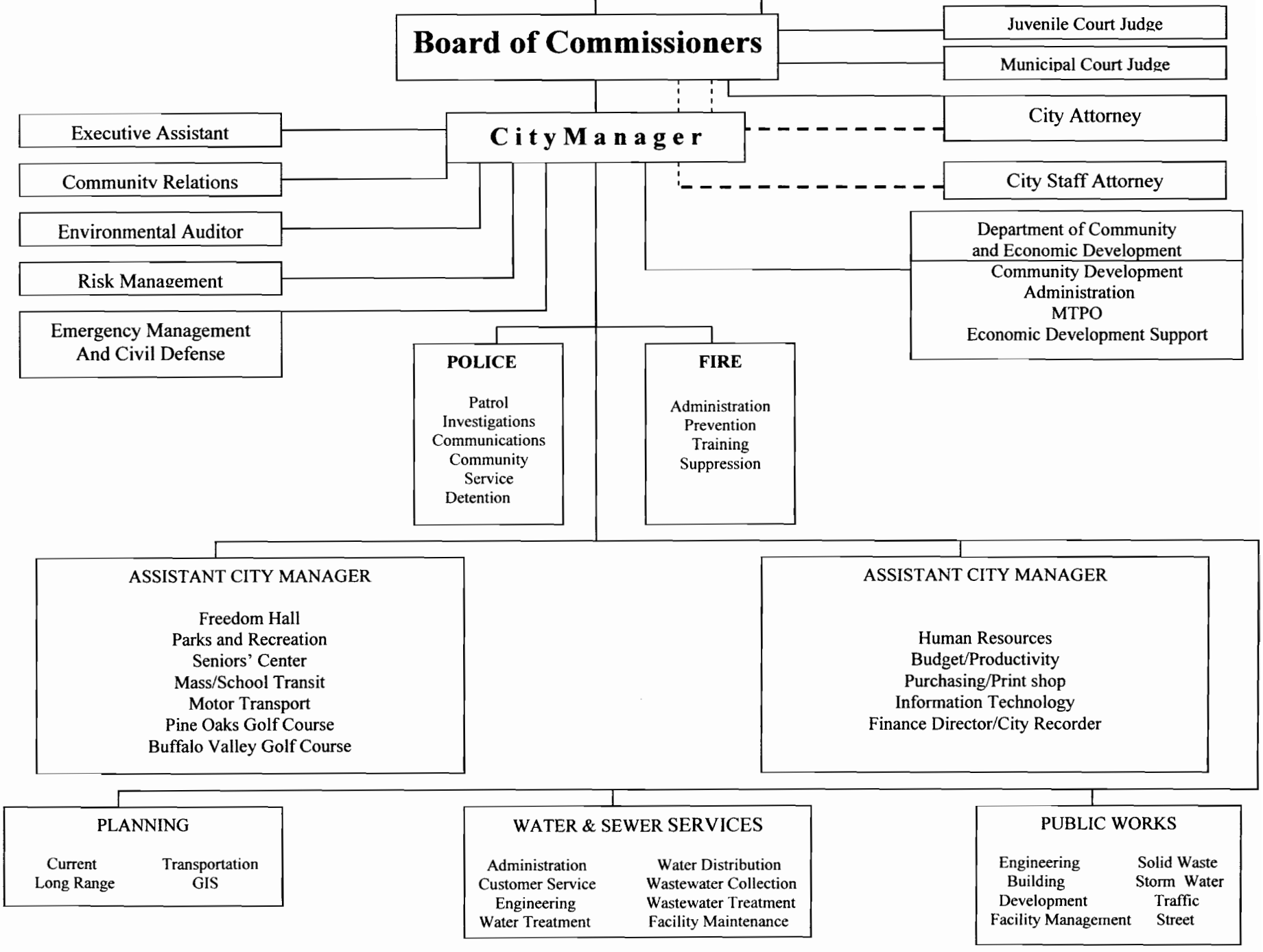
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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

President

Executive Director

CITIZENS OF JOHNSON CITY



CITY OF JOHNSON CITY, TENNESSEE
CITY OFFICIALS
June 30, 2008

Board of Commissioners:

Phil Roe, Mayor
Jane Myron, Vice-Mayor
Jeff Banyas
Steve Darden
Marcy Walker

City Judges:

Sharon Greene, Juvenile Judge
William Mooney, City Judge
James Nidiffer, City Judge

City Attorney:

James H. Epps, IV

City Administration:

M. Denis Peterson, City Manager
Charles J. Stahl, IV, Assistant City Manager
Robert L. Wilson, Assistant City Manager

Financial Section

Blackburn, Childers & Steagall, PLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REGIONAL EXPERTISE - LOCAL SERVICE

American Institute of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Johnson City Schools Site-Based Fund, a nonmajor special revenue fund, as of and for the year ended June 30, 2008, which represents 1%, 2%, and 0% respectively, of the assets, net assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Johnson City Schools Site-Based Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flow thereof and the respective budgetary comparisons for the general fund, the general purpose school fund, and the debt service fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Johnson City 801B Sunset Drive, P.O. Box 3745, Johnson City, TN 37602-3745 **(423) 282-4511** Fax (423) 283-4532
Kingsport 440 E. Sullivan Street, Kingsport, TN 37660 **(423) 246-1725** Fax (423) 245-2839
Greeneville 1140 Tusculum Boulevard, Greeneville, TN 37745-4039 **(423) 638-8516** Fax (423) 638-3361

website = http://www.BCScpa.com e-mail: BCS@BCScpa.com

In accordance with *Government Auditing Standards,* we have also issued a report dated December 22, 2008, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis, the analysis of funding progress for defined benefit pension plans, analysis of funding progress for postemployment healthcare plans and the Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual for the Debt Service Fund on pages 3 through 13 and pages, 133 through 136, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Blackburn, Childers and Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC

December 22, 2008

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, 2008. 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 of the City exceeded its liabilities at the close of the most recent fiscal year by $377,257 (*net assets*). Of this amount, $281,214 is invested in capital assets (*net of related debt*) and $483 is restricted for specific purposes.
- The City's total net assets increased by $50,064 for the current period. In addition, beginning net assets experienced a $739 decrease for prior period adjustments.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $69,301, an increase of $22,611 in comparison with the prior year. Of this amount, $6,659 is reserved for specific purposes. In addition, beginning fund balance decreased $2 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 $23,196, or 31% of total general fund expenditures including transfers out. This balance included $2,704 committed for specific purposes.
- The City's total debt increased by $14,818 (6%) 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 contains required supplementary information in addition to the basic financial statements.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, 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 can be found on pages 14 through 17 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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 (22) individual governmental funds. Eighteen (18) of these governmental funds are classified as nonmajor and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the general-purpose school fund, the debt service fund, school capital project fund and nonmajor governmental funds, all of which are combined into a single, aggregated presentation. Individual fund data for nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 18 through 22 of 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 this budget.

Proprietary funds. The City maintains two (2) different types of proprietary funds including enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the water/sewer, city solid waste, regional solid waste, mass transit, stormwater, two 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

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 of the water and sewer, city solid waste, power board and public building authority, which are considered to be major funds of the City. Data from the other enterprise funds are combined into a single, aggregated presentation. 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)". The basic proprietary fund financial statements can be found on pages 31 through 38 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 through 132 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor proprietary funds, are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 135 through 164 of this report

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the City of Johnson City, assets exceeded liabilities by $377,257 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (74%) reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Johnson City's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	$127,748	$105,334	$ 91,774	$ 69,983	$219,522	$175,317
Capital assets	194,978	186,843	280,603	266,291	475,581	453,134
Total assets	322,726	292,177	372,377	336,274	695,103	628,451
Long-term liabilities	101,723	109,384	141,324	118,783	243,047	228,167
Other liabilities	51,851	50,922	22,948	21,430	74,799	72,352
Total liabilities	153,574	160,306	164,272	140,213	317,846	300,519
Net assets:						
Invested in capital assets, net of related debt	93,928	67,468	187,286	181,476	280,214	248,944
Restricted	-	6,626	483	483	483	7,109
Unrestricted	75,224	57,777	20,336	14,102	95,560	71,879
Total net assets	$169,152	$131,871	$208,105	$196,061	$377,257	$327,932

The City's net assets include a significant investment in capital assets (74%), net of the related debt. A portion of the City's net assets (.1%) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City reports positive balances in all net asset categories.

The government's net assets increased by $50,064 during the current fiscal year. About 76% of this increase ($38,019) was from the governmental activities while the remaining 24% of the increase ($12,045) was from the business-type activities. In addition, prior year total net assets were adjusted by $(739) in governmental activities.

The following is a summary of financial activities for the City during the 2008 fiscal year:

City of Johnson City's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	$ 9,611	$ 9,323	$200,493	$187,782	$210,104	$197,105
Operating grants & contributions	35,525	33,419	1,509	1,250	37,034	34,669
Capital grants & contributions	31	-	798	398	829	398
General revenues:						
Property taxes	36,459	34,543	-	-	36,459	34,543
Sales taxes	34,905	33,526	-	-	34,905	33,526
Other taxes & intergovernmental	8,475	7,802	-	-	8,475	7,802
Unrestricted investment earnings	2,560	2,776	2,351	2,771	4,911	5,547
Other	29,340	5,890	459	(6)	29,799	5,884
Total revenues	156,906	127,279	205,610	192,195	362,516	319,474

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Expenses:						
General government	12,983	10,247	-	-	12,983	10,247
Public safety	23,050	20,196	-	-	23,050	20,196
Public works	11,760	11,954	-	-	11,760	11,954
Public welfare	5,455	6,552	-	-	5,455	6,552
City services	2,263	2,106	-	-	2,263	2,106
Education	61,435	57,397	-	-	61,435	57,397
Interest on long-term debt	4,144	7,140	-	-	4,144	7,140
Water and sewer	-	-	21,711	21,054	21,711	21,054
City solid waste	-	-	7,813	7,294	7,813	7,294
Regional solid waste	-	-	1,819	1,659	1,819	1,659
Power board	-	-	153,414	143,319	153,414	143,319
Public building authority	-	-	1,806	2,107	1,806	2,107
Mass transit	-	-	2,842	2,490	2,842	2,490
Stormwater management	-	-	495	144	495	144
Golf courses	-	-	1,462	1,472	1,462	1,472
Total expenses	121,090	115,592	191,362	179,539	312,452	295,131
Increase in net assets before transfers	35,816	11,687	14,248	12,656	50,064	24,343
Transfers	2,203	1,565	(2,203)	(1,565)	0	0
Change in net assets	38,019	13,252	12,045	11,091	50,064	24,343
Net assets, beginning of period	131,871	120,091	196,061	185,036	327,932	305,127
Prior period adjustment	(739)	(1,472)	-	(66)	(739)	(1,538)
Net assets, end of period	$ 169,151	$ 131,871	$208,106	$196,061	$377,257	$327,932

Governmental activities. Governmental activities increased the City's net assets by $38,019, thereby accounting for 76% of the total growth in the net assets of the City. Of this increase, a significant amount of additional bond proceeds were received during the current fiscal year, but not expended prior to year-end. The City also experienced healthy growth in both property taxes and sales taxes. Additionally, information regarding this increase can be found in Note 2 on pages 54 through 55 of this report.

Business-type activities . Business-type activities increased the City's net assets by $12,045 accounting for 24% of the total growth in the City's net assets. Key elements of this increase are as follows:

- Johnson City Power Board achieved a net income and contributed 48% of the total growth in net assets for business-type activities.
- Water and Sewer Activities achieved a net income and contributed 26% of the total net assets growth (business-type activities) to provide funds for debt repayments and capital expansion as indicated in the statement of cash flows located on pages 35 through 38 of this report.

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, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $69,301, a current year increase of $22,611 in comparison with the prior year. Additionally, beginning fund balance decreased $2 for adjustments to inventory accounted for under the purchase method. Included in ending fund balance is a reserved balance of $6,659 to indicate that it has already been committed to: (1) future debt service ($795), (2) public safety projects funded by donations ($1,209), (3) compensated absences ($2,213), (4) education projects ($1,097) and (5) for a variety of other restricted purposes ($1,345).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached $23,196, including $2,704 committed for specific purposes. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 27% of total general fund expenditures and transfers out, while total fund balance represents 31% of that same amount. The fund balance of the City's general fund increased by $2,833 as a result of strong tax collections. Additionally, beginning fund balance was restated as a result of prior period adjustments (net decrease $275).

The general-purpose school fund has a total fund balance of $6,676, of which $4,289 is unreserved. The net decrease in fund balance during the current year was $289. This decrease is due primarily to capital expenditures.

At the end of the current fiscal year, the fund balance of the City's debt service fund totaled $795, all of which is reserved for future debt service. The net decrease in fund balance was $314. This decrease is attributable to additional interest expense on the fund's indebtedness.

The school capital project fund has a total fund balance of $35,826, all of which is unreserved. The net increase in fund balance during the current year was $25,841. This net increase is primarily due to bond proceeds received but not expended prior to year-end.

Nonmajor (other) governmental funds have a fund balance of $2,808. The net decrease in fund balance during the current year was $5,460. This net decrease is primarily attributed to prior years' bond proceeds which were expended during the year for road and facilities projects. The beginning fund balances for nonmajor governmental funds were restated as a result of a prior period adjustment and an adjustment for inventory account for under the purchase method (net increase of 273).

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 assets of the Water and Sewer Fund, City Solid Waste Fund and Johnson City Power Board, at the end of the year, amounted to $5,296, $3,243 and $10,272, respectively.

The Public Building Authority (PBA) is a blended component unit of the City and reported unrestricted net assets of $400.

Nonmajor (other) proprietary funds reported unrestricted net assets of $1,125. Total unrestricted net assets of proprietary funds amounted to $20,336. Total growth in net assets for the proprietary funds amounted to $12,045. 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 Budgetary Highlights

Original and Final Budgeted Amounts. Differences, between the original budget and the final amended budget for the general fund, represent a $7,446 increase in expenditures appropriations and a $6,750 decrease in net transfers appropriated, for a total of $696, and include the following:

$ 115	Funding for parks and recreation equipment, emergency repairs and special activities; funding received in the form of additional fee revenues and donations
401	Funding for police department training, equipment, special assignments and community awareness; funding received in the form of donations, intergovernmental refunds, reimbursements and prior year reserves
30	Funding for fire department training; funding received in the form of intergovernmental reimbursements
150	Funding for advance pay-off of National Storytelling agreement; funding additional revenues
$ 696	

Of this increase, approximately $376 was funded out of miscellaneous growth related increases in various revenue sources, donations and refunds. The remaining $320 was funded from reserves set aside from prior years' surplus.

Differences, between the original budget and the final amended budget for the general purpose school fund, represent a $1,390 increase in expenditures appropriations and a $70 increase in transfers appropriated, for a total increase in appropriations of $1,460, and include the following:

$1,171	Funding for increased personnel costs
57	Funding for materials, supplies, technology, staff development and communications
162	Funding for equipment
70	Funding for transfers
$1,460	

Of this increase, the $70 of the transfers was funded through increased sales taxes and transferred to debt service. An additional $1,268 was funded through related increases in various revenue sources, including taxes, State and Federal revenues and investment earnings. The remaining $122 was funded from reserves set aside from prior years' surplus.

Final Amended Budget and Actual Amounts. Differences, between the final amended budget and actual results for the general fund, represent a $2,981 decrease in expenditures and a $62 decrease in net transfers, for a total of $3,043, and include the following:

$(1,873)	Principal and interest savings due to delay in issuing bonds
(119)	Interest savings due to lower rates on variable rate debt
(225)	Lower than budgeted insurance-related administrative fees and non-liability insurance premiums; Risk Management Department
(493)	Less than expected personnel-related expenditures and supplies and materials due to delays in filling open positions and overall spending reductions; General Government Departments
(202)	Lower capital-related expenditures
(191)	Increase in transfer from Johnson City Power Board for annual payment in lieu of tax
60	Other
$(3,043)	

Since the budget to actual variance represents a reduction in required appropriations, no additional funding was necessary. Additionally, increases in revenue totaling $1,220, when combined with the favorable expenditure performance, resulted in a better than anticipated surplus of $4,263. The final budget anticipated a deficit of $1,430. Revenue performed stronger than anticipated in most categories, with the most significant increases being realized in property tax ($692) and state income tax (498). The remaining increase of $30 came from other tax collections, an increase in building-related permits and land sales, partially reduced by lower methane gas sales, municipal court fines and investment earnings.

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, 2008, amounted to $475,581 (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 police vehicles, fire trucks, public works equipment, school buses, parks and recreation vehicles and equipment, solid waste equipment, stormwater management vehicles and transit vehicles.
- Completion of Fire Station #9.
- Completion of Knob Creek Road project.
- Construction in progress on Tennessee Street project.
- Construction in progress on Buffalo/Plymouth Road project.
- Construction in progress on upgrade to Regional Wastewater Treatment Plant.
- Construction in progress on Science Hill High School 8-9 Campus renovations.
- Additional investment in Johnson City Power Board plant.
- Purchase and installation of telescopic seating at Freedom Hall Civic Center.

City of Johnson City's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 17,005	$ 17,075	$ 13,699	$ 13,973	$ 30,704	$ 31,048
Buildings and Improvements	138,705	138,497	49,501	48,509	188,206	187,006
Plant and Lines	-	-	304,583	289,954	304,583	289,954
Vehicles and Equipment	31,835	31,325	28,442	27,583	60,277	58,908
Infrastructure	141,333	136,669	-	-	141,333	136,669
Construction in progress	16,693	6,937	16,884	10,536	33,577	17,473
Accumulated Depreciation	(150,593)	(143,660)	(132,506)	(124,264)	(283,099)	(267,924)
Total capital assets	$194,978	$186,843	$280,603	$266,291	$475,581	$453,134

Additional information on the City's capital assets can be found in Note 4.C. on pages 67 through 69 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $244,648. 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	
	2008	2007	2008	2007	2008	2007
Notes payable	$ 613	$ 928	$ 907	$ 918	$ 1,520	$ 1,846
General obligation bonds	102,113	109,503	66,994	68,828	169,107	178,331
Revenue bonds	-	-	73,900	49,195	73,900	49,195
Capital Leases	-	-	121	158	121	158
Total Long-Term Debt	$102,726	$110,431	$141,922	$119,099	$244,648	$229,530

The City's total debt increased by $14,818 (6%) during the current fiscal year, as a result of revenue bonds issued by the Power Board, partially offset by principal payments.

During the current fiscal year, the government refinanced some of its existing general obligation debt. The City entered into a letter of credit arrangement at a variable rate that is expected to decrease future debt service payments.

The City maintains a 'AA-' rating from Standard and Poor's, a 'AA-' rating from Fitch and an 'A1' 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 4.8%. Additional information on the City's long-term debt can be found in Note 4.F. on pages 71 through 100 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the metropolitan statistical area is currently 6.6%, which is an increase of 2.4% from a year ago. This compares to the state's average unemployment rate of 6.5% as of June 30, 2008.
- Inflationary trends in the region are comparable to national indices.
- New construction permitted and inspected was down 9.2% from the previous year, at $178 million.
- Growth in local sales tax collections is budgeted to approximate 2.8% in fiscal year 2009.

Short-term interest rates on the City's pooled cash account decreased as a result of decreases in the federal fund rate from 5.25% to 2%. All of these factors were considered in preparing the City of Johnson City's budget for fiscal year 2009.

During the current fiscal year, unreserved fund balance in the general fund increased to $20,492. All appropriations lapse at year-end. The City of Johnson City has appropriated $1.5 million of this amount for capital spending in the fiscal year 2009 budget.

As the result of a cost rate study completed during fiscal year 2008, water rates were adjusted from 11% to 12.5% for fiscal year 2008. Likewise, sewer rates were adjusted from 13.8% to 36.5%, depending on the usage group. These adjustments were implemented to facilitate the appropriate coverage of expenses for water and sewer services, individually, as well as to fund inflationary costs associated with operations and planned capital improvements. Residential garbage collection rates remained steady, while commercial and industrial collection rates were adjusted from 9.1% to 17.1%, depending on dumpster size.

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, TN 37604.

The Johnson City Development Authority (the "Authority") is an organization whose purpose is to facilitate business development within the City. The City Commission appoints a majority of the Authority's Board of Directors and may impose its will on the Authority since the City can remove appointed members of the Authority's Board of Directors. Separately issued financial statements may be requested from: Johnson City Development Authority, 118 Tipton Street, Johnson City, TN 37605.

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 ASSETS
June 30, 2008

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS:				
Cash on Hand	$ 3,288	20,427	23,715	530
Cash on Deposit with Paying Agent	5,794	1,164,687	1,170,481	-
Cash in Bank	54,280,891	5,138,261	59,419,152	148,093
Cash on Deposit with State	40,834	437,117	477,951	-
Cash Due from Central Depository	21,308,991	11,012,295	32,321,286	-
Investments	-	-	-	150,744
Accounts Receivable	1,792,775	9,454,935	11,247,710	28,651
Notes Receivable	47,130	202,500	249,630	-
Internal Balances	548,793	(548,793)	-	-
Local Option Sales Tax Receivable	599,859	-	599,859	-
Taxes Receivable	28,438,256	-	28,438,256	-
Less: Estimated Uncollectible	(165,201)	-	(165,201)	-
Intergovernmental Receivables	19,061,060	757,575	19,818,635	-
Deposits	5,050	-	5,050	825
Inventory	631,757	4,789,552	5,421,309	-
Prepaid Expenses	159,000	137,590	296,590	-
Capital Assets:				
Land	17,005,094	13,698,752	30,703,846	-
Book Collection	-	-	-	1,138,049
Buildings and Improvements	138,705,187	49,500,593	188,205,780	-
Plant in Service	-	304,583,449	304,583,449	-
Equipment and Vehicles	31,835,545	28,442,084	60,277,629	653,384
Infrastructure	141,332,585	-	141,332,585	-
Less: Accumulated Depreciation	(150,593,458)	(132,505,763)	(283,099,221)	(558,829)
Construction in Progress	16,693,027	16,883,555	33,576,582	-
Restricted Assets:				
Cash or Cash Equivalents	316,723	54,544,859	54,861,582	-
Investments	-	2,016,525	2,016,525	-
Other Assets:				
Bond Issue Costs (Net)	672,696	2,148,213	2,820,909	-
Customer Base (Net)	-	149,150	149,150	-
Prepaid Expenses	-	350,000	350,000	-
Total Assets	322,725,676	372,377,563	695,103,239	1,561,447

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES:				
Cash Due to Central Depository	2,115,236	1,798,151	3,913,387	-
Accounts Payable	2,544,807	11,461,523	14,006,330	7,500
Accrued Payroll Expenses	4,301,657	641,359	4,943,016	23,362
OPEB Liability	291,808	371,698	663,506	-
Termination Benefits	99,040	-	99,040	-
Accrued Expenses	3,564,026	1,308,648	4,872,674	-
Deposits Payable	91,407	2,671,458	2,762,865	-
Matured Bond and Interest Payable	5,794	33,253	39,047	-
Retainage Payable	467,724	1,056,953	1,524,677	-
Lease Payable	-	121,454	121,454	-
Unearned Revenue	36,104,117	83,905	36,188,022	-
Contractor Deposits	-	750,685	750,685	-
Compensated Absences:				
Due within one year	1,562,329	817,627	2,379,956	26,202
Due in more than one year	703,892	1,831,439	2,535,331	-
Noncurrent Liabilities:				
Due within one year	6,034,108	5,765,946	11,800,054	-
Due in more than one year	95,688,420	134,902,012	230,590,432	-
Special Commission Bonds	-	57,099	57,099	-
Deferred Landfill Postclosure Cost:				
Due within one year	-	37,380	37,380	-
Due in more than one year	-	560,700	560,700	-
Customer Deposits	-	975	975	-
Total Liabilities	153,574,365	164,272,265	317,846,630	57,064
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	93,928,148	187,286,301	281,214,449	1,232,604
Resticted for:				
Restrcted for Debt Service	-	482,776	482,776	-
Restricted by External Contributions	-	-	-	37,480
Restricted by Enabling Legislation				25,127
Unrestricted	75,223,163	20,336,221	95,559,384	209,172
Total Net Assets	$ 169,151,311	208,105,298	377,256,609	1,504,383

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, 2008

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
General Government	$ 12,982,708	2,531,294	553,793	-	(9,897,621)	-	(9,897,621)	-
Public Safety	23,050,291	1,586,621	1,937,749	-	(19,525,921)	-	(19,525,921)	-
Public Works	11,759,714	120,709	166,805	31,055	(11,441,145)	-	(11,441,145)	-
Public Welfare	5,455,063	177,648	423,328	-	(4,854,087)	-	(4,854,087)	-
City Services	2,262,984	2,441,483	1,980,795	-	2,159,294	-	2,159,294	-
Education	61,434,692	2,752,587	30,462,859	-	(28,219,246)	-	(28,219,246)	-
Interest on Long-Term Debt	4,144,293	-	-	-	(4,144,293)	-	(4,144,293)	-
Total Governmental Activities	121,089,745	9,610,342	35,525,329	31,055	(75,923,019)	-	(75,923,019)	-
Business-type Activities:								
Water and Sewer	21,710,919	23,543,970	-	358,336	-	2,191,387	2,191,387	-
City Solid Waste	7,813,531	9,100,844	-	-	-	1,287,313	1,287,313	-
Regional Solid Waste	1,818,585	2,191,065	-	-	-	372,480	372,480	-
Johnson City Power Board	153,413,844	161,195,320	-	-	-	7,781,476	7,781,476	-
JC Public Building Authority	1,805,760	2,052,311	-	-	-	246,551	246,551	-
Mass Transit	2,842,568	326,858	1,509,571	439,271	-	(566,868)	(566,868)	-
Stormwater Management	495,011	989,835	-	-	-	494,824	494,824	-
Golf Courses	1,462,210	1,093,309	-	-	-	(368,901)	(368,901)	-
Total Business-type Activities	191,362,428	200,493,512	1,509,571	797,607	-	11,438,262	11,438,262	-
Total Primary Government	$ 312,452,173	210,103,854	37,034,900	828,662	(75,923,019)	11,438,262	(64,484,757)	-

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Component Units:								
Johnson City Public Library	1,638,717	57,486	1,484,650	-	-	-	-	(96,581)
Johnson City Development Authority	185,141	29,761	218,457	-	-	-	-	63,077
	$ 1,823,858	87,247	1,703,107	-	-	-	-	(33,504)
General Revenues:								
Property Taxes					36,458,981	-	36,458,981	-
Sales Taxes					34,904,671	-	34,904,671	-
Other Taxes					8,474,886	-	8,474,886	-
Unrestricted Investment Earnings					2,560,328	2,350,892	4,911,220	9,922
Gain on Disposal of Capital Assets					-	458,838	458,838	-
Bond Proceeds from Washington County					29,330,390	-	29,330,390	-
Other General Revenue					9,865	-	9,865	73,584
Transfers					2,203,230	(2,203,230)	-	-
Total General Revenues and Transfers					113,942,351	606,500	114,548,851	83,506
Change in Net Assets					38,019,332	12,044,762	50,064,094	50,002
Net Assets, Beginning					131,870,979	196,060,536	327,931,515	1,454,381
Prior Period Adjustment-General and Auto Insurance Liability					(739,000)	-	(739,000)	-
Net Assets, Beginning (Restated)					131,131,979	196,060,536	327,192,515	1,454,381
Net Assets, Ending					$ 169,151,311	208,105,298	377,256,609	1,504,383

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

CITY OF JOHNSON CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	General Purpose School Fund	Debt Service Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash Due from Central Depository	$ 17,439,376	-	-	-	3,669,554	21,108,930
Cash on Hand	3,288	-	-	-	-	3,288
Cash in Bank	(13,255)	6,193,305	216,397	36,658,025	1,233,148	44,287,620
Cash on Deposit with Paying Agent	5,794	-	-	-	-	5,794
Cash on Deposit with State of Tennessee	-	-	-	-	40,834	40,834
Taxes Receivable	28,438,256	-	-	-	-	28,438,256
Less: Estimated Uncollectible	(165,201)	-	-	-	-	(165,201)
Accounts Receivable	1,285,804	437,977	-	-	356	1,724,137
Local Option Sales Tax Receivable	-	-	599,859	-	-	599,859
Notes Receivable	-	-	-	-	47,130	47,130
Due from Washington County	-	11,439,770	-	-	-	11,439,770
Due from State of Tennessee	2,912,765	-	-	-	1,529,244	4,442,009
Due from Other Funds	493,512	932,592	-	-	9,373	1,435,477
Due from Federal Government	-	-	-	-	184,214	184,214
Due from Local Governments	2,995,067	-	-	-	-	2,995,067
Postage Deposits	5,050	-	-	-	-	5,050
Inventory	-	24,790	-	-	154,549	179,339
Advances to Other Funds	450,000	-	-	-	-	450,000
Restricted Cash	254,449	-	62,274	-	-	316,723
Total Assets	$ 54,104,905	19,028,434	878,530	36,658,025	6,868,402	117,538,296
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Cash Due to Central Depository	$ -	-	-	203,771	1,807,582	2,011,353
Accounts Payable	1,167,920	55,156	83,406	364,655	522,502	2,193,639
Accrued Payroll Expenses	628,449	3,295,996	-	-	327,577	4,252,022
Accrued Expenses	837	-	-	-	1,300	2,137
Retainage Payable	-	-	-	263,540	204,184	467,724
Due to Other Funds	173,267	221,881	-	-	941,536	1,336,684
Deposits Payable	91,407	-	-	-	-	91,407
Matured Bond Interest Payable	5,794	-	-	-	-	5,794
Deferred Revenue	1,771,918	-	-	-	-	1,771,918
Unearned Revenue	27,069,715	8,778,602	-	-	255,800	36,104,117
Total Liabilities	30,909,307	12,351,635	83,406	831,966	4,060,481	48,236,795

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	General Purpose School Fund	Debt Service Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:						
Reserved for:						
Compensated Absences	2,031,075	135,329	-	-	46,307	2,212,711
Debt Service	-	-	795,124	-	-	795,124
Encumbrances	-	449,541	-	-	-	449,541
Specific Activities and Projects	144,824	1,097,101	-	-	342,553	1,584,478
Public Safety	527,918	681,462	-	-	-	1,209,380
Inventory	-	24,790	-	-	154,549	179,339
Community Development	-	-	-	-	1,119	1,119
School Trust	-	-	-	-	212,511	212,511
Senior Citizens	-	-	-	-	15,000	15,000
Unreserved, Reported In:						
General Fund	20,491,781	-	-	-	-	20,491,781
General Purpose School Fund	-	4,288,576	-	-	-	4,288,576
Special Revenue Funds	-	-	-	-	2,035,882	2,035,882
Capital Project Funds	-	-	-	35,826,059	-	35,826,059
Total Fund Balances	23,195,598	6,676,799	795,124	35,826,059	2,807,921	69,301,501
Total Liabilities and Fund Balances	$ 54,104,905	19,028,434	878,530	36,658,025	6,868,402	117,538,296

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 ASSETS
June 30, 2008

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

Total Fund Balances of Governmental Funds	$ 69,301,500
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	194,955,907
Prepaids are expensed when disbursed and are not recognized based upon economic benefit or recorded as assets in the governmental funds.	159,000
Bond issue costs are expensed when disbursed in the governmental funds and are amortized over the life of the bonds in the governmental activities.	672,696
Property tax assessments are reported as revenue in the government-wide statements in the period in which an enforceable legal claim arises against property owners. In governmental funds, these assessments are not available to finance current period expenditures and are reported as deferred revenue at the fund level.	1,045,391
Other revenues which are earned but not available to finance current period expenditures and are reported as deferred revenue at the fund level.	726,527
OPEB and termination benefits represent liabilities of the City that are not recorded at the fund level.	(390,848)
Compensated absences are not considered due and payable in governmental funds until an employee has terminated service. Therefore, these amounts are presented as reserved fund balance.	(2,212,712)
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(102,253,420)
Internal service funds are used by management to charge the costs of fleet maintenance and employee insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	7,147,270
Net Assets of Governmental Activities	$ 169,151,311

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, 2008

	General Fund	General Purpose School Fund	Debt Service Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 52,188,174	19,108,951	2,009,553	-	470,982	73,777,660
Licenses and Permits	1,013,104	1,336	-	-	-	1,014,440
Intergovernmental Revenue	9,858,743	23,803,975	-	-	7,380,199	41,042,917
Charges for Services	1,114,106	1,216,332	-	-	1,198,355	3,528,793
Fines and Forfeitures	1,404,949	-	-	-	86,783	1,491,732
Revenue from Use of Property	903,826	-	-	-	1,506,555	2,410,381
Investment Income	1,022,271	188,772	47,061	890,685	38,669	2,187,458
Miscellaneous Revenues	1,209,093	202,284	-	-	305,117	1,716,494
Total Revenues	68,714,266	44,521,650	2,056,614	890,685	10,986,660	127,169,875
Expenditures:						
Current:						
General Government	11,085,668	-	-	-	-	11,085,668
Public Safety	22,178,434	-	-	-	492,386	22,670,820
Public Works	10,088,280	-	-	-	1,880	10,090,160
Public Welfare	5,998,623	-	-	-	391,583	6,390,206
City Services	-	-	-	-	2,040,465	2,040,465
Education	-	49,617,060	-	-	8,480,858	58,097,918
Capital Outlay	151,063	1,152,207	-	4,379,950	8,049,774	13,732,994
Debt Service:						
Principal Retirement	11,676,084	-	1,457,433	-	305,211	13,438,728
Interest and Fiscal Charges	3,096,987	-	1,931,595	-	129,824	5,158,406
Total Expenditures	64,275,139	50,769,267	3,389,028	4,379,950	19,891,981	142,705,365
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,439,127	(6,247,617)	(1,332,414)	(3,489,265)	(8,905,321)	(15,535,490)
Other Financing Sources (Uses):						
Transfers to Other Funds	(11,697,173)	(1,878,739)	(44,000)	-	-	(13,619,912)
Transfers from Other Funds	3,207,156	7,838,261	1,061,902	-	3,435,823	15,543,142
Sale of Real Estate and Other Equipment	134,025	-	-	-	9,120	143,145
Refunding Bonds Issued	6,750,000	-	-	-	-	6,750,000
Bond Proceeds from Washington County	-	-	-	29,330,390	-	29,330,390
Total Other Financing Sources (Uses)	(1,605,992)	5,959,522	1,017,902	29,330,390	3,444,943	38,146,765
Net Change in Fund Balance	2,833,135	(288,095)	(314,512)	25,841,125	(5,460,378)	22,611,275
Fund Balance, July 1, 2007	20,637,576	6,964,894	1,109,636	9,984,934	7,995,050	46,692,090
Purchase Method Inventory Adjustment	-	-	-	-	(1,864)	(1,864)
Prior Period Adjustment for Police Technology-Transferred to Equipment Project Fund	(275,113)				275,113	-
Fund Balance, July 1, 2007 (Restated)	20,362,463	6,964,894	1,109,636	9,984,934	8,268,299	46,690,226
Fund Balance, June 30, 2008	$ 23,195,598	6,676,799	795,124	35,826,059	2,807,921	69,301,501

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, 2008

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

Net Change in Fund Balances of Governmental Funds	$	22,611,275
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 for general capital assets in the current period exceeded depreciation.		8,483,486
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.		(335,017)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which repayments exceeded proceeds.		7,705,193
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		(53,920)
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.		(1,864)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		32,711
Prepaid expenses that do require the use of current financial resources are reported as expenditures in the governmental funds.		(4,419)
Liability for OPEB and termination benefits are not reported in the governmental funds.		(390,848)
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.		5,704
Expenses for compensated absences do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.		(145,940)
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.		112,971
Change in Net Assets of Governmental Activities	$	38,019,332

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Taxes:				
Property Tax (Net of Discounts)	$ 25,251,558	25,401,558	25,951,299	549,741
Property Tax - Penalty and Interest	309,818	309,818	366,584	56,766
Other Fees - Taxes	2,314	2,314	2,026	(288)
Received in Lieu of Taxes	1,338,265	1,338,265	1,424,336	86,071
Local Sales Tax	18,000,000	18,000,000	18,073,380	73,380
Business Tax	1,448,260	1,448,260	1,551,774	103,514
Business Tax - Penalty and Interest	35,000	35,000	38,327	3,327
Local Beer Tax	1,854,621	1,854,621	1,953,748	99,127
Local Liquor Tax	488,653	488,653	517,842	29,189
Hotel/Motel Tax	1,023,076	1,023,076	1,035,770	12,694
Franchise Tax	695,129	695,129	485,807	(209,322)
Telephone Commissions/Cable	629,898	629,898	787,281	157,383
Total Taxes	51,076,592	51,226,592	52,188,174	961,582
Licenses and Permits:				
Building Permits	550,000	550,000	573,256	23,256
Electrical Permits and Electrician Certificates	95,000	95,000	98,657	3,657
Plumbing Permits and Plumbers Certificates	45,000	45,000	51,056	6,056
Natural Gas Permits	12,500	12,500	10,774	(1,726)
Zoning Permits and Fees	45,000	45,000	16,672	(28,328)
Mechanical Permits	47,500	47,500	54,395	6,895
Sign Permits	15,000	15,000	19,314	4,314
Plan Review Permits	50,000	50,000	88,203	38,203
Beverage and Private Club Permits	89,301	89,301	96,832	7,531
Other Fees and Licenses	5,000	5,000	3,945	(1,055)
Total Licenses and Permits	954,301	954,301	1,013,104	58,803
Intergovernmental Revenues:				
State of Tennessee Revenue	-	-	3,000	3,000
State of Tennessee - Boarding of Prisoners	1,362,380	1,374,489	1,374,489	-
State of Tennessee - Sales Tax	4,072,052	4,072,052	4,095,456	23,404
State of Tennessee - Income Tax	521,967	521,967	1,019,537	497,570
State of Tennessee - Beer Tax	30,645	30,645	30,968	323
State of Tennessee - Mixed Drink Tax	546,711	546,711	572,366	25,655
State of Tennessee - State Street Aid	1,568,605	1,568,605	1,612,432	43,827
State of Tennessee - Highway Maintenance	217,320	217,320	244,873	27,553
State of Tennessee - Street and Transit	144,598	144,598	123,490	(21,108)
State of Tennessee - Excise Taxes	237,269	237,269	191,785	(45,484)
State of Tennessee - Civil Defense	30,221	30,221	-	(30,221)
State of Tennessee - Department of Agriculture	17,500	17,500	17,500	-

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues (Continued):				
Intergovernmental Revenues (Continued):				
State of Tennessee - Fire Supplement	40,750	70,800	70,800	-
State of Tennessee - Police Supplement	74,693	85,200	85,200	-
State of Tennessee - First TN-VA Development District Senior Citizens Grant	72,132	72,132	71,228	(904)
State of Tennessee - Telecommunications	10,000	10,000	7,061	(2,939)
Washington County - Public Safety	150,000	150,000	209,058	59,058
Washington County - Senior Citizens	25,000	25,000	50,000	25,000
Washington County Schools Fund	75,000	75,000	75,000	-
Washington County Juvenile Court	4,500	4,500	4,500	-
Total Intergovernmental Revenues	9,201,343	9,254,009	9,858,743	604,734
Charges for Services:				
School Bus Charters	86,000	86,000	134,280	48,280
Clerk Fees	19,311	19,311	19,314	3
Accident Reports	25,006	25,006	21,329	(3,677)
Sidewalk Assessments/Curb Cuts	5,805	5,805	5,731	(74)
Special Work Charges	50,000	50,000	48,014	(1,986)
Administrative Fees from Other Funds	885,800	885,800	884,812	(988)
Miscellaneous Services	-	-	626	626
Total Charges for Services	1,071,922	1,071,922	1,114,106	42,184
Fines and Forfeitures:				
Municipal Courts - Fines and Court Costs	1,604,200	1,604,200	1,404,949	(199,251)
Total Fines and Forfeitures	1,604,200	1,604,200	1,404,949	(199,251)
Receipts for Use of Property:				
Rents from Buildings and Equipment	136,387	136,387	180,212	43,825
Parks and Recreation	358,650	428,650	423,128	(5,522)
Johnson City Cardinals Revenue	-	-	-	-
Print Shop Charges	78,000	78,000	73,544	(4,456)
Computer Services (MIS)	223,095	223,095	226,942	3,847
Total Receipts for Use of Facilities	796,132	866,132	903,826	37,694

(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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Investment Earnings:				
Investment Income	1,340,535	1,340,535	1,022,271	(318,264)
Total Investment Earnings	1,340,535	1,340,535	1,022,271	(318,264)
Miscellaneous:				
Refunds and Reimbursements	74,000	105,349	132,563	27,214
Senior Citizens	74,830	74,830	79,251	4,421
Tournaments	40,000	-	-	-
Donations	459,413	502,210	539,232	37,022
Sale of Methane Gas	500,000	500,000	411,725	(88,275)
Miscellaneous	18,000	88,000	46,322	(41,678)
Total Miscellaneous	1,166,243	1,270,389	1,209,093	(61,296)
Total Revenues	67,211,268	67,588,080	68,714,266	1,126,186
Expenditures:				
General Government:				
Administration	87,553	87,553	64,756	22,797
Economic Development	89,898	89,898	74,751	15,147
City Commission	65,066	65,066	55,148	9,918
City Court	200,556	200,556	193,274	7,282
City Attorney	195,000	195,000	55,537	139,463
Staff Attorney	198,935	198,935	193,081	5,854
Juvenile Court	623,945	623,945	601,724	22,221
City Manager	330,541	330,541	344,551	(14,010)
Management Services	292,458	292,458	299,086	(6,628)
Community Relations Office	256,283	256,283	181,306	74,977
Community Economic Coordinator	58,283	58,283	41,748	16,535
Purchasing	131,297	131,297	129,154	2,143
Human Resources	382,916	382,916	415,300	(32,384)
Planning	549,385	549,385	504,137	45,248
Miscellaneous Appropriations	618,450	618,450	493,633	124,817
Risk Management	935,080	935,080	709,623	225,457
Geographic Information Systems	173,495	173,495	161,360	12,135
Management Information Systems	1,002,069	1,002,069	997,096	4,973
Central Print Shop	98,026	98,026	105,663	(7,637)
Special Appropriations	3,927,007	4,077,007	4,076,557	450
Finance Administration	173,727	173,727	161,844	11,883
Accounting	712,762	712,762	703,973	8,789
Collections	492,270	492,270	465,252	27,018
Records Management	59,294	59,294	57,114	2,180
Capital Outlay	344,095	344,095	106,834	237,261
Total General Government	11,998,391	12,148,391	11,192,502	955,889

(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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Expenditures (Continued):				
Public Safety:				
Student Transportation	1,754,093	1,754,093	1,700,106	53,987
Police Department	11,746,935	12,148,316	12,186,275	(37,959)
Fire Department	7,925,479	7,955,529	8,064,910	(109,381)
Emergency Management Services	223,162	223,162	227,143	(3,981)
Capital Outlay	7,000	7,000	21,788	(14,788)
Total Public Safety	21,656,669	22,088,100	22,200,222	(112,122)
Public Works:				
Administration	332,580	332,580	331,096	1,484
Streets	4,858,262	4,858,262	4,730,648	127,614
Engineering	736,311	736,311	751,210	(14,899)
Inspection	868,438	868,438	844,124	24,314
Downtown Parking	-	-	4,510	(4,510)
Traffic Control	2,176,718	2,176,718	2,222,210	(45,492)
Sidewalks	167,445	167,445	65,643	101,802
Mowing	197,700	197,700	209,661	(11,961)
General Facilities	415,952	415,952	395,944	20,008
Municipal Building	378,763	378,763	361,729	17,034
Keystone	124,962	124,962	161,292	(36,330)
Facilities Center	7,650	7,650	10,213	(2,563)
Capital Outlay	2,000	2,000	22,441	(20,441)
Total Public Works	10,266,781	10,266,781	10,110,721	156,060
Public Welfare:				
Public Building Authority	1,349,653	1,349,653	1,333,414	16,239
Parks and Recreation	3,669,902	3,784,902	3,875,147	(90,245)
Senior Citizens	852,921	852,921	790,062	62,859
Total Public Welfare	5,872,476	5,987,476	5,998,623	(11,147)
Debt Service:				
Bond - Principal	5,125,843	11,875,843	11,676,084	199,759
Bond - Interest	3,733,586	3,733,586	3,096,987	636,599
Note - Interest	1,155,571	1,155,571	-	1,155,571
Total Debt Service	10,015,000	16,765,000	14,773,071	1,991,929
Total Expenditures	59,809,317	67,255,748	64,275,139	2,980,609

(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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,401,951	332,332	4,439,127	4,106,795
Other Financing Sources (Uses):				
Transfer from Debt Service	44,000	44,000	44,000	-
Transfer to General Purpose School Fund	(7,832,675)	(7,832,675)	(7,832,675)	-
Transfer to Insurance Fund	(328,500)	(328,500)	(280,000)	48,500
Transfer to Mass Transit	(498,825)	(498,825)	(498,825)	-
Transfer to Freedom Hall	(200,000)	(200,000)	(233,177)	(33,177)
Transfer to Transportation Planning	(45,364)	(45,364)	(45,364)	-
Transfer to Community Development	(39,000)	(39,000)	(39,000)	-
Transfer to Capital Projects	(2,250,000)	(2,250,000)	(2,302,204)	(52,204)
Transfer to Special School Projects	(4,750)	(4,750)	(4,750)	-
Transfer to Police Grants	-	-	(77)	(77)
Transfers in From Proprietary Funds	2,972,033	2,972,033	3,163,156	191,123
Transfers To Proprietary Funds	(368,870)	(368,870)	(461,101)	(92,231)
Sale of Real Estate and Other Equipment	40,000	40,000	134,025	94,025
Bond Proceeds - Refunding	-	6,750,000	6,750,000	-
Total Other Financing Sources (Uses)	(8,511,951)	(1,761,951)	(1,605,992)	155,959
Net Change in Fund Balance	(1,110,000)	(1,429,619)	2,833,135	4,262,754
Fund Balance, July 1, 2007	20,637,576	20,637,576	20,637,576	-
Prior Period Adjustment for Police Technology-Transferred to Equipment Project Fund	(275,113)	(275,113)	(275,113)	-
Fund Balance, July 1, 2007 (restated)	20,362,463	20,362,463	20,362,463	-
Fund Balance, June 30, 2008	$ 19,252,463	18,932,844	23,195,598	4,262,754

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, 2008

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Local Sales Tax	$ 10,312,000	10,489,000	10,726,281	237,281
County Property Tax	7,740,000	7,845,500	7,930,779	85,279
Interest and Penalty	70,000	70,000	84,154	14,154
Business Tax	240,000	265,000	246,627	(18,373)
In Lieu - Local Utilities	131,000	135,000	121,110	(13,890)
Total Taxes	18,493,000	18,804,500	19,108,951	304,451
Licenses and Permits:				
Marriage Licenses	1,500	1,500	1,336	(164)
Total Licenses and Permits	1,500	1,500	1,336	(164)
Intergovernmental Revenues:				
State:				
Basic Education Program	21,494,000	22,611,000	22,955,000	344,000
Career Ladder Program	642,000	633,000	622,410	(10,590)
Bank Excise Tax	35,000	46,000	35,648	(10,352)
Drivers Education	11,000	11,000	16,850	5,850
Mixed Drink Tax	1,000	1,000	1,297	297
Telecommunication Tax	7,500	7,500	6,107	(1,393)
Other State of Tennnesse Funds	365,000	54,000	94,571	40,571
Total State	22,555,500	23,363,500	23,731,883	368,383
Federal:				
Education of Handicapped - IDEA	35,000	-	-	-
ROTC Reimbursement	50,000	53,000	53,042	42
Other Grant Revenue	-	19,050	19,050	-
Total Federal	85,000	72,050	72,092	42
Total Intergovernmental Revenues	22,640,500	23,435,550	23,803,975	368,425
Investment Earnings:				
Investment Income	307,500	337,500	188,772	(148,728)
Total Investment Earnings	307,500	337,500	188,772	(148,728)
Miscellaneous Revenues:				
Refunds and Reimbursements	140,000	165,000	82,309	(82,691)
Other Local Revenue	50,000	160,793	119,975	(40,818)
Rent Income	-	-	-	-
Total Miscellaneous Revenues	190,000	325,793	202,284	(123,509)

(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, 2008

	Budgeted Amounts		Actual Amounts and	Variance with Final Budget - Positive
	Original	Final	Encumbrances	(Negative)
Charges for Services:				
School Tuition	354,000	354,000	367,490	13,490
Educare Revenue	700,000	760,000	760,277	277
Other Charges	142,000	142,000	88,565	(53,435)
Total Charges for Services	1,196,000	1,256,000	1,216,332	(39,668)
Total Revenues	42,828,500	44,160,843	44,521,650	360,807
Expenditures:				
Instruction:				
Regular Education	27,010,740	27,747,635	26,982,946	764,689
Alternative Instruction	532,070	586,270	513,233	73,037
Special Education	3,736,270	3,743,540	3,654,458	89,082
Vocational Education	1,542,400	1,495,200	1,425,430	69,770
Student Education	1,500	1,500	-	1,500
Adult Education	100,750	271,643	264,133	7,510
Preschool	210,570	210,570	153,547	57,023
Total Instruction	33,134,300	34,056,358	32,993,747	1,062,611
Support Services:				
Health	196,800	196,800	194,383	2,417
Student Support	1,324,340	1,347,440	1,310,409	37,031
Regular Education	2,589,280	2,723,675	2,712,024	11,651
Alternative Instructional	71,430	71,530	33,216	38,314
Special Education	238,640	234,450	232,015	2,435
Vocational Education	193,320	191,070	178,736	12,334
Adult Education	120,330	148,820	127,439	21,381
Board of Education	656,500	666,500	626,256	40,244
Office of Superintendent	487,870	504,640	486,733	17,907
Office of Principal	3,467,160	3,462,640	3,354,653	107,987
Fiscal Services	352,125	359,225	357,699	1,526
Operation of Plant	4,398,570	4,474,350	4,564,354	(90,004)
Maintenance of Plant	1,432,790	1,601,210	1,522,509	78,701
Transportation Expense	1,810,936	1,862,936	138,993	1,723,943
Other Support	674,220	656,710	625,225	31,485
Community Services	707,500	767,500	816,706	(49,206)
Other Capital Outlay	1,801,000	1,721,000	711,030	1,009,970
Total Support Services	20,522,811	20,990,496	17,992,380	2,998,116
Total Expenditures	53,657,111	55,046,854	50,986,127	4,060,727
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,828,611)	(10,886,011)	(6,464,477)	4,421,534

(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, 2008

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
Other Financing Sources (Uses):				
Transfer from General Fund	9,548,611	9,554,211	7,832,675	(1,721,536)
Transfer to Debt Service Fund	(1,000,000)	(1,070,000)	(1,061,902)	8,098
Transfer to School Federal, net Projects Fund	(55,000)	(55,000)	(36,151)	18,849
Transfer to School Site Based Fund	-	-	(775,100)	(775,100)
Total Other Financing Sources (Uses)	8,493,611	8,429,211	5,959,522	(2,469,689)
Net Change in Fund Balance	(2,335,000)	(2,456,800)	(504,955)	1,951,845
Fund Balance, July 1, 2007	6,510,727	6,510,727	6,510,727	-
Fund Balance, June 30, 2008	$ 4,175,727	4,053,927	6,005,772	1,951,845

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

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	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	
ASSETS:							
Current Assets:							
Cash on Hand	$ 100	-	18,100	-	2,227	20,427	-
Cash in Bank	5,929	-	3,440,036	1,692,296	-	5,138,261	9,993,271
Cash on Deposit with Paying Agent	1,164,687	-	-	-	-	1,164,687	-
Cash on Deposit with State	437,117	-	-	-	-	437,117	-
Cash Due from Central Depository	4,330,179	3,964,318	-	-	2,717,798	11,012,295	200,061
Accounts Receivable (Net)	896,624	605,420	7,838,479	-	114,412	9,454,935	68,638
Notes Receivable	-	-	202,500	-	-	202,500	-
Due from Federal Government	-	-	-	-	424,021	424,021	-
Due from State of Tennessee	309,397	-	-	-	24,157	333,554	-
Due from Other Funds	-	-	567,086	-	-	567,086	-
Inventory	1,349,864	-	3,329,536	-	110,152	4,789,552	452,418
Prepaid Expenses	-	-	133,090	-	4,500	137,590	-
Total Current Assets	8,493,897	4,569,738	15,528,827	1,692,296	3,397,267	33,682,025	10,714,388
Noncurrent Assets:							
Capital Assets:							
Land	2,724,348	1,895,842	4,625,760	2,281,070	2,171,732	13,698,752	-
Buildings	129,661	853,958	25,925,207	18,221,250	4,370,517	49,500,593	-
Plant in Service	151,755,304	-	152,828,145	-	-	304,583,449	-
Equipment and Vehicles	7,377,274	5,884,817	8,381,611	1,790,753	5,007,629	28,442,084	650,501
Less: Accumulated Depreciation	(61,965,613)	(4,326,099)	(55,608,569)	(5,461,812)	(5,143,670)	(132,505,763)	(628,428)
Construction In Progress	14,096,024	-	2,752,100	35,431	-	16,883,555	-
Net Capital Assets	114,116,998	4,308,518	138,904,254	16,866,692	6,406,208	280,602,670	22,073
Restricted Assets:							
Cash or Cash Equivalents	16,393,258	1,225	38,150,376	-	-	54,544,859	-
Investments	-	-	2,016,525	-	-	2,016,525	-
Total Restricted Assets	16,393,258	1,225	40,166,901	-	-	56,561,384	-

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	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	
ASSETS (CONTINUED):							
Noncurrent Assets (Continued):							
Other Assets:							
Bond Issue Costs (Net)	604,184	42,919	1,267,877	217,641	15,592	2,148,213	-
Customer Base (Net)	149,150	-	-	-	-	149,150	-
Prepaid Expenses	-	-	350,000	-	-	350,000	-
Total Other Assets	753,334	42,919	1,617,877	217,641	15,592	2,647,363	-
Total Non-Current Assets	131,263,590	4,352,662	180,689,032	17,084,333	6,421,800	339,811,417	22,073
Total Assets	139,757,487	8,922,400	196,217,859	18,776,629	9,819,067	373,493,442	10,736,461
LIABILITIES:							
Current Liabilities:							
Cash Due to Central Depository	-	-	-	-	1,798,151	1,798,151	103,883
Accounts Payable	436,218	559,316	10,236,126	107,884	121,979	11,461,523	351,167
Accrued Payroll Expenses	245,965	58,147	238,590	-	98,657	641,359	49,635
Other Liabilities	317,593	23,770	718,834	235,342	13,109	1,308,648	3,030,997
Leases Payable - Current Portion	-	-	-	-	38,396	38,396	-
Notes and Bonds Payable-Current Portion	3,112,036	543,910	1,285,000	645,000	180,000	5,765,946	-
Due to Other Funds	172,367	-	-	493,512	-	665,879	-
Retainages Payable	1,056,953	-	-	-	-	1,056,953	-
Compensated Absences-Current Portion	275,169	68,087	376,270	-	98,101	817,627	42,272
Deposits Payable	-	-	2,671,458	-	-	2,671,458	-
Deferred Revenue	3,592	-	-	5,482	-	9,074	-
Contractor Deposits	750,685	-	-	-	-	750,685	-
Deferred Landfill Postclosure							-
Cost-Current Portion	-	37,380	-	-	-	37,380	-
Matured Bonds and Interest Payable	33,253	-	-	-	-	33,253	-
Total Current Liabilities	6,403,831	1,290,610	15,526,278	1,487,220	2,348,393	27,056,332	3,577,954

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	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	
Noncurrent Liabilities:							
Compensated Absences Payable	73,146	18,099	1,714,117	-	26,077	1,831,439	11,237
Other Liabilities	-	-	371,698	-	-	371,698	-
Advances from Other Funds	-	-	-	450,000	-	450,000	-
Leases Payable	-	-	-	-	83,058	83,058	-
Notes and Bonds Payable	57,069,763	3,790,485	59,075,000	14,555,000	1,545,000	136,035,248	-
Plus Bond Premiums	-	-	438,133	-	-	438,133	-
Less: Deferred Debt Refunding	(910,632)	(40,487)	-	(558,674)	(61,576)	(1,571,369)	-
Special Commission Bonds	-	-	-	-	57,099	57,099	-
Deferred Landfill Postclosure Cost	-	560,700	-	-	-	560,700	-
Deferred Revenue	15,580	600	-	-	58,651	74,831	-
Customer Deposits	-	975	-	-	-	975	-
Total Non-Current Liabilities	56,247,857	4,330,372	61,598,948	14,446,326	1,708,309	138,331,812	11,237
Total Liabilities	62,651,688	5,620,982	77,125,226	15,933,546	4,056,702	165,388,144	3,589,191
NET ASSETS:							
Invested in Capital Assets, Net of Related Debt	71,810,020	58,754	108,337,598	2,443,007	4,636,922	187,286,301	22,073
Restricted for:							
Debt Service	-	-	482,776	-	-	482,776	-
Unrestricted	5,295,779	3,242,664	10,272,259	400,076	1,125,443	20,336,221	7,125,197
Total Net Assets	$ 77,105,799	3,301,418	119,092,633	2,843,083	5,762,365	208,105,298	7,147,270

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 FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

	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	
Operating Revenues:							
Charges for Services (Net)	$ 23,358,118	9,071,832	157,488,224	1,709,907	4,539,212	196,167,293	20,134,190
Other Revenue	185,852	29,012	3,707,096	342,404	61,855	4,326,219	32,540
Total Operating Revenues	23,543,970	9,100,844	161,195,320	2,052,311	4,601,067	200,493,512	20,166,730
Operating Expenses:							
Administration	496,600	247,000	-	-	138,200	881,800	-
Personnel Services	7,075,850	2,022,103	-	-	3,418,393	12,516,346	2,023,859
Contractual Services	701,214	2,954,710	-	8,081	608,198	4,272,203	14,241,167
Materials and Supplies	866,173	214,077	-	2,351	322,249	1,404,850	43,485
Repairs and Maintenance	2,059,977	1,470,963	6,324,335	10,681	1,012,717	10,878,673	4,261,995
Bad Debt Expense	162,317	42,762	-	-	26,097	231,176	-
Items for Resale	-	-	-	-	66,718	66,718	-
Other Operating Expenses	3,472,526	170,132	140,108,070	473,823	255,884	144,480,435	122,444
Depreciation and Amortization	3,782,231	464,839	5,428,348	493,393	595,834	10,764,645	13,681
Total Operating Expenses	18,616,888	7,586,586	151,860,753	988,329	6,444,290	185,496,846	20,706,631
Operating Income (Loss)	4,927,082	1,514,258	9,334,567	1,063,982	(1,843,223)	14,996,666	(539,901)
Nonoperating Revenue (Expenses):							
Investment Income	1,361,629	119,934	740,870	50,666	77,793	2,350,892	372,872
Operating Grants	-	-	-	-	1,509,571	1,509,571	-
Interest Expenses and Commissions	(3,028,570)	(219,944)	(1,529,634)	(739,314)	(172,135)	(5,689,597)	-
Amortization-Bond Cost	(65,461)	(7,001)	(23,457)	(78,117)	(1,949)	(175,985)	-
Gain (Loss) on Sale of Capital Assets	(51,725)	(1,136)	-	531,428	(19,729)	458,838	-
Total Nonoperating Revenues (Expenses)	(1,784,127)	(108,147)	(812,221)	(235,337)	1,393,551	(1,546,281)	372,872

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

	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	
Income (Loss) Before Transfers and Capital Contributions	3,142,955	1,406,111	8,522,346	828,645	(449,672)	13,450,385	(167,029)
Transfers and Capital Contributions:							
Transfers In	71,180	115,800	-	-	959,926	1,146,906	280,000
Transfers Out	(430,000)	(51,000)	(2,733,156)	-	(135,980)	(3,350,136)	-
Federal Capital Grant Revenue	172,258	-	-	-	399,997	572,255	-
State Capital Grant Revenue	186,078	-	-	-	39,274	225,352	-
Total Tranfers and Capital Contributions	(484)	64,800	(2,733,156)	-	1,263,217	(1,405,623)	280,000
Change in Net Assets	3,142,471	1,470,911	5,789,190	828,645	813,545	12,044,762	112,971
Net Assets, July 1, 2007	73,963,328	1,830,507	113,303,443	2,014,438	4,948,820	196,060,536	7,773,299
Prior Period Adjustment-General and Auto Insurance Liability	-	-	-	-	-	-	(739,000)
Net Assets, July 1, 2007 (restated)	73,963,328	1,830,507	113,303,443	2,014,438	4,948,820	196,060,536	7,034,299
Net Assets, June 30, 2008	$ 77,105,799	3,301,418	119,092,633	2,843,083	5,762,365	208,105,298	7,147,270

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, 2008

	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	
Cash Flows from Operating Activities:							
Receipts from Customers and Users	$ 22,571,329	8,938,125	150,699,429	745,995	4,527,812	187,482,690	14,157,321
Receipts from Interfund Services Provided	854,946	81,886	5,737,600	1,333,436	-	8,007,868	5,971,784
Payments to Employees	(7,001,610)	(2,009,770)	(7,568,412)	-	(3,388,543)	(19,968,335)	(2,015,749)
Payments from Contractor Deposits	168,919	-	475,035	-	-	643,954	-
Payments to Suppliers	(3,828,084)	(3,586,656)	(134,649,437)	(443,929)	(1,573,967)	(144,082,073)	(18,916,167)
Payments for Interfund Services Used	(4,322,738)	(1,679,755)	(823,728)	-	(1,049,164)	(7,875,385)	(43,979)
Net Cash Provided (Used) by Operating Activities	8,442,762	1,743,830	13,870,487	1,635,502	(1,483,862)	24,208,719	(846,790)
Cash Flows from Noncapital Financing Activities:							
Transfers to Other Funds	(430,000)	(51,000)	(2,733,156)	-	(135,980)	(3,350,136)	-
Advances from Other Funds	71,180	115,800	-	-	959,926	1,146,906	-
Operating Grants Received	-	-	-	-	1,492,842	1,492,842	-
Loans from Other Funds	-	-	-	(45,000)	-	(45,000)	280,000
Net Cash Provided (Used) by Noncapital Financing Activities	(358,820)	64,800	(2,733,156)	(45,000)	2,316,788	(755,388)	280,000
Cash Flows from Capital and Related Financing Activities:							
Proceeds from Refunding Bonds Payable	-	-	27,135,692	-	-	27,135,692	-
Purchase of Capital Assets	(13,893,116)	(396,719)	(11,917,038)	(90,571)	(492,583)	(26,790,027)	-
Capitalized Interest	(128,800)	-	-	-	-	(128,800)	-
Construction Retainage	960,540	-	-	-	-	960,540	-
Bond Issue Costs	(70,489)	-	-	-	-	(70,489)	-
Capital Grants Received	80,431	-	900,000	-	439,270	1,419,701	-
Principal Paid on Capital Debt	(2,981,465)	(513,808)	(1,155,000)	(615,000)	(209,691)	(5,474,964)	-
Principal Paid on Capital Lease	-	-	-	-	(38,397)	(38,397)	-
Interest Paid on Capital Debt	(2,866,550)	(217,019)	(1,613,901)	(769,225)	(163,658)	(5,630,353)	-
Sale of Capital Assets	10,450	-	170,431	891,790	7,973	1,080,644	-
Proceeds from Notes Receivable	-	-	30,000	-	-	30,000	-
Net Cash Used by Capital and Related Financing Activities	(18,888,999)	(1,127,546)	13,550,184	(583,006)	(457,086)	(7,506,453)	-

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

	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	
Cash Flows from Investing Activities:							
Interest and Related Income/Expenses on Investments	1,361,629	119,934	740,870	50,665	77,793	2,350,891	372,871
Sale of Investments	-	-	71,249	-	-	71,249	-
Net Cash Provided by Investing Activities	1,361,629	119,934	812,119	50,665	77,793	2,422,140	372,871
Net Increase (Decrease) in Cash and Cash Equivalents	(9,443,428)	801,018	25,499,634	1,058,161	453,633	18,369,018	(193,919)
Cash and Cash Equivalents, July 1, 2007	31,774,698	3,164,525	16,108,878	634,135	2,266,392	53,948,628	10,387,251
Cash and Cash Equivalents, June 30, 2008	$ 22,331,270	3,965,543	41,608,512	1,692,296	2,720,025	72,317,646	10,193,332
Classified as:							
Current Assets	$ 5,938,012	3,964,318	3,458,136	1,692,296	2,720,025	17,772,787	10,193,332
Restricted Assets	16,393,258	1,225	38,150,376	-	-	54,544,859	-
Totals	$ 22,331,270	3,965,543	41,608,512	1,692,296	2,720,025	72,317,646	10,193,332
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	$ 4,927,082	1,514,258	9,334,567	1,063,982	(1,843,223)	14,996,666	(539,901)
Adjustments:							
Depreciation	3,782,231	464,839	5,775,272	493,393	595,834	11,111,569	13,681
Landfill Postclosure Cost	-	(37,380)	-	-	-	(37,380)	-
Changes in the Allowance for Uncollectible Receivables	(59,126)	-	122,945	-	-	63,819	-
Changes in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	102,887	(38,073)	(2,069,748)	21,638	(45,706)	(2,029,002)	(37,625)
(Increase) Decrease in Inventories	(135,039)	-	(580,468)	-	13,319	(702,188)	(47,576)
(Increase) Decrease in Prepaid Expenses	-	-	124,663	-	-	124,663	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	(415,911)	(172,788)	635,536	51,007	#REF!	#REF!	(243,479)
Increase (Decrease) in Accrued Payroll Expenses	41,803	-	33,788	-	16,322	91,913	5,340
Increase (Decrease) in Compensated Absences	32,439	3,140	28,465	-	13,527	77,571	2,770
Increase (Decrease) in Customer Deposits	168,919	-	486,967	-	-	655,886	-
Increase (Decrease) in Other Payables	(3,384)	9,834	-	-	-	6,450	-
Increase (Decrease) in Deferred Revenue	861	-	(21,500)	5,482	(1,296)	(16,453)	-
Net Cash Provided (Used) by Operating Activities	$ 8,442,762	1,743,830	13,870,487	1,635,502	#REF!	#REF!	(846,790)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

	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 from Statement of Cash Flows:							
Cash on Hand	$ 100	-	18,100	-	2,227	20,427	-
Cash in Bank	5,929	-	3,440,036	1,692,296	-	5,138,261	9,993,271
Cash with Fiscal Agent	1,601,804	-	-	-	-	1,601,804	-
Equity Pooled Cash and Investments	4,330,179	-	-	-	-	4,330,179	-
Restricted Assets	16,393,258	1,225	38,150,376	-	-	54,544,859	-
Cash in From Central Depository	-	3,964,318	-	-	-	3,964,318	-
Cash Due From Central Depository	-	-	-	-	2,717,798	2,717,798	200,061
	$ 22,331,270	3,965,543	41,608,512	1,692,296	2,720,025	72,317,646	10,193,332

Non-Cash Capital and Related Financing Activities:

Water and Sewer:

- Amortization of Deferred Bond Refunding totaling $65,461 was included with Interest Expense on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

City Solid Waste:

- Amortization of Deferred Bond Refunding totaling $7,001 was included with Interest Expense on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

Johnson City Public Building Authority:

- Amortization of Deferred Bond Refunding totaling $78,117 was included with Interest Expense on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

Johnson City Power Board:

- The depreciation expense charge for the year ended June 30,2008 was $5,428,348. Total depreciation expense was $5,775,272. The difference of $346,924 has been reflected in "other operating expenses" as required by the Tennessee Valley Authority.

Other Nonmajor Funds:

- Amortization of Deferred Bond Refunding totaling $1,949 was included with Interest Expense on the Statement in Revenues, Expenses and Changes in Fund Net Assets.

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

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2008

	Johnson City Public Library	Johnson City Development Authority	Total
ASSETS:			
Cash on Hand	$ 500	30	530
Cash in Bank	73,473	74,620	148,093
Accounts Receivable	1,024	27,627	28,651
Customer Deposits	-	825	825
Investments	150,744	-	150,744
Capital Assets:			
Book Collection	1,138,049	-	1,138,049
Equipment and Furniture	640,663	12,721	653,384
Less: Accumulated Depreciation	(546,654)	(12,175)	(558,829)
Total Assets	1,457,799	103,648	1,561,447
LIABILITIES:			
Accounts Payable	-	7,500	7,500
Accrued Payroll Expenses	23,362	-	23,362
Compensated Absences Payable	24,959	1,243	26,202
Total Liabilities	48,321	8,743	57,064
NET ASSETS:			
Invested in Capital Assets, net of Related Debt	1,232,058	546	1,232,604
Restricted by External Contributions	-	37,480	37,480
Restricted by Enabling Legislation	-	25,127	25,127
Unrestricted	177,420	31,752	209,172
Total Net Assets	$ 1,409,478	94,905	1,504,383

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, 2008

Functions/Programs	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Johnson City Public Library	Johnson City Development Authority	Total
Johnson City Public Library:							
General Government	1,625,659	57,486	1,484,650	-	(83,523)	-	(83,523)
Investment Related Expenditures	13,058	-	-	-	(13,058)	-	(13,058)
Total Johnson City Public Library	1,638,717	57,486	1,484,650	-	(96,581)	-	(96,581)
Johnson City Development Authority:							
Operations	185,141	29,761	218,457	-	-	63,077	63,077
Total Johnson City Development Authority	185,141	29,761	218,457	-	-	63,077	63,077
Total Component Units	$ 1,823,858	87,247	1,703,107	-	(96,581)	63,077	(33,504)
General Revenues:							
Unrestricted Investment Earnings					9,426	496	9,922
Other General Revenue					73,584	-	73,584
Total General Revenues					83,010	496	83,506
Change in Net Assets					(13,571)	63,573	50,002
Net Assets, Beginning					1,423,049	31,332	1,454,381
Net Assets, Ending					$ 1,409,478	94,905	1,504,383

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, 2008

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. 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 a potential for the entity to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that the entities are legally separate from the City.

Blended Component Units

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 the authority by the Board of Commissioners of the City of Johnson City, including but not limited to the designing, planning, constructing, acquisition of property, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Reporting entity (continued)

Discretely Presented Component Units

Johnson City Public Library-The Johnson City Public Library is a non-profit organization under IRC Section 501(c)3 incorporated in September 1989. The Library's Board of Directors is appointed by the City Commission and an appropriation of at least 84% 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, TN 37604.

Johnson City Development Authority-The Johnson City Development Authority is an organization whose purpose is to facilitate business development within the City of Johnson City, Tennessee. The City of Johnson City Commission appoints a majority of the Development Authority's Board of Directors and may impose its will on the Development Authority since the City can remove appointed members of the Development Authority's Board of Directors. Separately issued financial statements may be requested from: Johnson City Development Authority; 207 E. Main Street, Suite 1-B; Johnson City, TN 37605.

B. Government-wide and fund financial statements

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, for local revenues, 120 days for state-shared revenues, and 360 days for grant revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

The *General Purpose School Fund* accounts for transactions of the City School System. The major sources of revenues 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 of governmental funds.

The *School Capital Project Fund* accounts for the acquisition and construction of major capital facilities for the schools.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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 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 *Community Development Fund* accounts for Housing and Urban Development Funds.

The *Senior Citizens Fund* accounts for contributions and fund raising 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

The *Industrial Park Fund* accounts for the J.C. Industrial Park expansion expenditures and revenues.

The *Med Tech Park Fund* accounts for the Med Tech Park expansion expenditures and revenues.

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

The City reports the following major proprietary funds:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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 FTA 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.

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, or to other governments, on a cost reimbursement basis.

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

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 and other charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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 funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The City's cash and cash equivalents, as shown on the proprietary fund cash flow statements, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

1. *Deposits and investments (continued)*

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

Specifically, the LGIP was established under Tennessee Code Annotated Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invests in time deposits, such as Certificates of Deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. 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 TN LGIP has not been rated by a nationally recognized statistical rating organization.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

1. Deposits and investments (continued)

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.

Investments for the City, as well as for its blended component unit, are reported at fair value.

2. Receivables and payables

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

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

Property taxes are levied on September 1 on property values assessed as of January 1. The billings are mailed by September 1st and a 1% discount is allowed through September 30th. After December 31, 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 year of assessment.

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 are fully reserved in the equity section of 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 then when purchased.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

4. Restricted assets

Certain cash and investment balances of the City are classified as restricted assets on the statement of net assets because they are maintained in separate accounts and their use is limited by certain agreements and contracts with third parties. Restricted cash includes sinking fund accounts established to meet the requirements of certain bonds issues, escrow for construction contractors established to fund retainages of outstanding construction projects upon their completion, and savings accounts for tax equivalent payments, capital improvements, and unexpected expenses. Restricted investments include securities held for larger claims of a self insurance program.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, 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 $3,157,371. During the fiscal year ended June 30, 2008, $128,800 of interest and related fees were capitalized in connection with the wastewater treatment plant upgrade.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

5. *Capital assets (continued):*

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:

Assets	Years
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

Assets of the Johnson City Power Board are depreciated over the useful lives guidelines of the Tennessee Valley Authority. 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 depreciation expense for the year ended June 30, 2008 was $5,775,272 of which $346,924 was charged to Other Operating Expenses.

6. *Compensated absences*

Policy of City except for Schools. Vacation benefits apply to all full-time and regular part-time employees who have completed six (6) months of continuous employment. Vacation accrues as follows:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

6. Compensated absences (continued)

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

Policy of Schools. Teachers' vacations and sick leaves 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 and fund financial statements. It is estimated that any accrual for ten month employees would be immaterial.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts 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 form the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

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

9. Reclassifications

Certain reclassifications have been made to the June 30, 2007 financial statements in order for them to conform to the June 30, 2008 financial statement presentation.

10. 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.

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

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

The governmental fund balance sheet includes reconciliation between *fund balances - total governmental funds* and *net assets- governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." This difference does not include capital assets from the internal service funds. The details of this $194,955,907 difference are as follows:

Governmental funds capital assets	$ 344,920,937
Less: Accumulated depreciation	(149,965,030)
Net adjustment to increase *fund balance-total governmental funds* to arrive at *net assets-governmental activities*	$ 194,955,907

Another element of that reconciliation explains that "long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $102,253,420 difference are as follows:

Bonds payable (net of deferred refunding)	$ 101,109,339
Notes payable	613,189
Accrued Interest	530,892
Net adjustment to reduce *fund balance-total governmental funds* to arrive at *net assets-governmental activities*	$ 102,253,420

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 reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of general fixed assets in the current period exceeded depreciation." This difference does not include depreciation expense of $13,681 relating to internal service funds. The details of this $8,483,486 difference are as follows:

Capital outlay	$ 17,308,051
Depreciation expense	(8,824,565)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 8,483,486

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

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

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets." The details of this $(335,017) difference are as follows:

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.

Loss on Sale	$(191,872)
Less Sales Proceeds	(143,145)
Net Effect of Various Transactions Involving Capital Assets	$(335,017)

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 $32,711 difference are as follows:

Deferred property taxes as of June 30, 2008	$ 1,045,391
Deferred property taxes as of June 30, 2007	(967,183)
Deferred other taxes as of June 30, 2008	726,527
Deferred other taxes as of June 30, 2007	(772,024)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 32,711

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the amount by which repayments exceeded proceeds." The details of this $7,705,193 difference are as follows:

Principal repayments	$ 14,455,193
Proceeds from bonds	(6,750,000)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 7,705,193

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

Annual budgets for the General Fund, certain Special Revenue Funds (Freedom Hall, School Federal Projects, Special School Projects, School Food Service, Transportation Planning, Drug Fund, Police Grant Fund and Community Development) and the 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 plus encumbrances. All annual appropriations lapse at year end.

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 30, after which date the new budget goes into effect.

As a management control, annual budgets are prepared for the General Fund, Special Revenue Funds (excluding the Senior Citizens, Employee Scholarship, Homeless, Public Aid Funds, and School Site Based Fund), Debt Service Fund, and Proprietary Funds (excluding the Johnson City Power Board and Johnson City Public Building Authority). Appropriations for the General Fund and Special Revenue Funds are authorized at the department or function level except for the Community Development Fund, which is authorized on the project level on an annual basis to satisfy the U.S. Department of Housing and Urban Development requirements. The remaining funds' budgets are authorized at the Fund level. Supplemental appropriations may be authorized by ordinance during the year.

Encumbrance accounting is employed in the General Purpose School Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Fund balance for the General Purpose School Fund shown on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds differs from the Fund balance shown on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Purpose School Fund due to encumbrances as follows:

	General Purpose School Fund
Fund Balance-Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	$ 6,676,799
Less: Encumbrances	(671,027)
Fund Balance-Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	$ 6,005,772

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2008, expenditures exceeded appropriations in the listed departments within the following governmental funds:

	Over spent Amount
General Fund:	
Public Safety	$ 112,122
Public Welfare	11,147
General Purpose School Fund:	
Operation of Plant	90,004
Community Services	49,206
Debt Service:	
Principal Retirement	1,147
Interest and Fiscal Charges	21,386
Police Fund:	
Public Safety	27,843
School Food Service:	
Capital Outlay	36,758
Special School Projects:	
Education	134,151

The Schools Capital Project Fund was determined to be a major fund during the year. The City did not have a legally adopted budget in this fund. Expenditures totaled $4,379,950.

C. Deficit fund equity

The following funds had deficit net assets/fund balance at June 30, 2008:

Capital Projects Funds:	
Industrial Park Fund	$ (1,511,930)
Public Facilities Fund	(451,840)
Infrastructure Fund	(176,458)

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

C. Deficit fund equity (continued)

Enterprise Funds:	
Golf Courses Fund	(928,301)

The deficit in the Industrial Park Fund will be eliminated by future reimbursements.

The deficit in the Public Facilities Fund will be eliminated by future reimbursements.

The deficit in the Infrastructure Fund will be eliminated by future reimbursements.

The deficit in the Golf Courses Fund is due to expenses consistently exceeding revenues. It will be eliminated by future operations and transfers from the General Fund.

4. DETAILED NOTES ON ALL FUNDS:

A. Deposits and investments

Cash deposits on the statement of net assets 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.

Deposits

Custodial Credit Risk.

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

At year end, the City had $24,245 of cash on hand which has been included in cash and cash equivalents. The City's carrying amount of deposits was $144,509,403 and the bank balance was $144,787,864. Of the City's bank balance, $128,717,008 was covered by the State of Tennessee Collateral Pool, which is a multiple financial institution collateral pool, or by amounts insured by the Federal Deposit Insurance Corporation (FDIC) and $100,000 was covered by the National Credit Union Share Insurance Fund. State statutes require collateral pledged by each financial institution to equal a certain percentage of the uninsured public deposits it holds. Members of the pool can be assessed if the collateral is inadequate to cover a loss. This is similar to depository insurance. Of the remaining City balance, $7,160,689 represents cash in trust accounts which are insured by the FDIC.

In addition to the above deposits, the City has $477,951 on deposit with the State of Tennessee at June 30, 2008.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

Investments

Custodial Credit Risk.

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

At June 30, 2008, the City's investments were as follows:

	Primary Government	
Investment Type:	Reported Amount	Fair Value
Local Government Investment Pool (LGIP)	$ 359,494	359,494
Money Market Funds	1,157,685	1,157,685
U.S. Government Securities	2,016,525	2,016,525
Total Primary Government	$ 3,533,704	3,533,704

The U.S. Government Securities are reflected on the statement of net assets as investments. The LGIP and money market investments have been included in cash and cash equivalents since they are comprised of short term investments.

The TN LGIP has not been rated by a nationally recognized statistical rating organization.

Interest Rate Risk:

Under its loan agreement, the Public Building Authority of Sevier County, TN (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 III-C-1.

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 $11.5 million Series III-C-1 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.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

Terms. Under the swap, the Authority pays a fixed payment of 4.66 percent and receives a variable payment computed as 100 percent of the rate paid on the outstanding variable rate bond associated to the_swap. The swap had a notional amount of $11.5 million and the associated variable-rate bond had an $11.5 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series III-C-1 Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (the "BMA"). The bonds and the related swap agreement mature on June 1, 2018. As of June 30, 2008, rates were as follows:

	Terms	Rates
Interest Rate Swap		
Fixed Payment by Authority	Fixed	4.66%
Variable Payment to Authority		-9.00%
Net Interest Rate Swap Payments		-4.34%
Variable-rate Bond Coupon Payments		9.00%
Synthetic Interest Rate on Bonds		4.66%

Fair value. As of June 30, 2008, the swap had a negative fair value of ($137,381). 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, 2008, 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 derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the City, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated "AA" by Standard and Poor's and "Aa3" by Moody's Investor Service as of June 30, 2008. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. The variable interest payment the City receives from the counterparty is the same as the variable rate interest paid on the outstanding bonds associated to the swap. Therefore, there is no basis risk.

Termination risk. The derivative 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

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

fixed 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, 2008, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds			
Fiscal Year Ending June 30	Prinicipal	Interest	Net Interest Rate Swap Payment	Total
2009	$ 705,000	494,100	(238,266)	960,834
2010	435,000	430,650	(207,669)	657,981
2011	455,000	391,500	(188,790)	657,710
2012	480,000	350,550	(169,043)	661,507
2013	500,000	307,350	(148,211)	659,139
2014-2018	2,915,000	811,800	(391,468)	3,335,332
	$ 5,490,000	2,785,950	(1,343,447)	6,932,503

Interest Rate Risk:

Under its loan agreement, the Public Building Authority of Sevier County, TN (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 III-C-2.

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 $10.2 million Series III-C-2 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.

Terms. Under the swap, the Authority pays a fixed payment of 4.66 percent and receives a variable payment computed as 100 percent of the rate paid on the outstanding variable rate bond associated to the swap. The swap had a notional amount of $10.2 million and the associated variable-rate bond had an $10.2 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series III-C-2 Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (the "BMA"). The bonds and the related swap agreement mature on June 1, 2018. As of June 30, 2008, rates were as follows:

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

	Terms	Rates
Interest Rate Swap		
Fixed Payment to Counterparty	Fixed	4.66%
Variable Payment from Counterparty		-9.00%
Net Interest Rate Swap Payments		-4.34%
Variable-rate Bond Coupon Payments		9.00%
Synthetic Interest Rate on Bonds		4.66%

Fair value. As of June 30, 2008, the swap had a negative fair value of ($169,181). 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, 2008, 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 derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the City, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated "AA" by Standard and Poor's and "Aa3" by Moody's Investor Service as of June 30, 2008. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. The variable interest payment the City receives from the counterparty is the same as the variable rate interest paid on the outstanding bonds associated to the swap. Therefore, there is no basis risk.

Termination risk. The derivative 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 fixed 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.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

Swap payments and associated debt. As of June 30, 2008, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds			
Fiscal Year Ending June 30	Prinicipal	Interest	Net Interest Rate Swap Payment	Total
2009	$ 520,000	586,800	(282,968)	823,832
2010	545,000	540,000	(260,400)	824,600
2011	570,000	490,950	(236,747)	824,203
2012	600,000	439,650	(212,009)	827,641
2013	630,000	385,650	(185,969)	829,681
2014-2018	3,655,000	1,019,250	(491,505)	4,182,745
	$ 6,520,000	3,462,300	(1,669,598)	8,312,702

Interest Rate Risk:

Under its loan agreement, the Public Building Authority of Blount County, TN (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.

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.746 percent and receives a variable equal to the underlying interest payment on the Bonds. The swap has a notional amount of $29.085 million and the associated variable-rate bond has a $29.085 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series D-9-A Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (the "BMA"). The bonds mature on June 1, 2021 and the related swap agreement matures on June 1, 2021. As of June 30, 2008, rates were as follows:

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

	Terms	Rates
Interest Rate Swap		
Fixed Payment by Authority	Fixed	3.746%
Variable Payment to Authority		-1.550%
Net Interest Rate Swap Payments		2.196%
Variable-rate Bond Coupon Payments		5.000%
Synthetic Interest Rate on Bonds		7.196%

Fair value. As of June 30, 2008, the swap had a negative fair value of ($695,570). 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, 2008, 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 derivative's fair value. The swap counterparty was rated "Aa" at the time of the swap. If MKFP's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

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

Termination risk. The derivative 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.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

Swap payments and associated debt. As of June 30, 2008, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds			
Fiscal Year Ending June 30	Prinicipal	Interest	Net Interest Rate Swap Payment	Total
2009	$ 360,000	1,436,750	631,021	2,427,771
2010	375,000	1,418,750	623,115	2,416,865
2011	375,000	1,400,000	614,880	2,389,880
2012	400,000	1,381,250	606,645	2,387,895
2013	425,000	1,361,250	597,861	2,384,111
2014-2018	16,800,000	5,187,500	2,278,350	24,265,850
2019-2021	10,000,000	825,000	362,340	11,187,340
	$ 28,735,000	13,010,500	5,714,212	47,459,712

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. Receivables

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

	General	General Purpose School	Debt Service	Other Governmental Funds	Water and Sewer	City Solid Waste	City Power Board	Internal Service Funds	Other Proprietary Funds	Total Primary Government
Receivables										
Taxes	$ 28,438,256	-	599,859	-	-	-	-	-	-	29,038,115
Accounts	1,285,804	437,977	-	356	2,006,149	841,996	8,821,342	68,638	214,968	13,677,230
Notes	-	-	-	47,130	-	-	202,500	-	-	249,630
Intergovernmental	5,907,832	11,439,770	-	1,713,458	309,397	-	-	-	448,178	19,818,635
Gross receivables	35,631,892	11,877,747	599,859	1,760,944	2,315,546	841,996	9,023,842	68,638	663,146	62,783,610
Less: Allowances for Uncollectibles	(165,201)	-	-	-	(1,109,525)	(236,576)	(982,863)	-	(100,556)	(2,594,721)
Net total receivables	$ 35,466,691	11,877,747	599,859	1,760,944	1,206,021	605,420	8,040,979	68,638	562,590	60,188,889

Revenues of the General, Water and Sewer, Johnson City Power Board, Johnson City Public Building Authority and City and Regional Solid Waste Funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to:	Water and sewer services	$ 162,317
	Solid waste services	42,762
	Nonmajor and other funds	26,097
		$ 231,176

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. Receivables (Continued)

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

	Unavailable	Unearned
Property taxes receivable (General Fund)	$ -	27,069,715
Delinquent property taxes receivable (General Fund)	1,045,391	-
Other taxes receivable (General Fund)	726,527	-
Property taxes receivable (General Purpose School Fund)	-	8,778,602
Ticket sales prior to event date (Freedom Hall)	-	164,391
Grant drawdowns prior to meeting all eligibility requirements (Special School Projects, Federal School Projects, Police Grant and Community Development)	-	91,409
Total deferred / unearned revenue for governmental funds	$1,771,918	36,104,117

Property taxes which are delinquent at year end are earned but not available. The tax year 2008 property taxes are unearned and unavailable, but are recorded as receivable on the levy date, as described in Note 1.

C. Capital assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Primary Government			
	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 17,075,561	40,815	(111,282)	17,005,094
Construction in Progress	6,937,149	10,276,464	(520,586)	16,693,027
Total capital assets, not being depreciated	24,012,710	10,317,279	(631,868)	33,698,121
Capital assets, being depreciated:				
Buildings	138,497,016	208,171	-	138,705,187
Equipment and Vehicles	31,325,072	2,638,902	(2,128,429)	31,835,545
Infrastructure	136,668,300	4,664,285	-	141,332,585
Total capital assets, being depreciated	306,490,388	7,511,358	(2,128,429)	311,873,317
Accumulated depreciation:				
Buildings	(63,949,867)	(3,647,592)	24,053	(67,573,406)
Equipment and Vehicles	(22,466,863)	(1,987,003)	1,880,641	(22,573,225)
Infrastructure	(57,243,176)	(3,203,651)	-	(60,446,827)
Total Accumulated Depreciation	(143,659,906)	(8,838,246)	1,904,694	(150,593,458)
Total capital assets, being depreciated, net	162,830,482	(1,326,888)	(223,735)	161,279,859
Governmental activities capital assets, net	**$ 186,843,192**	**8,990,391**	**(855,603)**	**194,977,980**

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets (continued)

	Primary Government				
	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 13,972,744	236,145	(510,137)	-	13,698,752
Construction in progress	10,536,360	11,074,719	(4,856,324)	128,800	16,883,555
Total capital assets, not being depreciated	24,509,104	11,310,864	(5,366,461)	128,800	30,582,307
Capital assets, being depreciated:					
Buildings and other improvements	48,508,721	1,089,841	(97,969)	-	49,500,593
Plant in service	289,953,742	16,459,401	(1,829,694)	-	304,583,449
Equipment and vehicles	27,582,960	2,257,392	(1,386,761)	(11,507)	28,442,084
Total capital assets, being depreciated	366,045,423	19,806,634	(3,314,424)	(11,507)	382,526,126
Accumulated depreciation:					
Buildings and other improvements	(9,558,056)	(1,186,923)	43,807	-	(10,701,172)
Plant in service	(97,620,479)	(7,931,218)	1,535,104	-	(104,016,593)
Vehicles and equipment	(17,085,500)	(1,954,940)	1,252,442	-	(17,787,998)
Total accumulated depreciation	(124,264,035)	(11,073,081)	2,831,353	-	(132,505,763)
Total capital assets, being depreciated, net	241,781,388	8,733,553	(483,071)	(11,507)	250,020,363
Business-type activities capital assets, net	$ 266,290,492	20,044,417	(5,849,532)	117,293	280,602,670

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

Governmental Activities:	2008
General Government	$ 649,443
Education	3,334,906
Public Welfare	388,384
Public Works	3,901,897
Public Safety	341,097
City Service	222,519
Total Depreciation Expense-Governmental Activities	$ 8,838,246

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets (continued)

Business Type Activities:	2008
Water Sewer	$ 3,743,447
City Solid Waste	464,839
Johnson City Power Board	5,775,272
Johnson City Public Building Authority	493,689
Golf Courses Fund	117,063
Regional Solid Waste	136,591
Mass Transit	331,005
Stormwater Management	11,175
Total Depreciation Expense-Business-Type Activities	$ 11,073,081

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General	Johnson City PBA	$ 493,512
General Purpose School	General	429
	School Federal Projects	633,959
	Special School Projects	298,204
School Federal Projects	General Purpose School	9,373
Johnson City Power Board	General	172,838
	Water / Sewer	172,367
	General Purpose School	221,881
Total		$ 2,002,563

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

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Johnson City PBA	$ 450,000

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

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

Advances to/from other funds (Continued):

The balance payable to the general fund relates to loans made to the PBA to fund operations. The PBA paid $45,000 in principal during the year ended June 30, 2008.

Interfund Transfers:

	Transfers In:								
	Governmental Activities					Business Type Activities			
Transfers Out:	General Fund	General Purpose School	Debt Service Fund	Nonmajor Governmental Funds	Internal Service Funds	City Solid Waste	Water and Sewer	Nonmajor Proprietary Funds	Total
Governmental Funds:									
General Fund	$ -	7,832,675	-	2,624,572	280,000	-	-	959,926	11,697,173
General Purpose School Fund	-	-	1,061,902	816,837	-	-	-	-	1,878,739
Debt Service	44,000	-	-	-	-	-	-	-	44,000
Nonmajor Governmental Funds	-	5,586	-	2,994,001	-	-	-	-	2,999,587
Enterprise Funds:									
Johnson City Power Board	2,733,156	-	-	-	-	-	-	-	2,733,156
Water and Sewer	430,000	-	-	-	-	-	-	-	430,000
City Solid Waste	-	-	-	-	-	-	51,000	-	51,000
Nonmajor Proprietary Funds	-	-	-	-	-	115,800	20,180	-	135,980
Totals	$ 3,207,156	7,838,261	1,061,902	6,435,410	280,000	115,800	71,180	959,926	19,969,635

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, 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.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Lease Revenue

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 year ended June 30, 2008, the City earned revenue from the leases in the amount of $294,910.

F. Long-Term Debt

Governmental Activities:

Notes Payable:

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

	Date Issued	Amount Issued	Interest Rate	Outstanding June 30, 2008
Capital Projects Fund:				
Note Payable-Land	7/1/1997	2,238,049	5.00%	$ 241,189
General Fund:				
Capital Outlay Note - School Buses	12/20/2004	620,000	Variable	372,000
				$ 613,189

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (continued)

Governmental Activities (continued):

Notes Payable (continued):

Notes payable for land issued July 1, 1997, debt service requirements to maturity in 2009 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 241,189	9,082	250,271
	$ 241,189	9,082	250,271

Notes payable for school buses issued December 20, 2004, debt service requirements to maturity in 2012 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 88,000	12,834	100,834
2010	91,000	9,798	100,798
2011	95,000	6,658	101,658
2012	98,000	3,381	101,381
	$ 372,000	32,671	404,671

Total annual debt service requirements to maturity for governmental activities notes payable are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 329,189	21,916	351,105
2010	91,000	9,798	100,798
2011	95,000	6,658	101,658
2012	98,000	3,381	101,381
	$ 613,189	41,753	654,942

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. 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:

Debt Service Fund:	Date Issued	Amount Issued	Interest Rate	Outstanding June 30, 2008
Sales Tax and Tax Refunding Bonds, Series 1997	5/1/1997	4,812,803	5.25%-5.6%	$ 3,716,857
Sales Tax Revenue and Unlimited Tax Refunding Bonds, Series 1998	7/15/1998	3,280,000	4.10%-4.75%	2,300,000
Public Improvement Bonds, Series III-A-6	3/19/1999	7,000,000	Variable	4,465,000
Local Government Public Improvement Bonds, Series D-9-A	3/1/2007	25,574,440	3.86%	25,266,685
				$ 35,748,542

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

General Obligation Public Improvement Refunding Bonds, Series 1998	7/15/1998	20,060,000	4.10%-4.75%	$	6,235,000
Public Improvement Bonds, Series III-C-1	10/29/1998	11,500,000	Variable		5,490,000
Local Government Improvement Bonds, Series IV-B-6	1/1/2000	10,700,000	Variable		7,145,000
Local Government Improvement Bonds, Series IV-F-1	12/28/2000	10,000,000	Variable		8,170,000
Local Government Improvement Bonds, Series IV-G-2	5/8/2001	9,100,000	Variable		9,100,000
General Obligation Refunding Bonds, Series 2004A	9/23/2004	11,460,900	3.00%-4.40%		7,150,605
General Obligation Refunding Bonds, Series 2004B	12/29/2004	7,625,000	3.00%-4.40%		6,785,000
Local Government Public Improvement Bonds, Series E-2-A	6/27/2008	6,750,000	Variable		6,750,000
General Obligation Refunding Bonds, Series 2006	3/30/2006	6,230,000	3.50%-4.125%		6,070,000
Local Government Public Improvement Bonds, Series D-9-A	3/1/2007	3,510,560	3.86%		3,468,315
				$	66,363,920

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 625,751	559,249	1,185,000
2010	664,686	680,314	1,345,000
2011	780,713	899,287	1,680,000
2012	809,837	1,045,163	1,855,000
2013	835,870	1,204,130	2,040,000
	$ 3,716,857	4,388,143	8,105,000

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

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 245,000	112,960	357,960
2010	255,000	100,098	355,098
2011	270,000	86,710	356,710
2012	280,000	72,535	352,535
2013	295,000	59,375	354,375
2014-2016	955,000	91,913	1,046,913
	$ 2,300,000	523,591	2,823,591

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

Public Improvement Bonds Series III-A-6 issued March 19, 1999, debt service requirements to maturity in 2018 are as follows. The interest rate is variable, but is depicted at an estimated 6%.

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 355,000	267,900	622,900
2010	375,000	246,600	621,600
2011	390,000	224,100	614,100
2012	410,000	200,700	610,700
2013	430,000	176,100	606,100
2014-2018	2,505,000	465,300	2,970,300
	$ 4,465,000	1,580,700	6,045,700

Local Government Public Improvement Bonds, Series D-9-A issued March 1, 2007 to mature in 2021 as follows.

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 316,548	974,283	1,290,831
2010	329,737	962,077	1,291,814
2011	329,737	949,363	1,279,100
2012	351,720	936,648	1,288,368
2013	373,703	923,086	1,296,789
2014-2018	14,772,240	3,517,728	18,289,968
2019-2021	8,793,000	559,446	9,352,446
	$ 25,266,685	8,822,631	34,089,316

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 665,000	306,183	971,183
2010	690,000	271,270	961,270
2011	725,000	235,045	960,045
2012	760,000	196,983	956,983
2013	790,000	161,263	951,263
2014-2016	2,605,000	251,039	2,856,039
	$ 6,235,000	1,421,783	7,656,783

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

Public Improvement Bonds, Series III-C-1 issued October 29, 1998 debt service requirements to maturity in 2018 are as follows. The interest rate is depicted at a locked in swap rate of 4.66%.

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 705,000	255,834	960,834
2010	435,000	222,981	657,981
2011	455,000	202,710	657,710
2012	480,000	181,507	661,507
2013	500,000	159,139	659,139
2014-2018	2,915,000	420,332	3,335,332
	$ 5,490,000	1,442,503	6,932,503

Local Government Improvement Bonds-Series IV-B-6 issued January 1, 2000, debt service requirements to maturity in 2020 are as follows. The interest rate is variable, but is depicted at an estimated 6%.

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 440,000	428,700	868,700
2010	460,000	402,300	862,300
2011	485,000	374,700	859,700
2012	510,000	345,600	855,600
2013	540,000	315,000	855,000
2014-2018	3,170,000	1,053,600	4,223,600
2019-2020	1,540,000	139,800	1,679,800
	$ 7,145,000	3,059,700	10,204,700

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

Local Government Improvement Bonds-Series IV-F-1 issued December 28, 2000, debt service requirements to maturity in 2025 are as follows. The interest rate is variable, but is depicted at an estimated 6%.

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 315,000	490,200	805,200
2010	330,000	471,300	801,300
2011	350,000	451,500	801,500
2012	365,000	430,500	795,500
2013	385,000	408,600	793,600
2014-2018	2,230,000	1,672,500	3,902,500
2019-2023	2,845,000	933,600	3,778,600
2024-2025	1,350,000	122,400	1,472,400
	$ 8,170,000	4,980,600	13,150,600

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

Local Government Improvement Bonds-Series IV-G-2 issued May 8, 2001, debt service requirements to maturity in 2022 are as follows. The interest rate is variable, but is depicted at an estimated 6%.

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ -	546,000	546,000
2010	480,000	546,000	1,026,000
2011	510,000	517,200	1,027,200
2012	540,000	486,600	1,026,600
2013	575,000	454,200	1,029,200
2014-2018	3,435,000	1,710,300	5,145,300
2019-2022	3,560,000	549,600	4,109,600
	$ 9,100,000	4,809,900	13,909,900

General Obligation Refunding Bonds issued September 23, 2004 debt service requirements to maturity in 2023 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 1,146,090	266,454	1,412,544
2010	323,895	232,071	555,966
2011	338,844	222,354	561,198
2012	348,810	211,511	560,321
2013	363,759	200,175	563,934
2014-2018	2,057,979	792,730	2,850,709
2019-2023	2,571,228	342,104	2,913,332
	$ 7,150,605	2,267,399	9,418,004

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

General Obligation Bonds issued December 29, 2004 debt service requirements to maturity in 2025 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 295,000	264,599	559,599
2010	305,000	255,749	560,749
2011	315,000	246,599	561,599
2012	325,000	235,574	560,574
2013	335,000	224,199	559,199
2014-2018	1,880,000	929,684	2,809,684
2019-2023	2,280,000	526,093	2,806,093
2024-2025	1,050,000	69,610	1,119,610
	$ 6,785,000	2,752,107	9,537,107

Local Government Public Improvement Bonds Series E-2-A issued June 27, 2008 debt service requirements to maturity in 2026 are as follows. The interest rate is variable, but is depicted at 5.00%.

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 225,000	313,125	538,125
2010	250,000	326,250	576,250
2011	250,000	313,750	563,750
2012	275,000	301,250	576,250
2013	275,000	287,500	562,500
2014-2018	1,675,000	1,210,000	2,885,000
2019-2023	2,125,000	750,000	2,875,000
2024-2026	1,675,000	175,000	1,850,000
	$ 6,750,000	3,676,875	10,426,875

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 405,000	240,387	645,387
2010	415,000	226,213	641,213
2011	435,000	209,612	644,612
2012	450,000	192,213	642,213
2013	470,000	174,212	644,212
2014-2018	2,660,000	578,737	3,238,737
2019-2020	1,235,000	76,175	1,311,175
	$ 6,070,000	1,697,549	7,767,549

Local Government Public Improvement Bonds, Series D-9-A issued March 1, 2007, debt service requirements to maturity in 2021 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 43,452	133,738	177,190
2010	45,263	132,063	177,326
2011	45,263	130,317	175,580
2012	48,280	128,572	176,852
2013	51,298	126,710	178,008
2014-2018	2,027,760	482,872	2,510,632
2019-2021	1,207,000	76,794	1,283,794
	$ 3,468,315	1,211,066	4,679,381

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. 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
2009	$ 5,781,841	5,159,612	10,941,453
2010	5,358,581	5,075,286	10,433,867
2011	5,679,557	5,063,247	10,742,804
2012	5,953,647	4,965,356	10,919,003
2013	6,219,630	4,873,689	11,093,319
2014-2018	42,887,979	13,176,735	56,064,714
2019-2023	26,156,228	3,953,612	30,109,840
2024-2026	4,075,000	367,010	4,442,010
	$ 102,112,462	42,634,547	144,747,009

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.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

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:

	Date Issued	Amount Issued	Interest Rate	Outstanding June 30, 2008
Water and Sewer:				
Note Payable - Limestone Cove	3/13/2003	450,000	4.65%	$ 424,230
Note Payable - Watauga Flats	4/20/2004	380,000	4.38%	362,070
Note Payable - Limestone Cove	4/20/2005	125,000	4.25%	120,499
				$ 906,799

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

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 5,669	18,809	24,478
2010	5,937	18,547	24,484
2011	6,219	18,272	24,491
2012	6,513	17,985	24,498
2013	6,824	17,683	24,507
2014-2018	39,282	83,374	122,656
2019-2023	49,507	73,387	122,894
2024-2028	62,399	60,801	123,200
2029-2033	78,655	44,938	123,593
2034-2038	99,136	24,942	124,078
2039-2041	64,089	3,254	67,343
	$ 424,230	381,992	806,222

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Notes Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 4,823	15,852	20,675
2010	5,308	15,641	20,949
2011	5,263	15,409	20,672
2012	5,456	15,179	20,635
2013	5,741	14,940	20,681
2014-2018	32,745	70,705	103,450
2019-2023	40,738	62,875	103,613
2024-2028	50,656	53,132	103,788
2029-2033	63,059	41,012	104,071
2034-2038	78,454	25,930	104,384
2039-2042	69,827	7,439	77,266
	$ 362,070	338,114	700,184

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

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 1,544	5,092	6,636
2010	1,611	5,025	6,636
2011	1,681	4,955	6,636
2012	1,753	4,883	6,636
2013	1,829	4,807	6,636
2014-2018	10,407	22,774	33,181
2019-2023	12,866	20,315	33,181
2024-2028	15,906	17,274	33,180
2029-2033	19,665	13,516	33,181
2034-2038	24,312	8,869	33,181
2039-2043	28,925	3,126	32,051
	$ 120,499	110,636	231,135

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. 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
2009	$ 12,036	39,753	51,789
2010	12,856	39,213	52,069
2011	13,163	38,636	51,799
2012	13,722	38,047	51,769
2013	14,394	37,430	51,824
2014-2018	82,434	176,853	259,287
2019-2023	103,111	156,577	259,688
2024-2028	128,961	131,207	260,168
2029-2033	161,379	99,466	260,845
2034-2038	201,902	59,741	261,643
2039-2043	162,841	13,819	176,660
	$ 906,799	830,742	1,737,541

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable:

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

	Date Issued	Amount Issued	Interest Rate	Outstanding June 30, 2008
Water and Sewer:				
Local Government Improvement Bonds- Series III-C-2	10/1/1998	10,200,000	Variable	$ 6,520,000
Local Government Improvement Bonds- Series IV-B-7	1/1/2000	3,200,000	Variable	2,355,000
Local Government Public Improvement Bonds-				
Series-IV-G-3	5/3/2001	7,500,000	Variable	7,500,000
Series-E-2-A	6/27/2008	29,550,000	5%	29,550,000
				$ 45,925,000
City Solid Waste:				
Solid Waste Refunding Bonds	7/15/1998	1,640,000	Variable	$ 1,145,000
Local Government Improvement Bonds Series III-C-3	10/1/1998	4,800,000	Variable	2,605,000
Local Government Improvement Bonds Series IV-B-8	1/1/2000	1,300,000	Variable	370,000
General Obligation Refunding Bonds, Series 2004A	9/23/2004	39,100	3.00%-4.40%	24,395
				$ 4,144,395
Buffalo Valley Golf Course:				
Golf Course Revenue and Tax Refunding Bonds	7/15/1998	2,465,000	4.10%-4.75%	$ 1,725,000
Johnson City Building Authority:				
Public Facility Refunding Bonds Series 2006A	6/29/2006	16,655,000	4.036%-5.219%	$ 15,200,000

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

Local Government Improvement Bonds-Series III-C-2 issued October 1, 1998, debt service requirements to maturity in 2018 are as follows. The interest rate is depicted at a locked in swap rate of 4.66%.

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 520,000	303,832	823,832
2010	545,000	279,600	824,600
2011	570,000	254,203	824,203
2012	600,000	227,641	827,641
2013	630,000	199,681	829,681
2014-2018	3,655,000	527,745	4,182,745
	$ 6,520,000	1,792,702	8,312,702

Local Government Improvement Bonds-Series IV-B-7 issued January 1, 2000, debt service requirements to maturity in 2020 are as follows. The interest rate is variable, but is depicted at 5.00%.

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 145,000	117,750	262,750
2010	150,000	110,500	260,500
2011	160,000	103,000	263,000
2012	170,000	95,000	265,000
2013	175,000	86,500	261,500
2014-2018	1,050,000	289,750	1,339,750
2019-2020	505,000	38,250	543,250
	$ 2,355,000	840,750	3,195,750

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

Local Government Public Improvement Bonds-Series IV-G-3 issued May 3, 2001, debt service requirements to maturity in 2022 are as follows. The interest rate is variable, but is depicted at 5.00%.

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ -	375,000	375,000
2010	395,000	375,000	770,000
2011	420,000	355,250	775,250
2012	445,000	334,250	779,250
2013	475,000	312,000	787,000
2014-2018	2,830,000	1,175,250	4,005,250
2019-2022	2,935,000	377,750	3,312,750
	$ 7,500,000	3,304,500	10,804,500

Local Government Public Improvement Bonds Series E-2-A issued June 27, 2008, debt service requirements to maturity in 2031 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 400,000	1,370,792	1,770,792
2010	725,000	1,457,500	2,182,500
2011	775,000	1,421,250	2,196,250
2012	775,000	1,382,500	2,157,500
2013	800,000	1,343,750	2,143,750
2014-2018	4,750,000	6,077,500	10,827,500
2019-2023	6,325,000	4,740,000	11,065,000
2024-2028	8,650,000	2,933,750	11,583,750
2029-2031	6,350,000	647,500	6,997,500
	$ 29,550,000	21,374,542	50,924,542

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 120,000	56,193	176,193
2010	125,000	49,892	174,892
2011	130,000	43,330	173,330
2012	140,000	36,505	176,505
2013	145,000	29,925	174,925
2014-2016	485,000	46,788	531,788
	$ 1,145,000	262,633	1,407,633

Local Government Improvement Bonds Series III-C-3 issued October 1, 1998, debt service requirements to maturity in 2018 are as follows. The interest rate is variable, but is depicted at 5.00%.

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 205,000	130,250	335,250
2010	220,000	120,000	340,000
2011	230,000	109,000	339,000
2012	240,000	97,500	337,500
2013	250,000	85,500	335,500
2014-2018	1,460,000	225,750	1,685,750
	$ 2,605,000	768,000	3,373,000

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

Local Government Improvement Bonds Series IV-B-8 issued January 1, 2000, debt service requirements to maturity in 2020 are as follows. The interest rate is variable, but is depicted at 5.00%.

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 25,000	18,500	43,500
2010	25,000	17,250	42,250
2011	25,000	16,000	41,000
2012	25,000	14,750	39,750
2013	30,000	13,500	43,500
2014-2018	160,000	44,750	204,750
2019-2020	80,000	6,000	86,000
	$ 370,000	130,750	500,750

General Obligation Refunding Bonds, Series 2004A issued September 23, 2004, debt service requirements to maturity in 2023 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 3,910	909	4,819
2010	1,105	792	1,897
2011	1,156	759	1,915
2012	1,190	722	1,912
2013	1,241	683	1,924
2014-2018	7,021	2,705	9,726
2019-2023	8,772	1,167	9,939
	$ 24,395	7,737	32,132

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 180,000	84,682	264,682
2010	190,000	75,233	265,233
2011	200,000	65,257	265,257
2012	210,000	54,758	264,758
2013	220,000	44,887	264,887
2014-2016	725,000	70,063	795,063
	$ 1,725,000	394,880	2,119,880

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

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 645,000	692,961	1,337,961
2010	665,000	666,431	1,331,431
2011	700,000	638,801	1,338,801
2012	725,000	609,971	1,334,971
2013	825,000	576,898	1,401,898
2014-2018	5,050,000	2,234,049	7,284,049
2019-2023	6,590,000	780,321	7,370,321
	$ 15,200,000	6,199,432	21,399,432

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. 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
2009	$ 2,243,910	3,150,869	5,394,779
2010	3,041,105	3,152,198	6,193,303
2011	3,211,156	3,006,850	6,218,006
2012	3,331,190	2,853,597	6,184,787
2013	3,551,241	2,693,324	6,244,565
2014-2018	20,172,021	10,694,350	30,866,371
2019-2023	16,443,772	5,943,488	22,387,260
2024-2028	8,650,000	2,933,750	11,583,750
2029-2031	6,350,000	647,500	6,997,500
	$ 66,994,395	35,075,926	102,070,321

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, 2008
Water and Sewer:				
Water and Sewer Revenue and Tax Refunding Bonds	7/15/1998	19,325,000	4.10%-4.75%	$ 10,890,000
Water and Sewer Revenue and Tax Series 2004A Refunding Bonds	9/23/2004	3,210,000	3.00%-4.40%	710,000
Water and Sewer Revenue and Tax Series 2006 Refunding Bonds	3/30/2006	1,795,000	3.50%-4.125%	1,750,000
				$ 13,350,000
City Solid Waste:				
Solid Waste Revenue and Tax Bonds	5/1/1994	2,000,000	5.30%-5.25%	$ 190,000
Johnson City Power Board:				
Revenue Bonds Series A and B, 2007 Refunding	5/1/2007	33,515,000	4.00%-5.10%	$ 32,360,000
Electric System Revenue	6/30/2008	28,000,000	4.00%-5.00%	28,000,000
				$ 60,360,000

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 1,210,000	535,670	1,745,670
2010	1,270,000	472,145	1,742,145
2011	1,340,000	405,470	1,745,470
2012	1,410,000	335,120	1,745,120
2013	1,475,000	268,850	1,743,850
2014-2016	4,185,000	372,876	4,557,876
	$ 10,890,000	2,390,131	13,280,131

Water and Sewer Revenue and Tax Series 2004A Refunding Bonds, issued September 23, 2004, debt service requirements to maturity in 2009 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 710,000	21,300	731,300
	$ 710,000	21,300	731,300

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 115,000	69,300	184,300
2010	120,000	65,275	185,275
2011	125,000	60,475	185,475
2012	130,000	55,475	185,475
2013	140,000	50,275	190,275
2014-2018	765,000	166,525	931,525
2019-2020	355,000	21,850	376,850
	$ 1,750,000	489,175	2,239,175

Solid Waste Revenue and Tax Bonds issued May 1, 1994, debt service requirements to maturity in 2009 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 190,000	11,020	201,020
	$ 190,000	11,020	201,020

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

Power Board Revenue Bonds, 2007 Refunding, Series A and B, maturity in 2032 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ 1,285,000	1,430,789	2,715,789
2010	1,645,000	1,367,965	3,012,965
2011	1,715,000	1,300,800	3,015,800
2012	1,780,000	1,232,200	3,012,200
2013	1,850,000	1,161,000	3,011,000
2014-2018	9,650,000	4,569,150	14,219,150
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
	$ 32,360,000	14,998,104	47,358,104

Power Board Electric System Revenue Bonds, Series 2008, maturity in 2033 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	$ -	1,068,080	1,068,080
2010	690,000	1,277,438	1,967,438
2011	720,000	1,249,838	1,969,838
2012	750,000	1,221,038	1,971,038
2013	775,000	1,191,038	1,966,038
2014-2018	4,380,000	5,463,388	9,843,388
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
	$ 28,000,000	20,316,592	48,316,592

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. 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
2009	$ 3,510,000	3,136,159	6,646,159
2010	3,725,000	3,182,823	6,907,823
2011	3,900,000	3,016,583	6,916,583
2012	4,070,000	2,843,833	6,913,833
2013	4,240,000	2,671,163	6,911,163
2014-2018	18,980,000	10,571,939	29,551,939
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
	$ 73,900,000	38,226,322	112,126,322

Advance Refunding:

On June 27, 2008, the City refunded its outstanding Local Government Improvement Bonds, Series D-6-A, Series 2006, dated February 15, 2006 totaling $35,925,000, carrying interest rates of 5%. The new bonds were issued with an insured interest rates swap agreement that projected an effective fixed rate of 5.00%. The synthetic fixed rate was created by entering into a variable-to-fixed interest rate swap agreement in conjunction with the variable interest rate loan agreement. The City is aware of the risks associated with interest rate agreements and believes their analysis supports the benefits outweigh those risks.

All issuance costs of the transaction of $363,000 were paid from bond proceeds. The net proceeds of $35,925,000 were used to pay off the outstanding Series D-6-A bonds. The refunding resulted in a difference between the reacquisition prices and the net carrying amount of the old debt of $370,489 in the water and sewer fund and $31,398 which is reported in the government-wide financial statements as a deduction from bonds payable and is being charged to operations through the year 2031 using the straight-line method, which does not differ significantly from the effective-interest method.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Advance Refunding-Prior Years:

The City 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, 2008, the following bonds outstanding are considered defeased:

Issue	Year Refunded	Balance June 30, 2008
General Obligation Public Improvement Bonds and Water and Sewer Revenue and Tax Bonds	1998	$ 21,740,000

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Capital Leases – Business-Type Activities

During the fiscal year ended June 30, 2007, the City entered into two lease agreements for financing golf carts for the two golf courses. The leases were entered into July 1, 2006 for $115,500 and $77,000, respectively. The net present value was calculated at 5.218% and the leases are to be repaid over sixty months. The future minimum lease obligations as of June 30, 2008 are as follows:

Fiscal Year	Principal	Interest	Minimum Lease Payment
2009	$ 38,230	5,593	43,823
2010	40,273	3,550	43,823
2011	42,425	1,398	43,823
2012	526	-	526
	$ 121,454	10,541	131,995

The assets acquired through capital leases are as follows:

Golf Carts	$ 192,500
Less: Accumulated Depreciation	57,750
Total	$ 134,750

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
General Obligation Bonds	$ 109,503,087	6,750,000	(14,140,625)	102,112,462	5,781,841
Less: Deferred Amounts for Refunding	(1,047,281)	(31,398)	75,556	(1,003,123)	(76,922)
Notes Payable-Land	470,757	-	(229,568)	241,189	241,189
Capital Outlay Note	457,000	-	(85,000)	372,000	88,000
OPEB Liability and Termination Benefits	-	390,848	-	390,848	-
Compensated Absences	2,117,511	1,608,519	(1,459,809)	2,266,221	1,562,329
Governmental Activity Long-term Liabilities	$ 111,501,074	8,717,969	(15,839,446)	104,379,597	7,596,437
Business-type activities:					
Bonds Payable:					
General Obligation Bonds	$ 68,828,203	29,550,000	(31,383,808)	66,994,395	2,243,910
Revenue Bonds	49,195,000	28,000,000	(3,295,000)	73,900,000	3,510,000
Less: Deferred Amounts for Refunding, Premiums and Discounts	(887,918)	(370,489)	125,171	(1,133,236)	(142,424)
Total Bonds Payable	117,135,285	57,179,511	(34,553,637)	139,761,159	5,611,486
Notes Payable					
Capital Leases	157,902	-	(36,448)	121,454	38,230
General Obligation	918,265	-	(11,466)	906,799	12,036
Compensated Absences	2,570,198	800,546	(721,678)	2,649,066	817,627
Landfill Postclosure Cost	635,460	-	(37,380)	598,080	37,380
Business-type Activity Long-term Liabilities	$ 121,417,110	57,980,057	(35,360,609)	144,036,558	6,516,759

NOTE: Interest rates on variable interest rate bonds are commensurate with local prevailing rates as determined by the Tennessee Local Development Authority on an annual basis.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

G. 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 Number 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 of Johnson City has filed financial assurance with the State of Tennessee Department of Environment and Conservation for the Bowser Ridge Landfill in the form of a contract in lieu of performance bond in the amount of $975,884, for closure and postclosure costs. An estimate of the required amounts was made by an environmental auditor for the future years, with consideration given to inflation and other potential changes. A separate operation and maintenance contract with Waste Management Systems, Inc. is in effect for the Iris Glen Landfill. The contract states that Waste Management is responsible for the closure and postclosure costs for Iris Glen. During the year ended June 30, 2008, the City paid Waste Management $2,168,390 for Landfill Services.

H. 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, 2008, for segments Buffalo Valley Golf Course and Regional Solid Waste (see Note 1.C. for description of services provided) is presented below.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

H. Segment Information (Continued)

CONDENSED STATEMENT OF NET ASSETS

	Golf Course Fund	Regional Solid Waste Fund	Total
ASSETS:			
Current Assets	$ 118,237	2,386,833	2,505,070
Capital Assets (Net)	2,675,721	652,302	3,328,023
Other Assets (Net)	15,592	-	15,592
Total Assets	2,809,550	3,039,135	5,848,685
LIABILITIES:			
Current Liabilities	2,103,919	129,951	2,233,870
Non-Current Liabilities	1,633,932	62,442	1,696,374
Total Liabilities	3,737,851	192,393	3,930,244
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	906,435	652,302	1,558,737
Unrestricted	(1,834,736)	2,194,440	359,704
Total Net Assets	$ (928,301)	2,846,742	1,918,441

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

H. Segment Information (continued)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

	Golf Couse Fund	Regional Solid Waste Fund	Total
Operating Revenues (Expenses):			
Charges for Services (Net)	$ 1,069,018	2,191,065	3,260,083
Other Revenue	24,291	-	24,291
Depreciation and Amortization	(117,063)	(136,591)	(253,654)
Other Operating Expenses	(1,171,063)	(1,681,994)	(2,853,057)
Operating Income (Loss)	(194,817)	372,480	177,663
Nonoperating Revenues (Expenses):			
Investment Income	-	73,861	73,861
Interest Expense and Commissions	(172,135)	-	(172,135)
Amortization	(1,949)	-	(1,949)
Gain (Loss) on Sale of Capital Assets	7,820	-	7,820
Operating Transfers	461,101	(135,980)	325,121
Change in Net Assets	100,020	310,361	410,381
Beginning Net Assets	(1,028,321)	2,536,381	1,508,060
Ending Net Assets	$ (928,301)	2,846,742	1,918,441

CONDENSED STATEMENT OF CASH FLOWS

	Golf Course Fund	Regional Solid Waste Fund	Total
Net Cash Provided by (Used for):			
Operating Activities	$ (90,126)	468,522	378,396
Noncapital Financing Activities	461,101	(135,980)	325,121
Capital and Related Financing Activities	(370,975)	(121,253)	(492,228)
Investing Activities	-	73,861	73,861
Net Increase (Decrease)	-	285,150	285,150
Beginning Cash and Cash Equivalents	1,170	2,054,738	2,055,908
Ending Cash and Cash Equivalents	$ 1,170	2,339,888	2,341,058

5. OTHER INFORMATION:

A. Risk Management

The City carries insurance coverage through the Tennessee Municipal League (TML) Risk Management Pool for general liability, automobile coverage, and errors and omission coverage. The City also carries auto physical damage coverage with the TML Risk Management Pool. There was no reduction in insurance coverage from the prior year and the City has not had any settlements in the last three years which were not covered by insurance. The City participates in a self-insured retention plan through TML for the liability program. All other insurance programs written through TML are provided through conventional insurance coverage. Although TML is a risk management pool and the policy contains an assessment clause, no assessment has been levied during the time the City has participated in this program. With the TML coverage, the City has an annual aggregate limit of $600,000 for liability retention plan. As of June 30, 2008, the general liability program had $152,358 for the City in claims incurred during the fiscal year but not yet settled. These amounts are not recorded in the financial statements until settlement is made. For the July 1, 2007 to July 1, 2008 policy period, the City received a dividend of $45,363 from TML.

The City carried workers' compensation coverage through the Tennessee Municipal League (TML) Risk Management Pool prior to October 15, 2002, with an aggregate limit for the period of 7/1/02-10/15/02 of $600,000. After October 15, 2002, the City provided workers' compensation coverage through a self-funded plan. The City carries stop-loss insurance with an individual specific amount of $500,000 and an aggregate limit of 105% of expected claims. The total paid out for workers' compensation during 2006-2007 was $751,176 for the City and $108,358 for the Schools. These totals include payments for claims from injuries incurred in previous years. A reconciliation of claims for the years ended June 30, 2008 and 2007 are as follows:

	June 30, 2008				
	City	Schools	Total	June 30, 2007	Variance
Claims Incurred	$ 399,216	69,762	468,978	582,414	(113,436)
Claims Paid	192,512	44,360	236,872	271,060	(34,188)
Claims Ending	$ 206,704	25,402	232,106	311,354	(79,248)

The above represent current year liabilities and are reflected in the Internal Service Funds. Prior year amounts have been reflected as a liability in the Internal Service Funds for a total liability of $1,362,000.

There was a prior period adjustment of $739,000 for general and automotive liabilities. The balance of this liability has been adjusted to $720,000 for the year ending June 30, 2008.

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 year ended June 30, 2008 and 2007 are as follows:

5. OTHER INFORMATION (CONTINUED):

A. Risk Management (continued):

	June 30, 2008				
	City	Schools	Total	June 30, 2007	Variance
Claims Accrued, Beginning	$ 557,737	477,034	1,034,771	699,141	335,630
Claims Incurred	6,853,458	5,909,032	12,762,490	11,912,349	850,141
Claims Paid	6,917,939	5,930,325	12,848,264	11,576,719	1,271,545
Claims Accrued, Ending	$ 493,256	455,741	948,997	1,034,771	(85,774)

The above liabilities are reflected in the Internal Service Funds.

The Power Board is self-insured for certain perils. The self-insurance program is not accounted for in a separate fund.

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 $2,016,525 at June 30, 2008. The Power Board has workman's compensation and employee group health insurance with outside companies.

There are additional estimated losses for both automobile and general incidents that have been reflected as liabilities in the Internal Service Funds in the amount of $720,000.

B. Prior Period Adjustments

Prior Period Adjustment - General Fund (Police Technology)	$ (275,113)
Prior Period Adjustment – Capital Projects-Equipment (Police Technology)	$ 275,113
Prior Period Adjustment – Insurance Fund-Automobile and General	$ (739,000)
Prior Period Adjustment – Government Wide-Automobile and General	$ (739,000)

A prior period adjustment was recorded between the General Fund and the Capital Projects - Equipment Fund for police technology.

A prior period adjustment was recorded in the Insurance Fund, which is an internal service fund in recognition of estimated liabilities related to automobile incidents and general incidents. This adjustment is also reflected on the government-wide financial statements.

5. OTHER INFORMATION (CONTINUED):

C. Contingencies

The Johnson City School System questioned the division of the local option sales tax revenue between them and the Washington County, Tennessee School System for years prior to July 1, 1991. A final agreement was reached in October 1994, and the County will repay the City at $75,000 per year over a fifteen (15) year period. The last payment was made in the year ended June 30, 2008 and has been reflected as revenue at both the government-wide and fund levels.

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 material adverse effect on the financial condition of the government.

The City has entered into several construction contracts in the various funds, which were not completed at year end. The larger of these are for road construction, water and sewer lines, power lines and a parks and recreation center. 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 year ended June 30, 2008, the City paid $1,333,436 to the PBA to lease the Continuing Education Center.

D. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. 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.

E. Termination Benefits

The City has an involuntary termination plan in accordance with the City Manager's contract. The estimated liability under the contract is $99,040 at June 30, 2008 and is recorded in the government-wide financial statements.

5. OTHER INFORMATION (CONTINUED):

F. Post-employment health care benefits

Plan Description:

City of Johnson City:

In 1984 the City Commission passed a resolution which offers post-employment health care benefits to all employees who retire from the City after 20 years service until their 65th birthday. The quarterly charge for employees is $330 for individual and $705 for family. There are 76 City employees covered by this arrangement. Employees who attain age 65 and retire after 40 years of service are provided health care benefits at no cost for life. At present, two City employees meet the eligibility requirements. The co-insurance rate of reimbursement depends on the plan the employee is covered by. The Preferred Network has a $350 deductible with an 80% co-insurance rate. The Select Network has a $275 deductible and a 90% co-insurance rate. During the fiscal year ending June 30, 2008, contributions received from active employees was $1,246,732 and contributions received from retirees were $170,676.

Johnson City Schools:

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), 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 and $292 for family. 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 $333 for individual and $856 for family. There are approximately 110 school employees participating in the post-employment health care benefit arrangements. Employees who attain age 65 and retire after 40 years of service are provided health care benefits at no cost for life. At present, one school employee meets the eligibility requirements. The co-insurance rate of reimbursement depends on the plan the employee is covered by. The Preferred Network has a $350 deductible with an 80% co-insurance rate. The Select Network has a $275 deductible and a 90% co-insurance rate. During the year ended June 30, 2008, premiums of $859,689 were collected from active employees and $59,426 was collected from retirees.

Funding Policy:

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

5. OTHER INFORMATION (CONTINUED):

F. Post-employment health care benefits (continued)

Annual OPEB Cost and Net OPEB Obligation:

The City's other postemployment 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 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each 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 year, the amount actually contributed to the plan, and changes in the City's OPEB obligation.

	FYE 6/30/2008
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	$ 702,818
2. Interest on net OPEB Obligation	-
3. Adjustment to ARC	-
4. Annual OPEB Cost (Expense) (1+2+3)	702,818
5. Contribution made (assumed end of year)*	411,010
6. Increase in net OPEB Obligation (4 - 5)	291,808
7. Net OPEB Obligation - beginning of year	-
8. Net OPEB Obligation - end of year (6 + 7)	$ 291,808

**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 year 2008 is as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/08	$ 702,818	58.5%	$ 291,808

5. OTHER INFORMATION (CONTINUED):

F. Post-employment health care benefits (continued)

Funded Status and Funding Progress:

As of June 30, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $15,479,056. The covered payroll (annual payroll of active employees covered by the plan) was $28,203,124, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 54.9 percent.

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.

In the June 30, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return which is equivalent to the expected return on the general assets for the City and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. The UAAL is being amortized as a level percentage of projected payroll at 5 percent. The remaining amortization period at June 30, 2008 was 29 years.

5. OTHER INFORMATION (CONTINUED):

F. Post-employment health care benefits (continued)

Johnson City Power Board:

Plan Description:

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 JCPB. 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% 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	$3,733
	Pre-65 Retiree plus Spouse	$7,833
	Medicare Eligible Single	$2,094
g. Medicare Part B	The Board reimburses the retiree for payment of the Medicare Part B premium: $1,122 for 2008.	
h. Life	On retirement, each retiree received 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.

Annual OPEB Cost and Net OPEB Obligation:

The Power Board's other postemployment 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 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each 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 year, the amount actually contributed to the plan, and changes in the Power Board's OPEB obligation.

5. OTHER INFORMATION (CONTINUED):

F. Post-employment health care benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (Continued):

	07/01/2007 - 06/30/2008	07/01/2008 - 06/30/2009
Annual OPEB Cost and Net OPEB Obligation		
1. Annual Required Contribution (ARC)	$ 690,315	724,497
2. Interest on net OPEB Obligation	-	16,644
3. Adjustment to ARC	-	(16,925)
4. Annual OPEB Cost (Expense) (1+2+3)	690,315	724,216
5. Contribution made (assumed end of year)*	298,689	319,595
6. Increase in net OPEB Obligation (4 - 5)	391,626	404,621
7. Net OPEB Obligation - beginning of year	-	391,626
8. Net OPEB Obligation - end of year (6 + 7)	$ 391,626	796,247

**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 2008 and 2009 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/08	$ 690,315	43.3%	$ 391,626
06/30/09	$ 724,216	44.1%	$ 796,247

Funded Status and Funding Progress:

As of June 30, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $8,294,562.

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.

5. OTHER INFORMATION (CONTINUED):

F. Post-employment health care benefits (continued)

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 the methods and assumptions were used.

Funding Interest Rate	4.50%
2007 Medical Trend Rate	10.0%
Ultimate Trend Rate	5.00%
Year Ultimate Trend Rate Reached	2012
Actuarial Cost Method	Entry Age Normal
Remaining Amortization Period at June 30, 2008	29 years

G. 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.

5. OTHER INFORMATION (CONTINUED):

G. Pension Plan (continued)

CITY OF JOHNSON CITY (CONTINUED):

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://treasury.state.tn.us/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, 2008 was 17.77% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2008, the City's annual pension cost of $6,769,990 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2005 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 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), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 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 five-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 10 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	6,769,990	100%	-
June 30, 2007	6,254,779	100%	-
June 30, 2006	4,962,046	100%	-

5. OTHER INFORMATION (CONTINUED):

G. Pension Plan (continued)

CITY OF JOHNSON CITY (CONTINUED):

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 81.68 percent funded. The actuarial accrued liability for benefits was $146.99 million, and the actuarial value of assets was $120.07 million, resulting in an unfunded actuarial accrued liability (UAAL) of $26.93 million. The covered payroll (annual payroll of active employees covered by the plan) was $34.87 million, and the ratio of the UAAL to the covered payroll was 77.24 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. The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) (AAL) Actuarial Accrued Liability	(b) – (a) (UAAL) Unfunded AAL	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a % of Covered Payroll
July 1, 2007	120,065	146,994	26,929	81.68%	34,866	77.24%

JOHNSON CITY SCHOOLS:

Plan Description

The Johnson City Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is 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

5. OTHER INFORMATION (CONTINUED):

G. Pension Plan (continued)

JOHNSON CITY SCHOOLS (CONTINUED):

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.treasury.state.tn.us.

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for the Johnson City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2008 was 6.24% of annual covered payroll. The employer contribution requirement for the Johnson City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2008, 2007, and 2006 were $1,826,297, $1,687,513, and $1,394,501, respectively, equal to the required contributions for each year.

JOHNSON CITY POWER BOARD:

Plan Description

Employees of the 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

5. OTHER INFORMATION (CONTINUED):

G. Pension Plan (continued)

JOHNSON CITY POWER BOARD (CONTINUED):

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://treasury.state.tn.us/tcrs/PS/ .

Funding Policy

The Power Board requires employees to contribute 5.0 percent of earnable compensation.

The Power Board is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 14.41% 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, 2008, the Power Board's annual pension cost of $1,292,419 to TCRS was equal to the Power Board's required and actual contributions. The required contribution was determined as part of the July 1, 2005 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 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), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 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 five-year period. The Power Board's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 10 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

5. OTHER INFORMATION (CONTINUED):

G. Pension Plan (continued)

JOHNSON CITY POWER BOARD (CONTINUED):

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	1,292,419	100%	-
June 30, 2007	1,235,076	100%	-
June 30, 2006	1,034,737	100%	-

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 78.83 percent funded. The actuarial accrued liability for benefits was $35.45 million, and the actuarial value of assets was $27.95 million, resulting in an unfunded actuarial accrued liability (UAAL) of $7.50 million. The covered payroll (annual payroll of active employees covered by the plan) was $8.43 million, and the ratio of the UAAL to the covered payroll was 88.99 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. The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) (AAL) Actuarial Accrued Liability	(b) – (a) (UAAL) Unfunded AAL	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a % of Covered Payroll
July 1, 2007	27,950	35,454	7,504	78.83%	8,432	88.99%

5. OTHER INFORMATION (CONTINUED):

H. Joint Ventures

The Washington County – Johnson City Animal Control Center **(ACC)** is an animal shelter jointly owned by Johnson City and Washington County, Tennessee. Johnson 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 $132,919 to the operations during the year ended June 30, 2008.

The Washington Co. – Johnson City EMS, Inc. **(EMS)** receives revenue from Washington County and Johnson City, as well as patient billings. Johnson City contributed $566,500 to the operations during the year ended June 30, 2008.

Johnson City is responsible for funding at least 30% of operations of the Johnson City/Jonesborough/Washington County Economic Development Board, Inc. **(EDB)**. Johnson City contributed $135,188 and the Johnson City Power Board contributed $77,000 to the operations during the year ended June 30, 2008.

The Tri-Cities Airport **(TCA)** is jointly administered by Cities of Johnson City and Bristol, Tennessee, Bristol, Virginia and Washington and Sullivan Counties, Tennessee. The City of Johnson City contributed 20 percent of the start-up costs of the Airport in 1943 and has made no further contributions. The City is represented by three of the twelve commissioners. A separate enterprise fund is maintained for the Airport and the administrators do not record any balances for the Airport.

The Johnson City Athletic Club **(JCAC)** receives revenue from the City of Johnson City, the Johnson City Housing Authority (JCHA), interest income and private donations. Both the City and JCHA have agreed to donate $45,000 annually to the Club for its operations. 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 $43,000 for operations during the year ended June 30, 2008.

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. During the fiscal year ended June 30, 2008, the City received $0 from vacant lot sales. Financial statements are not prepared for the Tri-County Industrial Park.

5. OTHER INFORMATION (CONTINUED):

H. Joint Ventures (continued)

Completed financial statements for each of the individual joint ventures (excluding the Tri-County Industrial Park) may be obtained at the administrative offices of:

Animal Control Center
525 Sells Avenue
Johnson City, TN 37601

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

Johnson City Athletic Club
P.O. Box 59
Johnson City, TN 37605

Emergency Medical Services
296 Wesley Street
Johnson City, TN 37601

Economic Development Board
603 East Market Street
Johnson City, TN 37601

Audited information as of June 30, 2008 is presented below for the following organizations except for EMS and the JCAC. The JCAC year end presented is September 30, 2007. EMS is presented for the year ended June 30, 2007. The information does not include the Tri-County Industrial Park. All are presented on the accrual basis.

	ACC	EMS	EDB	TCA	JCAC
Operating Revenues	$ 102,409	6,147,136	380,750	6,117,331	90,302
Operating Expenses	(474,256)	(7,844,110)	(432,280)	(5,415,059)	(71,229)
Depreciation	-	-	-	(2,889,942)	-
Amortization	-	-	-	(13,501)	-
Other Income (Expense)	369,238	1,919,523	29,997	878,429	4,900
Capital Contributions	-	-	-	4,330,262	-
Net Income (Loss) Transferred to Net Assets	(2,609)	222,549	(21,533)	3,007,520	23,973
Net Assets, Beginning	366,724	2,308,719	920,094	47,157,818	119,394
Prior Period Adjustments	-	-	199	-	-
Net Assets, Ending	$ 364,115	2,531,268	898,760	50,165,338	143,367
Total Assets	$ 407,339	4,675,381	945,764	59,600,781	144,117
Total Liabilities	43,224	2,144,113	47,004	9,435,443	750
Total Net Assets	$ 364,115	2,531,268	898,760	50,165,338	143,367

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS:

A. Johnson City Public Library

1. Summary of Significant Accounting Policies:

The Johnson City Public Library (the "Library") receives support from the City of Johnson City, Tennessee and from Washington County, Tennessee. The Library is operated by the Library Board and was incorporated in September 1989. The Library is a non-profit organization under IRC Section 501(c)(3), but operates as a component unit of the City of Johnson City, Tennessee. As a component unit of a municipality, the Library uses governmental fund accounting and does not follow *Financial Accounting Standards Statements No.* 116 and 117.

a. *Government-wide and Fund Financial Statements*

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

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

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

b. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED):

A. Johnson City Public Library (continued)

1. Summary of Significant Accounting Policies (Continued):

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest and reimbursements associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The government reports the following major governmental fund:

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

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

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

c. *Cash and Investments*

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

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED):

A. Johnson City Public Library (continued)

1. Summary of Significant Accounting Policies (Continued):

d. Capital Investments

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

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

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

Equipment and furniture are depreciated using the straight line method over the following estimated useful lives:

Computers	3-5 years
Equipment	5 years
Furniture	7 years

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

The building of the Library is an asset of the City of Johnson City, Tennessee and is not owned by the Johnson City Public Library.

e. Accumulated Unpaid Vacation and Sick Pay

General policy of the Library does not allow employees to accumulate vacation days in excess of a normal year's accumulation. The amount of liability for accrued vacation pay was

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED):

A. Johnson City Public Library (continued)

1. Summary of Significant Accounting Policies (Continued):

e. Accumulated Unpaid Vacation and Sick Pay (Continued)

determined by computing the total number of hours earned as of June 30, 2008 at the current rate of pay. Sick leave is accumulated at the rate of 3.693 hours per pay period or 96 hours per year.

f. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

g. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the Library. All annual appropriations lapse at fiscal year end. Any budget amendments require board approval. The budget was amended during the 2008 fiscal year for the general fund.

h. Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue and expenditures. Actual results may differ from these estimates.

2. Deposits and Investments:

The Library has various deposits at banks and a cash investment through the East Tennessee Foundation at June 30, 2008. All deposits are insured by FDIC insurance up to $100,000. Amounts in excess of $100,000 are secured by the financial institution through the State Collateral Pool. Various restrictions on deposits and investments, including repurchase agreements, are imposed by state statutes. These restrictions are summarized as follows:

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 Organization to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, The Federal National Mortgage Association, The Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies; Certificates of Deposit and other evidences of deposit at State and Federal chartered banks and Savings and Loan Associations; obligations of the United States

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED):

A. Johnson City Public Library (continued)

2. Deposits and Investments (Continued):

or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; The State of Tennessee Local Government Investment Pool; obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

The Library does not have a policy for interest rate risk or for other credit risk other than pledging securities for amounts in excess of the FDIC coverage.

At June 30, 2008, cash on deposit is held in a bank as follows:

	Per Bank	Per Books
Bank	$ 120,848	73,473

Investments

The Library established an endowment fund during the fiscal year ended June 30, 2000, by giving the East Tennessee Foundation $150,000. The Foundation managed and invested the funds of the Library on their behalf. During the fiscal year ended June 30, 2008, the Library closed the accounts with the East Tennessee Foundation and transferred the funds back to the operating account and deposited $150,000 of the balance in a certificate of deposit with a local bank. The certificate of deposit is insured in the same manner as the other demand deposits of the Library.

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED):

A. Johnson City Public Library (continued)

3. Capital Assets

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Book Collection	$1,138,049	-	-	1,138,049
Capital Assets, Being Depreciated:				
Equipment	90,795	71,751	(36,896)	125,650
Furniture	515,013	-	-	515,013
Total Capital Assets, Being Depreciated	605,808	71,751	(36,896)	640,663
Less Accumulated Depreciation for:				
Equipment	(64,773)	(14,510)	36,896	(42,387)
Furniture	(504,267)	-	-	(504,267)
Total Accumulated Depreciation	(569,040)	(14,510)	36,896	(546,654)
Total Capital Assets, Being Depreciated, Net	36,768	57,241	-	94,009
Governmental Activities, Capital Assets, Net	$1,174,817	57,241	-	1,232,058

Depreciation expense of $14,510 was charged to the general government function in the statement of activities.

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED):

A. Johnson City Public Library (continued)

4. Budgetary Information:

Certain categories within the general fund were over budget for the year. A list of the categories and the amount overspent based upon the budget is as follows:

Postage	$ 42
Resource Sharing	92
Utilities	617
Books	48
FOL Materials	9
Adult Services Programs	178

5. Deferred Compensation Plan:

The Library has an Employee Custodial Fund in accordance with the amended Section 457B of the Internal Revenue Code. The funds are owned by the employees of the Library and cannot be used to satisfy any claims of the creditors of the Library.

The Library also has a 403B plan in which employees may participate through payroll deductions. The Library made matching contributions to the plan totaling $23,389 for the fiscal year ending June 30, 2008.

6. Risk Management Activities:

The Library carries insurance coverage for worker's compensation, general liability and contents, and coverage for officers and directors. There have been no significant changes from the previous year in the coverage provided. There have been no claims in the current year or in the previous three years which were not covered by insurance.

7. Grants:

During the fiscal year ended June 30, 2008, the Library received a Library Services Technology Assistance (LSTA) grant from the State of Tennessee for computers in the amount of $6,900. A Community Enhancement grant totaling $12,000 was awarded and $1,000 was received on the Harris fund grant for shelving and fundraising resources.

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED):

A. Johnson City Public Library (continued)

8. Commitments:

In August 2004, the Library entered into an operating lease for the lease of a phone system. The lease has an initial term of 60 months with a monthly rental payment of $740. Total rent paid during fiscal year ended June 30, 2008 was $8,880. The following is a schedule of future rental payments as identified in the lease agreement:

2009	$ 8,880
2010	2,960
	$ 11,840

9. Economic Dependency:

The Library has a significant dependence on two other entities. Those entities and their related portion of revenue in the general fund are as follows:

City of Johnson City, Tennessee	84%
Washington County, Tennessee	6%

B. Johnson City Development Authority

1. Summary of Significant Accounting Policies:

The Johnson City Development Authority (JCDA) is a component unit of the City of Johnson City, TN. The JCDA's purpose is to facilitate business development within the City of Johnson City. The organization was established by the Johnson City Commission and became operative in February 1990.

a. Government-wide and Fund Financial Statements

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

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED):

B. Johnson City Development Authority (Continued)

1. Summary of Significant Accounting Policies (Continued):

a. Government-wide and Fund Financial Statements (continued)

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

Separate fund level financial statements are provided for governmental funds. JCDA only has one governmental fund, which is the general fund.

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

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

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

Interest and reimbursements associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the JCDA.

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED):

B. Johnson City Development Authority (Continued)

1. Summary of Significant Accounting Policies (Continued):

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

The government reports the following major governmental funds:

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

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

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

c. Cash and Deposits

Cash includes deposits with financial institutions in checking and savings accounts and petty cash. Cash is reported at carrying value, which is fair value.

d. Capital Assets

Capital assets, which include office equipment and furniture, are reported in the governmental column in the government-wide financial statements. Equipment and furniture are recorded at historical cost. Donated equipment and furniture items are recorded at estimated fair market value at the date of donation. The organization capitalizes equipment and furniture which costs $500 or more. Items less than that amount are expensed.

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.

Equipment and furniture are depreciated using the straight line method over the following estimated useful lives:

Equipment	5 years
Furniture	7 years

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED):

B. Johnson City Development Authority (Continued)

1. Summary of Significant Accounting Policies (Continued):

e. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated balances are amounts that have been reserved by the Board for specific purposes.

f. Budget

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the JCDA. All annual appropriations lapse at fiscal year end. Any budget amendments require board approval.

g. 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.

2. Deposits and Investments:

The JCDA has various deposits at a bank at June 30, 2008. All deposits are insured by FDIC insurance up to $100,000. Various restrictions on deposits and investments, including repurchase agreements, are imposed by state statutes. 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 Organization to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, The Federal National Mortgage Association, The Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies; Certificates of Deposit and other evidences of deposit at State and Federal chartered banks and Savings and Loan Associations; obligations of the United States or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; The State of Tennessee Local Government Investment Pool; obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED):

B. Johnson City Development Authority (Continued)

2. Deposits and Investments (continued):

The JCDA does not have a policy for interest rate risk or for credit risk. There were no amounts in excess of FDIC coverage.

Deposits

The Johnson City Development Authority had $30 cash on hand and the following balances in a bank at June 30, 2008, including certificates of deposit:

	Per Bank	Per Books
Bank	$79,156	74,620

3. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities:				
Capital Assets, Being Depreciated:				
Office Equipment and Furniture	$ 12,721	-	-	12,721
Total Capital Assets, Being Depreciated	$ 12,721	-	-	12,721
Less Accumulated Depreciation for:				
Office Equipment and Furniture	$ (11,903)	(272)	-	(12,175)
Total Accumulated Depreciation	$ (11,903)	(272)	-	(12,175)
Total Capital Assets, Being Depreciated, Net	$ 818	(272)	-	546
Governmental Activities, Capital Assets, Net	$ 818	(272)	-	546

Depreciation expense of $272 was charged to the general administrative function in the statement of activities.

4. Leases

Operating Leases

The JCDA leases office space on a year to year basis from the Downtown Partners. Office rent is $625 per month and total rent paid for the year was $8,340. The office was relocated effective July 2008 and rent for the new space is $825 per month. Two of the board members have ownership in the property, but have abstained from any related decisions. A security deposit of one month was paid prior to year end.

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED):

B. Johnson City Development Authority (Continued)

5. Risk Management

The JCDA carries insurance coverage for general liability and contents. There have been no claims in the current year, or in the past two years, which were not covered by insurance.

6. Economic Dependency

JCDA has a significant dependence on the City of Johnson City which provided approximately 96% of the current year funding.

7. Retirement

The JCDA has an IRA simple plan for the employees. The plan allows for the employer to match the contribution made by the employee, up to 3% of wages. For the fiscal year ended June 30, 2008, the total retirement amount paid by employees was $6,286 and $692 was paid by the employer.

7. OTHER MATTERS:

On January 23, 2007, Washington County issued $130,360,000 in bonds to fund capital needs within the Washington County and Johnson City Schools. School debt proceeds received by the County are shared with the City based on Student Average Daily Attendance (ADA). During fiscal years 2007 and 2008, the City received $5,511,025 and $29,330,390, respectively, of these proceeds which were deposited in the Capital Project Funds. Since it is the County's intent to draw down the bond proceeds as needed for use, and to use the interest income from these proceeds to fund interest expense, the remaining bond proceeds are expected to be received during fiscal year 2009. The remaining amounts available to be received of the proceeds by the City of Johnson City were $12,545,415.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
For the Fiscal Year Ended June 30, 2008

Schedule of Funding Progress for the City of Johnson City 80020

(Dollar Amounts in Thousands)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) (AAL) Actuarial Accrued Liability	(b) – (a) (UAAL) Unfunded AAL	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a % of Covered Payroll
July 1, 2007	120,065	146,994	26,929	81.68%	34,866	77.24%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

Schedule of Funding Progress for the Johnson City Power Board 80022

(Dollar Amounts in Thousands)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) (AAL) Actuarial Accrued Liability	(b) – (a) (UAAL) Unfunded AAL	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a % of Covered Payroll
July 1, 2007	27,950	35,454	7,504	78.83%	8,432	88.99%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – POSTEMPLOYMENT HEALTHCARE PLANS
For the Fiscal Year Ended June 30, 2008

City of Johnson City – Schedule of Funding Progress – Postemployment Healthcare Plan

(Dollar amounts expressed 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, 2007	$ -	$ 15,479	$ 15,479	0.0%	$ 28,203	54.9%

Amounts presented above include the Johnson City Schools.

Johnson City Power Board – Schedule of Funding Progress – Postemployment Healthcare Plan

(Dollar amounts expressed 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, 2007	$ -	$ 8,295	$ 8,295	0.0%	N/A	N/A

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Taxes	$ 1,983,030	2,022,030	2,009,553	(12,477)
Investment Earnings	54,672	54,672	47,061	(7,611)
Total Revenues	2,037,702	2,076,702	2,056,614	(20,088)
Expenditures:				
Debt Service:				
Principal Retirement	1,456,286	1,456,286	1,457,433	(1,147)
Interest and Fiscal Charges	1,579,089	1,910,209	1,931,595	(21,386)
Total Expenditures	3,035,375	3,366,495	3,389,028	(22,533)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(997,673)	(1,289,793)	(1,332,414)	(42,621)
Other Financing Sources (Uses):				
Transfer Out	(44,000)	(44,000)	(44,000)	-
Transfer In	1,038,811	1,063,811	1,061,902	(1,909)
Total Other Financing Sources (Uses)	994,811	1,019,811	1,017,902	(1,909)
Net Change in Fund Balances	(2,862)	(269,982)	(314,512)	(44,530)
Fund Balance, July 1, 2007	1,109,636	1,109,636	1,109,636	-
Fund Balance, June 30, 2008	$ 1,106,774	839,654	795,124	(44,530)

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

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purpose.

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 facility'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 site based funds of the school activity funds.

Transportation Planning Fund is used to account for special state and federal pass through state 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.

Community Development Fund accounts for Housing and Urban Development Funds.

Senior Citizens Fund accounts for contributions and fund raising for the Senior Citizens Center.

Employee Scholarship Fund accounts for donations from City employees for scholarships to City employee children who are entering college.

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

Industrial Park Fund accounts for Johnson City Industrial Park and expansion expenditures and revenues.

Med Tech Park Fund accounts for Med Tech Park expansion expenditures and revenues.

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 is used to account for principal trust amounts named and related interest income. The interest is to be used for scholarships for graduating high school students.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
ASSETS:				
Cash in Bank	$ 1,014,637	-	218,511	1,233,148
Cash on Deposit with State of Tennessee	-	40,834	-	40,834
Cash Due from Central Depository	952,257	2,717,297	-	3,669,554
Accounts Receivable	18	338	-	356
Due from Other Funds	9,373	-	-	9,373
Due from Federal Government	184,214	-	-	184,214
Due from State of Tennessee	1,529,244	-	-	1,529,244
Notes Receivable	47,130	-	-	47,130
Inventories	154,549	-	-	154,549
Total Assets	$ 3,891,422	2,758,469	218,511	6,868,402
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Cash Due to Central Depository	$ 125,149	1,682,433	-	1,807,582
Accounts Payable	169,887	346,615	6,000	522,502
Accrued Payroll Expenses	327,577	-	-	327,577
Accrued Expenses	-	1,300	-	1,300
Due to Other Funds	941,536	-	-	941,536
Deferred Revenue	255,800	-	-	255,800
Retainage Payable	-	204,184	-	204,184
Total Liabilities	1,819,949	2,234,532	6,000	4,060,481
Fund Balances:				
Reserved for Community Development	1,119	-	-	1,119
Reserved for Inventories	154,549	-	-	154,549
Reserved for School Trust	-	-	212,511	212,511
Reserved for Senior Citizens	15,000	-	-	15,000
Unreserved:				
Designated for Special Projects	342,553	-	-	342,553
Designated for Compensated Absences	46,307	-	-	46,307
Undesignated	1,511,945	523,937	-	2,035,882
Total Fund Balances	2,071,473	523,937	212,511	2,807,921
Total Liabilities and Fund Balances	$ 3,891,422	2,758,469	218,511	6,868,402

See Independent Aduitors' 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, 2008

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	$ -	470,982	-	470,982
Federal Government	6,566,229	-	-	6,566,229
State of Tennessee	795,998	-	-	795,998
Local Governments	17,972	-	-	17,972
Charges for Current Services	1,198,355	-	-	1,198,355
Fines and Forfeitures	86,783	-	-	86,783
Investment Earnings	26,325	4,318	8,026	38,669
Use of Property	1,481,559	24,996	-	1,506,555
Miscellaneous	215,603	89,514	-	305,117
Total Revenues	10,388,824	589,810	8,026	10,986,660
Expenditures:				
Current:				
Public Safety	361,087	131,299	-	492,386
Public Works	-	1,880	-	1,880
Public Welfare	366,281	25,302	-	391,583
Senior Citizens	65,715	-	-	65,715
Scholarships Awarded	-	-	6,000	6,000
Entertainment and Operation	1,767,190	-	-	1,767,190
Highway and Transportation Planning	201,560	-	-	201,560
Education	5,599,483	-	-	5,599,483
School Food Service	2,881,375	-	-	2,881,375
Capital Outlay	259,727	7,790,047	-	8,049,774
Debt Service:				
Principal Retirement	-	305,211	-	305,211
Interest and Fiscal Charges	-	129,824	-	129,824
Total Expenditures	11,502,418	8,383,563	6,000	19,891,981
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,113,594)	(7,793,753)	2,026	(8,905,321)
Other Financing Sources (Uses):				
Transfers (Net)	1,135,619	2,300,204	-	3,435,823
Sale of Real Estate	-	9,120	-	9,120
Total Other Financing Sources	1,135,619	2,309,324	-	3,444,943

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
Net Change in Fund Balances	22,025	(5,484,429)	2,026	(5,460,378)
Fund Balances, July 1, 2007	2,051,312	5,733,253	210,485	7,995,050
Prior Period Adjustment: Police Technology Transfer from General Fund	-	275,113	-	275,113
Purchase Method Inventory Adjustment	(1,864)	-	-	(1,864)
Fund Balances, July 1, 2007 (Restated)	2,049,448	6,008,366	210,485	8,268,299
Fund Balances, June 30, 2008	$ 2,071,473	523,937	212,511	2,807,921

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
June 30, 2008

	Freedom Hall Civic Center Fund	School Funds	Transportation Planning Fund	Drug Fund	Police Grant Fund	Community Development Fund	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
ASSETS:									
Cash and Cash Equivalents	$ 1,875	1,012,756	-	-	-	-	6	-	1,014,637
Cash Due from Central Depository	244,931	-	10,698	366,471	-	21,985	295,132	13,040	952,257
Accounts Receivable	-	-	-	-	18	-	-	-	18
Due from Other Funds	-	9,373	-	-	-	-	-	-	9,373
Due from Federal Government	-	-	-	-	53,999	130,215	-	-	184,214
Due from State of Tennessee	-	1,429,981	37,922	-	48,870	12,471	-	-	1,529,244
Notes Receivable	-	-	-	-	-	47,130	-	-	47,130
Inventories	-	154,549	-	-	-	-	-	-	154,549
Total Assets	$ 246,806	2,606,659	48,620	366,471	102,887	211,801	295,138	13,040	3,891,422
LIABILITIES AND FUND BALANCES:									
Liabilities:									
Cash Due to Central Depository	$ -	-	-	-	53,152	71,997	-	-	125,149
Accounts Payable	30,927	23,253	1,177	22,626	20,217	69,166	2,521	-	169,887
Accrued Payroll Expenses	8,591	314,062	2,744	-	1,005	1,175	-	-	327,577
Due to Other Funds	-	941,536	-	-	-	-	-	-	941,536
Deferred Revenue	164,391	15,911	-	-	28,368	47,130	-	-	255,800
Total Liabilities	203,909	1,294,762	3,921	22,626	102,742	189,468	2,521	-	1,819,949
Fund Balances:									
Reserved for Community Development	-	-	-	-	-	1,119	-	-	1,119
Reserved for Inventories	-	154,549	-	-	-	-	-	-	154,549
Reserved for Senior Citizens	-	-	-	-	-	-	15,000	-	15,000
Unreserved:									
Designated for Special Projects	-	342,553	-	-	-	-	-	-	342,553
Designated for Compensated Absences	41,263	1,993	3,051	-	-	-	-	-	46,307
Undesignated	1,634	812,802	41,648	343,845	145	21,214	277,617	13,040	1,511,945
Total Fund Balances	42,897	1,311,897	44,699	343,845	145	22,333	292,617	13,040	2,071,473
Total Liabilities and Fund Balances	$ 246,806	2,606,659	48,620	366,471	102,887	211,801	295,138	13,040	3,891,422

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, 2008

	Freedom Hall Civic Center Fund	School Funds	Transportation Planning Fund	Drug Fund	Police Grant Fund	Community Development Fund	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
Revenues:									
Federal Government	$ -	5,984,821	158,376	-	162,577	229,400	31,055	-	6,566,229
State of Tennessee	-	698,679	8,429	-	36,090	52,800	-	-	795,998
Local Governments	-	18,437	-	-	(465)	-	-	-	17,972
Charges for Current Services	-	1,181,773	-	-	-	16,582	-	-	1,198,355
Fines and Forfeitures	-	-	-	86,783	-	-	-	-	86,783
Investment Earnings	-	15,296	-	-	-	-	10,800	229	26,325
Use of Property	1,481,559	-	-	-	-	-	-	-	1,481,559
Miscellaneous	57,427	-	-	73,542	18	23,867	50,884	9,865	215,603
Total Revenues	1,538,986	7,899,006	166,805	160,325	198,220	322,649	92,739	10,094	10,388,824
Expenditures:									
Current:									
Public Safety	-	-	-	132,628	228,459	-	-	-	361,087
Public Welfare	-	-	-	-	-	366,281	-	-	366,281
Senior Citizens	-	-	-	-	-	-	65,715	-	65,715
Entertainment and Operation	1,767,190	-	-	-	-	-	-	-	1,767,190
Highway and Transportation Planning	-	-	201,560	-	-	-	-	-	201,560
Education	-	5,599,483	-	-	-	-	-	-	5,599,483
School Food Service	-	2,881,375	-	-	-	-	-	-	2,881,375
Capital Outlay	-	259,727	-	-	-	-	-	-	259,727
Total Expenditures	1,767,190	8,740,585	201,560	132,628	228,459	366,281	65,715	-	11,502,418
Excess (Deficiency) of Revenues Over (Under) Expenditures	(228,204)	(841,579)	(34,755)	27,697	(30,239)	(43,632)	27,024	10,094	(1,113,594)
Other Financing Sources (Uses):									
Transfers (Net)	233,177	818,001	45,364	(30,162)	30,239	39,000	-	-	1,135,619
Total Other Financing Sources (Uses)	233,177	818,001	45,364	(30,162)	30,239	39,000	-	-	1,135,619
Net Change in Fund Balances	4,973	(23,578)	10,609	(2,465)	-	(4,632)	27,024	10,094	22,025
Fund Balances, July 1, 2007	37,924	1,337,339	34,090	346,310	145	26,965	265,593	2,946	2,051,312
Purchase Method Inventory Adjustment	-	(1,864)	-	-	-	-	-	-	(1,864)
Fund Balances, July 1, 2007 (restated)	37,924	1,335,475	34,090	346,310	145	26,965	265,593	2,946	2,049,448
Fund Balances, June 30, 2008	$ 42,897	1,311,897	44,699	343,845	145	22,333	292,617	13,040	2,071,473

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
SCHOOL FUNDS
June 30, 2008

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
ASSETS:					
Cash and Cash Equivalents	$ -	-	672,203	340,553	1,012,756
Due from Other Funds	9,373	-	-	-	9,373
Due from State of Tennessee	921,495	340,679	165,807	2,000	1,429,981
Inventories	-	-	154,549	-	154,549
Total Assets	$ 930,868	340,679	992,559	342,553	2,606,659
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	$ 12,133	10,965	155	-	23,253
Accrued Payroll Expenses	268,403	22,599	23,060	-	314,062
Due to Other Funds	643,332	298,204	-	-	941,536
Deferred Revenue	7,000	8,911	-	-	15,911
Total Liabilities	930,868	340,679	23,215	-	1,294,762
Fund Balances:					
Reserved for Inventory	-	-	154,549	-	154,549
Reserved for Compensated Absenses	-	-	1,993	-	1,993
Unreserved:					
Designated for Special Projects	-	-	-	342,553	342,553
Undesignated	-	-	812,802	-	812,802
Total Fund Balances	-	-	969,344	342,553	1,311,897
Total Liabilities and Fund Balances	$ 930,868	340,679	992,559	342,553	2,606,659

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, 2008

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
Revenues:					
Federal Government	$ 4,159,180	72,031	1,753,610	-	5,984,821
State of Tennessee	-	664,673	34,006	-	698,679
Local Governments	-	18,437	-	-	18,437
Charges for Current Services	-	-	1,181,773	-	1,181,773
Investment Earnings	-	-	15,296	-	15,296
Total Revenues	4,159,180	755,141	2,984,685	-	7,899,006
Expenditures:					
Current:					
Education	4,029,562	789,691	-	780,230	5,599,483
School Food Service	-	-	2,881,375	-	2,881,375
Capital Outlay	124,033	13,936	121,758	-	259,727
Total Expenditures	4,153,595	803,627	3,003,133	780,230	8,740,585
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,585	(48,486)	(18,448)	(780,230)	(841,579)
Other Financing Sources (Uses):					
Transfers (Net)	(5,585)	48,486	-	775,100	818,001
Total Other Financing Sources (Uses)	(5,585)	48,486	-	775,100	818,001
Net Change in Fund Balances	-	-	(18,448)	(5,130)	(23,578)
Fund Balances, July 1, 2007	-	-	989,656	347,683	1,337,339
Purchase Method Inventory Adjustment	-	-	(1,864)	-	(1,864)
Fund Balances, July 1, 2007 (Restated)	-	-	987,792	347,683	1,335,475
Fund Balances, June 30, 2008	$ -	-	969,344	342,553	1,311,897

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
June 30, 2008

	Various Project Funds						
	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund	Industrial Park Fund	Med Tech Park Fund	Total Capital Project Funds
ASSETS:							
Cash and Cash Equivalents	$ -	-	-	-	-	-	-
Cash on Deposit with State of Tennessee	-	-	-	40,834	-	-	40,834
Cash Due from Central Depository	806,538	100,603	-	3,556	-	1,806,600	2,717,297
Accounts Receivable	-	-	-	-	338	-	338
Total Assets	$ 806,538	100,603	-	44,390	338	1,806,600	2,758,469
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Cash Due to Central Depository	$ -	-	172,601	-	1,509,832	-	1,682,433
Accounts Payable	46,826	-	215,525	80,378	1,136	2,750	346,615
Retainage Payable	-	-	63,714	140,470	-	-	204,184
Deferred Revenue	-	-	-	-	1,300	-	1,300
Total Liabilities	46,826	-	451,840	220,848	1,512,268	2,750	2,234,532
Fund Balances							
Unreserved:							
Undesignated	759,712	100,603	(451,840)	(176,458)	(1,511,930)	1,803,850	523,937
Total Fund Balances	759,712	100,603	(451,840)	(176,458)	(1,511,930)	1,803,850	523,937
Total Liabilities and Fund Balances	$ 806,538	100,603	-	44,390	338	1,806,600	2,758,469

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, 2008

	Various Project Funds						
	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund	Industrial Park Fund	Med Tech Park Fund	Total Capital Project Funds
Revenues:							
Taxes	$ -	-	-	-	-	470,982	470,982
Federal Government	-	-	-	-	-	-	-
State of Tennessee	-	-	-	-	-	-	-
Local Governments	-	-	-	-	-	-	-
Investment Earnings	-	751	-	1,674	-	1,893	4,318
Use of Property	-	-	-	-	24,996	-	24,996
Miscellaneous	21,500	1,050	-	66,964	-	-	89,514
Total Revenues	21,500	1,801	-	68,638	24,996	472,875	589,810
Expenditures:							
Current:							
Public Safety	131,299	-	-	-	-	-	131,299
Public Works	-	-	1,880	-	-	-	1,880
Public Welfare	-	-	-	-	25,302	-	25,302
Capital Outlay	2,208,691	127,011	1,526,342	3,926,895	-	1,108	7,790,047
Debt Service:							
Retirement of Debt	-	-	-	-	-	305,211	305,211
Interest and Fiscal Charges	-	-	-	-	-	129,824	129,824
Total Expenditures	2,339,990	127,011	1,528,222	3,926,895	25,302	436,143	8,383,563
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,318,490)	(125,210)	(1,528,222)	(3,858,257)	(306)	36,732	(7,793,753)

(Continued)

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, 2008

	Various Project Funds						
	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund	Industrial Park Fund	Med Tech Park Fund	Total Capital Project Funds
Other Financing Sources (Uses):							
Operating Transfers (Net)	2,290,910	9,294	(2,961,839)	2,961,839	-	-	2,300,204
Sale of Real Estate	-	-	-	-	9,120	-	9,120
Total Other Financing Sources (Uses)	2,290,910	9,294	(2,961,839)	2,961,839	9,120	-	2,309,324
Net Change in Fund Balances	(27,580)	(115,916)	(4,490,061)	(896,418)	8,814	36,732	(5,484,429)
Fund Balances, July 1, 2007	512,179	216,519	4,038,221	719,960	(1,520,744)	1,767,118	5,733,253
Prior Period Adjustment:							
Police Technology Transfer from General Fund	275,113	-	-	-	-	-	275,113
Fund Balance, July 1, 2007 (restated)	787,292	216,519	4,038,221	719,960	(1,520,744)	1,767,118	6,008,366
Fund Balances, June 30, 2008	$ 759,712	100,603	(451,840)	(176,458)	(1,511,930)	1,803,850	523,937

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FREEDOM HALL CIVIC CENTER FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Use of Property	$ 1,313,000	1,341,000	1,481,559	140,559
Miscellaneous	132,000	232,000	57,427	(174,573)
Total Revenues	1,445,000	1,573,000	1,538,986	(34,014)
Expenditures:				
Civic Center Entertainment and Operation	1,645,000	1,773,000	1,767,190	5,810
Total Expenditures	1,645,000	1,773,000	1,767,190	5,810
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200,000)	(200,000)	(228,204)	(28,204)
Other Financing Sources (Uses):				
Transfer In	200,000	200,000	233,177	33,177
Total Other Financing Sources (Uses)	200,000	200,000	233,177	33,177
Net Change in Fund Balances	-	-	4,973	4,973
Fund Balance, July 1, 2007	37,924	37,924	37,924	-
Fund Balance, June 30, 2008	$ 37,924	37,924	42,897	4,973

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOL FEDERAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Federal Government	$ 4,208,699	4,208,699	4,159,180	(49,519)
Total Revenues	4,208,699	4,208,699	4,159,180	(49,519)
Expenditures:				
Education	4,084,045	4,084,045	4,029,562	54,483
Capital Outlay	124,654	124,654	124,033	621
Total Expenditures	4,208,699	4,208,699	4,153,595	55,104
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	5,585	5,585
Other Financing Sources (Uses):				
Transfer Out	-	-	(5,585)	(5,585)
Total Other Financing Sources (Uses)	-	-	(5,585)	(5,585)
Net Change in Fund Balances	-	-	-	-
Fund Balance, July 1, 2007	-	-	-	-
Fund Balance, June 30, 2008	$ -	-	-	-

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL SCHOOL PROJECTS FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Federal Government	$ 81,265	81,265	72,031	(9,234)
State of Tennessee	559,939	559,939	664,673	104,734
Local Governments	24,501	24,501	18,437	(6,064)
Total Revenues	665,705	665,705	755,141	89,436
Expenditures:				
Education	655,540	655,540	789,691	(134,151)
Capital Outlay	15,972	15,972	13,936	2,036
Total Expenditures	671,512	671,512	803,627	(132,115)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,807)	(5,807)	(48,486)	(42,679)
Other Financing Sources (Uses):				
Transfer from Other Special Revenue Funds	5,807	5,807	48,486	42,679
Total Other Financing Sources (Uses)	5,807	5,807	48,486	42,679
Net Change in Fund Balances	-	-	-	-
Fund Balance, July 1, 2007	-	-	-	-
Fund Balance, June 30, 2008	$ -	0	0	0

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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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Federal Government	$ 1,714,000	1,714,000	1,753,610	39,610
State of Tennessee	34,000	34,000	34,006	6
Charges for Current Services	1,252,000	1,252,000	1,181,773	(70,227)
Investment Earnings	37,000	22,000	15,296	(6,704)
Total Revenues	3,037,000	3,022,000	2,984,685	(37,315)
Expenditures:				
School Food Service	2,952,000	2,937,000	2,881,375	55,625
Capital Outlay	85,000	85,000	121,758	(36,758)
Total Expenditures	3,037,000	3,022,000	3,003,133	18,867
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(18,448)	(18,448)
Fund Balance, July 1, 2007	1,010,631	1,010,631	989,656	(20,975)
Purchase Method Inventory Adjustment	-	-	(1,864)	(1,864)
Fund Balance, July 1, 2007 (Restated)	1,010,631	1,010,631	987,792	(22,839)
Fund Balance, June 30, 2008	$ 1,010,631	1,010,631	969,344	(41,287)

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION PLANNING FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Revenue from State of Tennessee	$ 39,700	39,700	8,429	(31,271)
Revenue from Federal Government	298,370	298,370	158,376	(139,994)
Total Revenues	338,070	338,070	166,805	(171,265)
Expenditures:				
Highway and Transportation Planning	356,551	356,551	201,560	154,991
Total Expenditures	356,551	356,551	201,560	154,991
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,481)	(18,481)	(34,755)	(16,274)
Other Financing Sources (Uses):				
Transfer In	45,364	45,364	45,364	-
Total Other Financing Sources (Uses)	45,364	45,364	45,364	-
Net Change in Fund Balances	26,883	26,883	10,609	(16,274)
Fund Balance July 1, 2007	34,090	34,090	34,090	-
Fund Balance, June 30, 2008	$ 60,973	60,973	44,699	(16,274)

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Fines and Forfeitures	$ 138,857	86,857	86,783	(74)
Miscellaneous	-	74,000	73,542	(458)
Total Revenues	138,857	160,857	160,325	(532)
Expenditures:				
Public Safety	177,250	199,250	132,628	66,622
Total Expenditures	177,250	199,250	132,628	66,622
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,393)	(38,393)	27,697	66,090
Other Financing Sources (Uses):				
Transfer Out	(12,237)	(12,237)	(30,162)	(17,925)
Total Other Financing Sources (Uses)	(12,237)	(12,237)	(30,162)	(17,925)
Net Change in Fund Balances	(50,630)	(50,630)	(2,465)	48,165
Fund Balance, July 1, 2007	346,310	346,310	346,310	-
Fund Balance, June 30, 2008	$ 295,680	295,680	343,845	48,165

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Federal Government	$ 145,862	145,862	162,577	16,715
State of Tennessee	41,319	41,319	36,090	(5,229)
Local Governments	3,898	3,898	(465)	(4,363)
Investment Earnings	900	900	-	(900)
Miscellaneous	12,660	3,660	18	(3,642)
Total Revenues	204,639	195,639	198,220	2,581
Expenditures:				
Public Safety	78,616	200,616	228,459	(27,843)
Total Expenditures	78,616	200,616	228,459	(27,843)
Excess (Deficiency) of Revenues Over (Under) Expenditures	126,023	(4,977)	(30,239)	(25,262)
Other Financing Sources (Uses):				
Transfer In - Drug Fund	12,237	12,237	30,239	18,002
Total Other Financing Sources (Uses)	12,237	12,237	30,239	18,002
Net Change in Fund Balances	138,260	7,260	-	(7,260)
Fund Balance, July 1, 2007	145	145	145	-
Fund Balance, June 30, 2008	$ 138,405	7,405	145	(7,260)

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Federal Government	$ 500,749	500,749	229,400	(271,349)
State of Tennessee	-	-	52,800	52,800
Charges for Services	20,000	20,000	16,582	(3,418)
Miscellaneous	8,000	8,000	23,867	15,867
Total Revenues	528,749	528,749	322,649	(206,100)
Expenditures:				
Public Welfare	528,749	528,749	366,281	162,468
Total Expenditures	528,749	528,749	366,281	162,468
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(43,632)	(43,632)
Other Financing Sources (Uses):				
Transfer In - General Fund	-	-	39,000	39,000
Total Other Financing Sources (Uses)	-	-	39,000	39,000
Net Change in Fund Balances	-	-	(4,632)	(4,632)
Fund Balance, July 1, 2007	26,965	26,965	26,965	-
Fund Balance, June 30, 2008	$ 26,965	26,965	22,333	(4,632)

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 storm water and drainage management system.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2008

	Golf Courses Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	$ 1,170	-	1,057	-	2,227
Cash Due from Central Depository	-	2,339,888	146,560	231,350	2,717,798
Accounts Receivable (Net)	2,415	46,945	2,991	62,061	114,412
Due from Federal Government	-	-	424,021	-	424,021
Due from State Government	-	-	24,157	-	24,157
Inventories	110,152	-	-	-	110,152
Prepaid Expenses	4,500	-	-	-	4,500
Total Current Assets	118,237	2,386,833	598,786	293,411	3,397,267
Noncurrent Assets:					
Capital Assets:					
Land	1,927,942	-	205,990	37,800	2,171,732
Buildings	758,351	204,192	1,960,633	305,456	3,228,632
Improvements Other than Buildings	955,529	-	186,356	-	1,141,885
Equipment and Vehicles	745,819	1,388,515	2,797,119	76,176	5,007,629
Less: Accumulated Depreciation	(1,711,920)	(940,405)	(2,478,950)	(12,395)	(5,143,670)
Net Capital Assets	2,675,721	652,302	2,671,148	407,037	6,406,208
Other Assets:					
Bond Issue Costs (Net)	15,592	-	-	-	15,592
Total Noncurrent Assets	2,675,721	652,302	2,671,148	407,037	6,421,800
Total Assets	2,809,550	3,039,135	3,269,934	700,448	9,819,067
LIABILITIES:					
Current Liabilities:					
Cash Due to Central Depository	1,798,151	-	-	-	1,798,151
Accounts Payable	13,926	92,721	9,554	5,778	121,979
Accrued Payroll Expenses	27,235	17,131	48,026	6,265	98,657
Accrued Expenses	13,109	-	-	-	13,109
Compensated Absences-Current Portion	33,102	20,099	39,541	5,359	98,101
Leases Payable - Current Portion	38,396	-	-	-	38,396
Bonds Payable - Current Portion	180,000	-	-	-	180,000
Total Current Liabilities	2,103,919	129,951	97,121	17,402	2,348,393

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2008

	Golf Courses Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
Noncurrent Liabilities:					
Deferred Revenue	58,651	-	-	-	58,651
Compensated Absences	8,799	5,343	10,511	1,424	26,077
Leases Payable	83,058	-	-	-	83,058
Bonds Payable	1,545,000	-	-	-	1,545,000
Less: Deferred Debt Refunding	(61,576)	-	-	-	(61,576)
Special Commission Bonds	-	57,099	-	-	57,099
Total Noncurrent Liabilities	1,633,932	62,442	10,511	1,424	1,708,309
Total Liabilities	3,737,851	192,393	107,632	18,826	4,056,702
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	906,435	652,302	2,671,148	407,037	4,636,922
Unrestricted	(1,834,736)	2,194,440	491,154	274,585	1,125,443
Total Net Assets	$ (928,301)	2,846,742	3,162,302	681,622	5,762,365

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

	Golf Courses Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
Operating Revenues:					
Charges for Services (Net)	$ 1,069,018	2,191,065	303,296	975,833	4,539,212
Other Revenue	24,291	-	23,562	14,002	61,855
Total Operating Revenues	1,093,309	2,191,065	326,858	989,835	4,601,067
Operating Expenses:					
Administration	-	93,200	-	45,000	138,200
Personnel Services	783,244	579,055	1,822,442	233,652	3,418,393
Contractual Services	12,857	508,899	5,919	80,523	608,198
Materials and Supplies	70,987	54,667	97,557	99,038	322,249
Repairs and Maintenance	88,171	427,380	495,418	1,748	1,012,717
Bad Debt Expense	575	14,363	-	11,159	26,097
Items for Resale	66,718	-	-	-	66,718
Other Operating Expenses	148,511	4,430	90,227	12,716	255,884
Depreciation and Amortization	117,063	136,591	331,005	11,175	595,834
Total Operating Expenses	1,288,126	1,818,585	2,842,568	495,011	6,444,290
Operating Income (Loss)	(194,817)	372,480	(2,515,710)	494,824	(1,843,223)
Non-Operating Revenues (Expenses):					
Investment Income	-	73,861	-	3,932	77,793
Operating Grants	-	-	1,509,571	-	1,509,571
Interest Expenses and Commissions	(172,135)	-	-	-	(172,135)
Amortization - Bond Cost	(1,949)	-	-	-	(1,949)
Gain (Loss) on Sale of Capital Assets	7,820	-	(27,549)	-	(19,729)
Total Non-Operating Revenues (Expenses)	(166,264)	73,861	1,482,022	3,932	1,393,551
Income (Loss) Before Operating Transfers and Capital Contributions	(361,081)	446,341	(1,033,688)	498,756	(449,672)
Transfers and Capital Contributions:					
Transfers In	461,101	-	498,825	-	959,926
Transfers Out	-	(135,980)	-	-	(135,980)
Federal Capital Grant Revenue	-	-	399,997	-	399,997
State Capital Grant Revenue	-	-	39,274	-	39,274
Total Transfers and Capital Contributions	461,101	(135,980)	938,096	-	1,263,217
Change in Net Assets	100,020	310,361	(95,592)	498,756	813,545
Net Assets, July 1, 2007	(1,028,321)	2,536,381	3,257,894	182,866	4,948,820
Net Assets, June 30, 2008	$ (928,301)	2,846,742	3,162,302	681,622	5,762,365

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

	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	$ 1,089,023	2,174,223	348,102	916,464	4,527,812
Payments to Employees	(785,876)	(571,802)	(1,807,406)	(223,459)	(3,388,543)
Payments to Suppliers	(322,512)	(616,046)	(280,212)	(355,197)	(1,573,967)
Payments for Interfund Services Used	(70,761)	(517,853)	(460,550)	-	(1,049,164)
Net Cash Provided (Used) by Operating Activities	(90,126)	468,522	(2,200,066)	337,808	(1,483,862)
Cash Flows from Noncapital Financing Activities:					
Transfers to Other Funds	-	(135,980)	-	-	(135,980)
Advances from Other Funds	461,101	-	498,825	-	959,926
Operating Grants Received	-	-	1,492,842	-	1,492,842
Net Cash Provided (Used) by Noncapital Financing Activities	461,101	(135,980)	1,991,667	-	2,316,788
Cash Flows from Capital and Related Financing Activities:					
Purchase of Capital Assets	(3,688)	(84,614)	(292,547)	(111,734)	(492,583)
Capital Grants Received	-	-	439,270	-	439,270
Principal Paid on Capital Debt	(173,052)	(36,639)	-	-	(209,691)
Principal Paid on Capital Lease	(38,397)	-	-	-	(38,397)
Interest Paid on Capital Debt	(163,658)	-	-	-	(163,658)
Sale of Capital Assets	7,820	-	-	153	7,973
Net Cash Provided (Used) by Capital and Related Financing Activities	(370,975)	(121,253)	146,723	(111,581)	(457,086)
Cash Flows from Investing Activities:					
Interest and Related Income/Expenses and Investments	-	73,861	-	3,932	77,793
Net Cash Provided (Used) by Investing Activities	-	73,861	-	3,932	77,793
Net Increase (Decrease) in Cash and Cash Equivalents	-	285,150	(61,676)	230,159	453,633
Cash and Cash Equivalents, July 1, 2007	1,170	2,054,738	209,293	1,191	2,266,392
Cash and Cash Equivalents, June 30, 2008	$ 1,170	2,339,888	147,617	231,350	2,720,025
Classified as Current Assets	$ 1,170	2,339,888	147,617	231,350	2,720,025
Totals	$ 1,170	2,339,888	147,617	231,350	2,720,025

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

	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 (Used) by Operating Activities:					
Operating Income (Loss)	$ (194,817)	372,480	(2,515,710)	494,824	(1,843,223)
Adjustments:					
Depreciation	117,063	136,591	331,005	11,175	595,834
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(2,412)	(2,479)	21,245	(62,060)	(45,706)
(Increase) Decrease in Inventories	13,319	-	-	-	13,319
Increase (Decrease) in Accounts Payable and Accrued Expenses	(19,350)	(45,323)	(51,642)	(116,324)	(232,639)
Increase (Decrease) in Accrued Payroll Expenses	2,050	4,140	5,426	4,706	16,322
Increase (Decrease) in Compensated Absences	(4,683)	3,113	9,610	5,487	13,527
Increase (Decrease) in Deferred Revenue	(1,296)	-	-	-	(1,296)
Net Cash Provided (Used) by Operating Activities	$ (90,126)	468,522	(2,200,066)	337,808	(1,483,862)

Non-Cash Capital and Related Financing Activities:

Buffalo Valley Golf Course:

- Amortization of Deferred Bond Refunding totaling $1,949 was included with Interest Expense on the Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.

Reconciliation of Cash and Cash Equivalents from Statement of Cash Flows					
Cash on Hand	$ 1,170	-	1,057	-	2,227
Cash Due From Central Depository	-	2,339,888	146,560	231,350	2,717,798
	$ 1,170	2,339,888	147,617	231,350	2,720,025

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 ASSETS
INTERNAL SERVICE FUNDS
June 30, 2008

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$ 9,993,271	-	9,993,271
Cash Due from Central Depository	200,061	-	200,061
Accounts Receivable (Net)	-	68,638	68,638
Inventories	-	452,418	452,418
Total Current Assets	10,193,332	521,056	10,714,388
Non-Current Assets:			
Capital Assets:			
Equipment and Vehicles	-	650,501	650,501
Less: Accumulated Depreciation	-	(628,428)	(628,428)
Net Capital Assets	-	22,073	22,073
Total Non-Current Assets	-	22,073	22,073
Total Assets	10,193,332	543,129	10,736,461
LIABILITIES:			
Current Liabilities:			
Cash Due to Central Depository	-	103,883	103,883
Accounts Payable	64,886	286,281	351,167
Accrued Payroll Expenses	2,988	46,647	49,635
Compensated Absences-Current Portion	-	42,272	42,272
Other Liabilities	3,030,997	-	3,030,997
Total Current Liabilities	3,098,871	479,083	3,577,954
Non-Current Liabilities:			
Compensated Absences	-	11,237	11,237
Total Non-Current Liabilities	-	11,237	11,237
Total Liabilities	3,098,871	490,320	3,589,191
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	-	22,073	22,073
Unrestricted	7,094,461	30,736	7,125,197
Total Net Assets	$ 7,094,461	52,809	7,147,270

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS-INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
Operating Revenues:			
Charges for Services (Net)	$ 13,756,529	6,377,661	20,134,190
Miscellaneous	25,911	6,629	32,540
Total Operating Revenues	13,782,440	6,384,290	20,166,730
Operating Expenses:			
Personnel Services	145,043	1,878,816	2,023,859
Contractual Services	14,177,298	63,869	14,241,167
Materials and Supplies	-	43,485	43,485
Repairs and Maintenance	-	4,261,995	4,261,995
Other Operating Expenses	-	122,444	122,444
Depreciation and Amortization	-	13,681	13,681
Total Operating Expenses	14,322,341	6,384,290	20,706,631
Operating Income (Loss)	(539,901)	-	(539,901)
Non-Operating Revenues (Expenses):			
Investment Income	372,872	-	372,872
Total Non-Operating Revenues (Expenses)	372,872	-	372,872
Income (Loss) Before Operating Transfers	(167,029)	-	(167,029)
Transfers:			
Transfers In	280,000	-	280,000
Total Transfers	280,000	-	280,000
Change in Net Assets	112,971	-	112,971
Net Assets, July 1, 2007	7,720,490	52,809	7,773,299
Prior Period Adjustment - Automotive Insurance and General Liability	(739,000)	-	(739,000)
Net Assets, July 1, 2007 (restated)	6,981,490	52,809	7,034,299
Net Assets, June 30, 2008	$ 7,094,461	52,809	7,147,270

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
Cash Flows from Operating Activities:			
Receipts from Customers and Users	$ 13,813,453	343,868	14,157,321
Receipts from Interfund Services Provided	-	5,971,784	5,971,784
Payments to Employees	(144,338)	(1,871,411)	(2,015,749)
Payments to Suppliers	(14,515,905)	(4,400,262)	(18,916,167)
Payments for Interfund Services Used	-	(43,979)	(43,979)
Net Cash Provided (Used) by Operating Activities	(846,790)	-	(846,790)
Cash Flows from Noncapital Financing Activities:			
Loans from Other Funds	280,000	-	280,000
Net Cash Provided (Used) by Noncapital Financing Activities	280,000	-	280,000
Cash Flows from Investing Activities:			
Interest Received	372,871	-	372,871
Net Cash Provided (Used) by Investing Activities	372,871	-	372,871
Net Increase (Decrease) in Cash and Cash Equivalents	(193,919)	-	(193,919)
Cash and Cash Equivalents, July 1, 2007	10,387,251	-	10,387,251
Cash and Cash Equivalents, June 30, 2008	$ 10,193,332	-	10,193,332
Classified as Current Assets:	$ 10,193,332	-	10,193,332
Totals	$ 10,193,332	-	10,193,332

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (539,901)	-	(539,901)
Adjustments:			
Depreciation and Amortization	-	13,681	13,681
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	31,013	(68,638)	(37,625)
(Increase) Decrease in Inventories	-	(47,576)	(47,576)
Increase (Decrease) in Accounts Payable	(161,833)	95,128	(66,705)
Increase (Decrease) in Other Liabilities	(176,774)	-	(176,774)
Increase (Decrease) in Accrued Payroll Expenses	705	4,635	5,340
Increase (Decrease) in Compensated Absences	-	2,770	2,770
Net Cash Provided (Used) by Operating Activities	$ (846,790)	0	(846,790)

Reconciliation of Cash and Cash Equivalents from Statement of Cash Flows			
Cash in Bank	$ 9,993,271	-	9,993,271
Cash Due from Central Depository	200,061	-	200,061
	10,193,332	-	10,193,332

See Independent Auditors' Report.

CAPITAL ASSETS

USED IN THE OPERATION

OF GOVERNMENTAL FUNDS

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE[1]
June 30, 2008

Governmental Funds Capital Assets:		2008	2007
Land	$	17,005,095	17,075,561
Buildings		138,705,187	138,497,016
Equipment and Vehicles		31,185,044	30,674,572
Infrastructure		141,332,585	136,668,300
Construction in Progress		16,693,027	6,937,149
Total Governmental Funds Capital Assets	$	344,920,938	329,852,598

Investments in Governmental Funds Capital Assets by Source:			
General Fund	$	197,221,538	192,160,276
General Purpose School Fund		2,635,451	2,476,599
Special Revenue Funds		119,303,819	118,594,650
Capital Project Funds		9,067,103	9,683,924
Construction in Progress		16,693,027	6,937,149
Total Governmental Funds Capital Assets	$	344,920,938	329,852,598

[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 ACTIVITY[1]
June 30, 2008

Function and Activity	Land	Buildings	Equipment & Vehicles	Infrastructure	Construction in Progress	Total
General Government:						
General Administration	$ 7,477,019	15,060,299	1,345,868	-	-	23,883,186
Information Technology	-		966,455	-	-	966,455
Total General Governement	7,477,019	15,060,299	2,312,323	-	-	24,849,641
Education:						
General Operations	7,517,242	107,712,514	2,635,451	-	6,397,647	124,262,854
Food Service	-	-	2,890,820	-	-	2,890,820
Student Transit	-	-	3,195,974	-	-	3,195,974
Total Education	7,517,242	107,712,514	8,722,245	-	6,397,647	130,349,648
Public Welfare and Recreation	237,867	6,114,274	2,362,233	4,526,566	1,939,624	15,180,564
Public Works:						
Public Services	-	164,833	6,721,739	136,806,019	8,355,756	152,048,347
Recycling	-	462,980	-	-	-	462,980
Total Public Works	-	627,813	6,721,739	136,806,019	8,355,756	152,511,327
Public Safety:						
Police	-	-	5,936,173	-	-	5,936,173
Fire	-	2,296,299	4,796,727	-	-	7,093,026
Civil Defense	-	-	303,079	-	-	303,079
Total Public Safety	-	2,296,299	11,035,979	-	-	13,332,278
City Service:						
Library	1,772,967	6,893,988	-	-	-	8,666,955
Community Development	-	-	30,525	-	-	30,525
Total City Service	1,772,967	6,893,988	30,525	-	-	8,697,480
Total Governmental Funds Capital Assets	$ 17,005,095	138,705,187	31,185,044	141,332,585	16,693,027	344,920,938

[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 ACTIVITY[1]
For the Fiscal Year Ended June 30, 2008

Function and Activity	Governmental Funds Capital Assets June 30, 2007	Additions	Deletions	Adjustments	Governmental Funds Capital Assets June 30, 2008
General Government:					
General Administration	$ 23,967,696	150,454	(234,964)	-	23,883,186
Information Technology	2,116,841	104,335	(1,254,721)	-	966,455
Total General Government	26,084,537	254,789	(1,489,685)	-	24,849,641
Education:					
General Operations	119,312,554	4,999,408	(49,108)	-	124,262,854
Food Service	2,832,791	58,029	-	-	2,890,820
Student Transit	2,799,899	396,075	-	-	3,195,974
Total Education	124,945,244	5,453,512	(49,108)	-	130,349,648
Public Welfare and Recreation:					
Public Welfare and Recreation	13,520,459	1,784,159	(124,054)	-	15,180,564
Total Public Welfare	13,520,459	1,784,159	(124,054)	-	15,180,564
Public Works:					
Public Services	143,677,782	8,614,818	(244,253)	-	152,048,347
Recycling	462,980	-	-	-	462,980
Total Public Works	144,140,762	8,614,818	(244,253)	-	152,511,327
Public Safety:					
Police	5,596,361	674,572	(334,760)	-	5,936,173
Fire	6,541,120	663,874	(111,968)	-	7,093,026
Civil Defense	326,635	-	(23,556)	-	303,079
Total Public Safety	12,464,116	1,338,446	(470,284)	-	13,332,278
City Service:					
Library	8,666,955	-	-	-	8,666,955
Community Development	30,525	-	-	-	30,525
Total City Service	8,697,480	-	-	-	8,697,480
Total Governmental Funds Capital Assets	$ 329,852,598	17,445,724	(2,377,384)	-	344,920,938

[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, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance 7/1/2007	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2008
PRIMARY GOVERNMENT:							
General Fund:							
Pass Through State of Tennessee:							
10.675	Urban and Community Forestry Program	U.S. Dept. of Agriculture					
		Urban & Community Forestry	$ -	17,500	17,500	-	-
		Sub-total Pass Through State of Tennessee	-	17,500	17,500	-	-
Pass Through Other Organizations:							
93.044	Title III-B,III-D, & III-E	U.S. Dept. of Health and Human Services					
	JOCITY-2007-HOOT-07	First TN Dev. District (from State of TN)	(3,206)	3,734	528	-	-
93.044	Title III-B, III-D, & III-E	U.S. Dept. of Health and Human Services					
	JOCITY-2008-HOOT-08	First TN Dev. District (from State of TN)	-	41,481	48,680	-	(7,199) *
		Sub-total Pass Through Other Organizations	(3,206)	45,215	49,208	-	(7,199)
Total General Fund			(3,206)	62,715	66,708	-	(7,199)
School Federal Projects Fund:							
Pass Through State of Tennessee:							
84.002	Adult Basic Education 2006-2007	Department of Labor and Workforce Development	(29,363)	29,363	-	-	-
84.002	Adult Basic Education 2007-2008	Department of Labor and Workforce Development	-	142,452	167,579	-	(25,127) *
	Total Adult Basic Education		(29,363)	171,815	167,579	-	(25,127)
84.048	Carl Perkins 2006-2007	U.S. Department of Education	(20,389)	20,389	-	-	-
84.048	Carl Perkins 2007-2008	U.S. Department of Education	-	69,669	136,155		(66,486) *
	Total Carl Perkins		(20,389)	90,058	136,155	-	(66,486)
16.999	TITLE IV.A Youth Violence & Drug Use Prevention	US Department of Education	(10,402)	10,402	-	-	-
16.999	TITLE IV.A Youth Violence & Drug Use Prevention	US Department of Education	-	42,099	90,000	-	(47,901) *
	Total Title IV		(10,402)	52,501	90,000	-	(47,901)
16.999	Drug-Free Communities Support Plan	Department of Human Services	(22,147)	22,147	-	-	-
16.999	Drug-Free Communities Support Plan	Department of Human Services	-	96,204	106,704	-	(10,500) *
	Total Drug Free Communities		(22,147)	118,351	106,704	-	(10,500)
84.213C	Even Start Literacy 2006-2007	U.S. Department of Education	(17,534)	17,534	-	-	-
84.213C	Even Start Literacy 2007-2008	U.S. Department of Education	-	57,500	57,500	-	-
	Total Even Start		(17,534)	75,034	57,500	-	-
84.027	IDEA, Project 2005-2006	U.S. Department of Education	(326,419)	326,419	-	-	-
84.027	IDEA, Project 2006-2007	U.S. Department of Education	-	1,110,501	1,462,047	-	(351,546) *
	Total IDEA		(326,419)	1,436,920	1,462,047	-	(351,546)

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance 7/1/2007	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2008
84.027	Preschool Incentive, Project 2006-2007	U.S. Department of Education	(11,592)	11,592	-	-	-
84.027	Preschool Incentive, Project 2007-2008	U.S. Department of Education	-	25,834	39,706	-	(13,872) *
	Total Preschool Incentive		(11,592)	37,426	39,706	-	(13,872)
84.010	Title I, Project 2006-2007	U.S. Department of Education	(64,656)	64,656	-	-	-
84.010	Title I, Project 2007-2008	U.S. Department of Education	-	1,103,772	1,314,268	-	(210,496) *
	Total Title I		(64,656)	1,168,428	1,314,268	-	(210,496)
84.318X	Title II, Part D 2006-2007	U.S. Department of Education	4,711	-	4,711	-	-
84.318X	Title II, Part D 2007-2008	U.S. Department of Education	-	11,521	11,726	-	(205) *
	Total Title II, Part D		4,711	11,521	16,437	-	(205)
84.367A	Title II, Part A 2006	U.S. Department of Education	(28,244)	28,244	-	-	-
84.367A	Title II, Part A 2007	U.S. Department of Education	-	268,738	340,883	-	(72,145) *
	Total Title II, Part A		(28,244)	296,982	340,883	-	(72,145)
84.365A	Title III, ESL 2006-2007	U.S. Department of Education	(6,519)	6,519	-	-	-
84.365A	Title III, ESL 2007-2008	U.S. Department of Education	-	20,310	33,066	-	(12,756) *
	Total Title III		(6,519)	26,829	33,066	-	(12,756)
84.298A	Title V, Innovative Programs 2006 01	U.S. Department of Education	(7,678)	7,678	-	-	-
84.298A	Title V, Innovative Programs 2007 01	U.S. Department of Education	-	4,314	12,048	-	(7,734) *
	Total Title V, Innovative Programs		(7,678)	11,992	12,048	-	(7,734)
84.186A	Title V, Safe & Drug Free Schools & Communities 2006	U.S. Department of Education	(14,552)	14,552	-	-	-
84.186A	Title V, Safe & Drug Free Schools & Communities 2007	U.S. Department of Education	-	15,365	30,645	-	(15,280) *
	Total Title V, Safe & Drug Free Schools & Communities		(14,552)	29,917	30,645	-	(15,280)
84.215x	Tn's First Fontier Teaching Amer History	U.S. Department of Education	(8,153)	163,700	208,556	-	(53,009) *
	Total Tn's First Fontier Teaching Amer History		(8,153)	163,700	208,556	-	(53,009)
84.196	TITLE X, Part C,McKinney Homeless Grant	U.S. Department of Education	(9,099)	9,099	-	-	-
84.196	TITLE X, Part C,McKinney Homeless Grant	U.S. Department of Education	-	38,570	53,900	-	(15,330) *
	Total Title X		(9,099)	47,669	53,900	-	(15,330)
84.287C	21st Century Community Learning Center	U.S. Department of Education	(33,060)	33,060	-	-	-
84.287C	21st Century Community Learning Center	U.S. Department of Education	-	72,960	91,225	-	(18,265) *
	Total 21st Century		(33,060)	106,020	91,225	-	(18,265)

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance 7/1/2007	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2008
School Federal Projects Fund:							
Pass Through State of Tennessee: (continued)							
94.004	Learn and Serve	Corporation for National and Community Service	(1,621)	1,621	-	-	-
94.004	Learn and Serve	Corporation for National and Community Service	-	2,329	3,171	-	(842) *
	Total Learn and Serve		(1,621)	3,950	3,171	-	(842)
Total School Federal Projects Fund			(606,717)	3,849,113	4,163,890	-	(921,494)
Special School Projects:							
Pass Through State of Tennessee							
93.645	Family Resources 2006-2007	Tennessee Department of Education	(5,685)	5,685	-	-	-
93.645	Family Resources 2007-2008	Tennessee Department of Education	-	30,319	33,300	-	(2,981) *
	Total Family Resources		(5,685)	36,004	33,300	-	(2,981)
84.126	Vocational Rehab 2006	U.S. Department of Education	(7,425)	7,425	-	-	-
84.126	Vocational Rehab 2007	U.S. Department of Education	-	10,281	12,641	-	(2,360) *
	Total Vocational Rehab		(7,425)	17,706	12,641	-	(2,360)
Total School Special Projects			(13,110)	53,710	45,941	-	(5,341)
School Food Service:							
Pass Through State of Tennessee:							
10.533	National School Breakfast Program	U.S. Department of Agriculture	-	277,081	277,081	-	-
10.555	National School Lunch Program	U.S. Department of Agriculture	-	1,160,937	1,160,937	-	-
10.500	National School Snack Program	U.S. Department of Agriculture	-	41,277	41,277	-	-
	Total Pass Through State of Tennessee		-	1,479,295	1,479,295	-	-
Pass Through Northeast Tennessee Cooperative:							
10.550	USDA: Commodity Supplemental Feeding - Commodities Match	Tennessee Department of Agriculture	-	34,006	34,006	-	-
	Feeding - Commodities Distributed	Tennessee Department of Agriculture	-	274,316	274,316	-	-
	Total Pass Through Northeast Tennessee Cooperative		-	308,322	308,322	-	-
Total School Food Service			-	1,787,617	1,787,617	-	-

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance 7/1/2007	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2008
Transportation Planning Fund:							
Pass Through State of Tennessee:							
20.205	Highway Planning and Construction Z-06-030932	U.S. Department of Transportation TN Dept. of Transportation	(65,238)	65,238	-	-	-
20.514	Project TN-90-X012 - Planning/Research Sec. 5303 - GG0612306	U.S. Department of Transportation TN Dept. of Transportation	(5,431)	30,183	34,101	-	(9,349) *
20.205	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	U.S. Department of Transportation TN Dept. of Transportation	(1,814)	6,379	8,259	-	(3,694) *
20.205	Highway Planning and Construction Z-05-024246	U.S. Department of Transportation TN Dept. of Transportation	-	99,396	124,275	-	(24,879) *
Total Transportation Planning Fund			(72,483)	201,196	166,635	-	(37,922)
Police Grants Fund:							
Direct Programs:							
16.607	Bullet Proof Vest Program #2000-BU-BX-01007843	U.S. Dept. of Justice	(4,255)	4,255	4,745	-	(4,745) *
16.738	Byrne JAG I - JC/Wash Co Law Enfor #2005-F1882-TN-DJ	U.S. Dept of Justice	12,292	-	11,329	444	1,407 **
16.738	Byrne JAG II - JC/Wash Co Law Enfor #2006-DJ-BX-0740	U.S. Dept of Justice	3,749	-	-	146	3,895 **
16.738	Byrne JAG III - JC/Wash Co Law Enfor #2007-F1253-TN-DJ	U.S. Dept of Justice	-	58,689	38,770	663	20,582 **
16.595	Central City Community Weed and Seed #2007-WS-Q7-0270	U.S. Dept of Justice	-	1,069	50,327	-	(49,258) *
		Sub-total Direct Programs	11,786	64,013	105,171	1,253	(28,119)
Pass Through State of Tennessee:							
16.580	Byrne - Alcohol/Crime Investigator #Z-99-088453-00	U.S. Dept of Justice TN Dept. of Finance & Admin.	(8,163)	37,126	46,607	-	(17,644) *
16.580	Byrne - Comprehensive Crime Initiative #Z-99-088453-00	U.S. Dept. of Justice TN Dept. of Finance & Admin.	-	31,594	37,357	-	(5,763) *
20.601	High Visibility Law Enforcement #Z-07-035848-00	U.S. Dept of Transportation Governor's Highway Safety Office	(195)	3,308	3,113	-	-
20.601	Safe Cart Program II #Z-07-036124-00	U.S. Dept of Transportation Governor's Highway Safety Office	(152)	1,766	1,614	-	-
20.601	Governor's Highway Safety Office #Z-08-023987-00	U.S. Dept of Transportation Governor's Highway Safety Office	-	9,704	35,167	-	(25,463) *
		Sub-total Pass Through State of Tennessee	(8,510)	83,498	123,858	-	(48,870)
Total Police Grants Fund			3,276	147,511	229,029	1,253	(76,989)

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance 7/1/2007	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2008
Community Development Fund:							
14.218	Community Development Block Grant B-MC-47-0008	U.S. Dept. of Housing & Urban Dev.	(153,921)	229,401	205,695	-	(130,215) *
Total Community Development Fund			(153,921)	229,401	205,695	-	(130,215)
Mass Transit Fund:							
Direct Programs:							
20.516	Job Access - Operating TN-37-X038 / GG-06-11327	U.S. Department of Transportation	(24,326)	24,326	23,486	-	(23,486) *
20.507	Project #TN-90-X216 - Operating GG-07-12814	U.S. Department of Transportation	(194,223)	194,223	234,838	-	(234,838) *
20.507	Project #TN-90-X178 - Capital GG-01-08887	U.S. Department of Transportation	(28,720)	28,720	-		-
20.507	Project #TN-90-X208 - Capital GG-04-10830	U.S. Department of Transportation	(24,326)	24,326	165,697	-	(165,697) *
20.507	Project #TN-90-X216 - Capital GG-05-11604	U.S. Department of Transportation	(7,811)	7,811	-	-	-
		Sub-total Direct Programs	(279,406)	279,406	424,021	-	(424,021)
Total Mass Transit Fund			(279,406)	279,406	424,021	-	(424,021)
Johnson City Power Board:							
11.300	Public Works Program 04-01-05882	U.S. Department of Commerce	-	900,000	900,000	-	-
Total Johnson City Power Board			-	900,000	900,000	-	-
TOTAL FEDERAL GRANTS-PRIMARY GOVERNMENT		$	(1,125,567)	7,510,669	7,989,536	1,253	(1,603,181)

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.

* 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, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance 7/1/2007	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2008
General Fund:							
Direct Programs:							
N/A	State Boarding of Prisoners	Tennessee Dept. of Correction	$ (116,904)	1,477,649	1,475,205	-	(114,460) *
		Sub-total Direct Programs	(116,904)	1,477,649	1,475,205	-	(114,460)
Pass Through Other Organizations:							
N/A	Juvenile Court State Supplement	TN Commission on Children & Youth					
	Z-06-020439-00	Washington County, TN	-	4,500	4,500	-	-
N/A	Senior Center Operations	TN Commission on Aging					
	JOCITY-2007-HOOT-07	First TN Development District	-	20,000	20,000	-	-
N/A	Senior Center Operations	TN Commission on Aging					
	JOCITY-2008-HOOT-08	First TN Development District	-	18,333	20,000	-	(1,667) *
		Sub-total Pass Through Other Organizations	-	42,833	44,500	-	(1,667)
Total General Fund			(116,904)	1,520,482	1,519,705	-	(116,127)
Special School Projects Fund:							
N/A	LOTTERY PRE-K	Tennessee Department of Education	(36,127)	187,399	222,909	-	(71,637) *
N/A	Lottery for Education:AfterSchool PGM	Tennessee Department of Education	(42,128)	42,128	-	-	-
N/A	Lottery for Education:AfterSchool PGM	Tennessee Department of Education	-	37,160	65,527	-	(28,367) *
N/A	Lottery for Education:AfterSchool PGM	Tennessee Department of Education	(64,153)	64,153	-	-	-
N/A	Lottery for Education:AfterSchool PGM	Tennessee Department of Education	-	55,807	113,790	-	(57,983) *
N/A	Lottery for Education:AfterSchool PGM	Tennessee Department of Education	(35,733)	35,733	-	-	-
N/A	Lottery for Education:AfterSchool PGM	Tennessee Department of Education	-	16,870	112,203	-	(95,333) *
	Total LEAPS		(142,014)	251,851	291,520	-	(181,683)
N/A	Safe Schools 2006-2007	Tennessee Department of Education	(13,081)	13,081	-	-	-
N/A	Safe Schools 2007-2008	Tennessee Department of Education	-	23,797	32,607	-	(8,810) *
	Total Safe Schools		(13,081)	36,878	32,607	-	(8,810)
N/A	Coordinated School Health	Tennessee Department of Education	(55,384)	123,265	104,996	-	(37,115) *
N/A	EUDL	Tennessee Department of Education	-	10,843	38,731	-	(27,888) *
Total Special School Projects Fund			(246,606)	610,236	690,763	-	(327,133)

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance 7/1/2007	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2008
Transportation Planning Fund:							
N/A	Project TN-90-X012 - Planning/Research Sec. 5303 - GG0612306	Tennessee Department of Transportation	(678)	678	-	-	-
N/A	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	Tennessee Department of Transportation	(226)	226	-	-	-
Total Transportation Planning Fund			(904)	904	-	-	-
Community Development Fund:							
N/A	Emergency Shelter Grant Z-05-020660-01	TN Dept. of Human Services	(15,017)	52,946	50,400	-	(12,471) *
Total Community Development Fund			(15,017)	52,946	50,400	-	(12,471)
Mass Transit Fund:							
N/A	Job Access - Operating TN-37-X038 / GG-06-11327	Tennessee Department of Transportation	(12,163)	12,163	4,783	-	(4,783) *
N/A	Project #TN-90-X216 - Operating GG-07-12814	Tennessee Department of Transportation	(106,667)	106,667	2,224	-	(2,224) *
N/A	Project #TN-90-X208 - Capital Option GG-04-10830	Tennessee Department of Transportation	(5,888)	5,888	16,239	-	(16,239) *
N/A	Project #TN-90-X209 - Capital GG-04-10830-01	Tennessee Department of Transportation	(142)	-	-	142	-
N/A	Project #TN-90-X216 - Capital GG-04-10830	Tennessee Department of Transportation	(976)	976	-	-	-
N/A	Project #TN-90-X233 - Capital GG-06-10830	Tennessee Department of Transportation	-	-	-	-	-
Total Mass Transit Fund			(125,836)	125,694	23,246	142	(23,246)
Water & Sewer Fund:							
Direct Programs:							
N/A	Water System Improvements American Water Heater Company	U.S. Department of Economic and Community Development	-	110,931	186,078	-	(75,147) *
N/A	Water System Improvements Bayless Road Project	U.S. Department of Economic and Community Development	(31,492)	-	202,758	-	(234,250) *
Total Water & Sewer Fund			(31,492)	110,931	388,836	-	(309,397)

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance 7/1/2007	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2008
Johnson City Public Library:							
N/A	Library Services Technolgy Assistance	State of Tennessee	-	6,900	6,900	-	-
N/A	Community Enhancement	State of Tennessee	-	12,000	12,000	-	-
Total Johnson City Public Library			-	18,900	18,900	-	-
Johnson City Development Authority:							
N/A	Main Street Innovation Grant	State of Tennessee Governor's Conference	-	11,457	11,457	-	-
N/A	Three-Star Priority Grant GR-08-24363-00	U.S. Department of Economic and Community Development	-	-	2,500	-	(2,500) *
Total Johnson City Development Authority			-	11,457	13,957	-	(2,500)
TOTAL STATE GRANTS			$ (536,759)	2,451,550	2,705,807	142	(790,874)

* Receivable ** Unused Revenue

See Independent Auditors' Report.

Statistical Section

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: **Page**

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 174

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 182

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. 186

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. 192

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. 195

Other Statistical Schedules

These statistical schedules present information that is required to be presented by the State of Tennessee as supplementary information. 198

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

CITY OF JOHNSON CITY, TENNESSEE
NET ASSETS BY COMPONENT
FOR THE FISCAL YEARS NOTED
(accrual basis of accounting)
(Unaudited)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental Activities							
Invested in Capital Assets, Net of Related Debt	$ 65,828,986	69,634,762	68,066,836	69,035,062	67,480,139	67,467,865	93,937,907
Restricted	5,802,936	6,423,195	1,339,792	1,235,783	1,108,571	6,625,729	-
Unrestricted	8,812,085	12,932,492	27,064,737	38,368,429	51,502,610	57,777,385	75,895,859
Total Governmental Activities Net Assets	$ 80,444,007	88,990,449	96,471,365	108,639,274	120,091,320	131,870,979	169,833,766
Business-Type Activities							
Invested in Capital Assets, Net of Related Debt	$ 130,726,623	143,691,479	151,024,946	164,362,698	170,338,354	181,475,490	187,286,301
Restricted	3,789,232	1,546,874	595,205	501,521	660,326	483,449	482,776
Unrestricted	8,694,385	7,817,725	9,307,410	8,347,415	14,036,942	14,101,598	20,336,221
Total Business-Type Activities Net Assets	$ 143,210,240	153,056,078	160,927,561	173,211,634	185,035,622	196,060,537	208,105,298
Primary Government							
Invested in Capital Assets, Net of Related Debt	$ 196,555,609	213,326,241	219,091,782	233,397,760	236,542,197	248,943,355	281,224,208
Restricted	9,592,168	7,970,069	1,934,997	1,737,304	1,768,897	7,109,178	482,776
Unrestricted	17,506,470	20,750,217	36,372,147	46,715,844	66,815,848	71,878,983	96,232,080
Total Primary Government Net Assets	$ 223,654,247	242,046,527	257,398,926	281,850,908	305,126,942	327,931,516	377,939,064

Information not available prior to 2002.

See Independent Auditors' Report.

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental Activities:							
General Government	$ 11,404,279	10,381,350	7,249,216	7,518,525	7,102,418	10,246,706	12,982,708
Public Safety	17,178,099	17,322,254	17,676,316	18,254,020	19,537,869	20,196,334	23,050,291
Public Works	9,034,320	10,666,838	11,581,458	10,648,651	11,740,047	11,954,349	11,759,714
Public Welfare	4,735,469	5,640,206	5,485,982	6,211,203	6,309,383	6,551,969	5,455,063
City Services	1,343,376	1,361,193	2,090,545	1,818,017	1,789,975	2,105,771	2,262,984
Education	43,763,902	45,705,523	48,542,847	51,957,017	54,448,620	57,396,706	61,434,692
Interest on Long-Term Debt	5,789,746	5,208,576	4,713,367	4,760,654	3,040,993	7,140,164	4,144,293
Total Governmental Activities Expenses	93,249,191	96,285,940	97,339,731	101,168,087	103,969,305	115,591,999	121,089,745
Business-Type Activities:							
Water and Sewer	16,047,642	15,871,722	16,885,803	17,309,426	18,616,496	21,053,584	21,710,919
City Solid Waste	6,523,049	6,603,231	6,737,417	6,654,113	7,040,115	7,294,552	7,813,531
Regional Solid Waste	1,634,139	1,208,387	1,272,173	1,410,536	1,615,196	1,658,724	1,818,585
Johnson City Power Board	104,882,717	112,540,287	118,868,370	119,754,592	133,197,667	143,319,219	153,413,844
Public Building Authority	2,536,430	3,437,385	3,295,700	2,376,597	2,294,949	2,107,230	1,805,760
Mass Transit	1,796,611	1,757,068	1,934,480	1,901,831	2,193,038	2,489,530	2,842,568
Stormwater Management	-	-	-	-	-	144,542	495,011
Golf Courses	1,498,244	1,247,855	1,217,833	1,231,510	1,393,946	1,472,066	1,462,210
Total Business-Type Activities Expenses	134,918,832	142,665,935	150,211,776	150,638,605	166,351,407	179,539,447	191,362,428
Total Primary Government Expenses	$ 228,168,023	238,951,875	247,551,507	251,806,692	270,320,712	295,131,446	312,452,173

(Continued)

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Program Revenues							
Governmental Activities:							
Charges for Services:							
Public Safety	$ 2,365,752	2,699,122	1,351,314	1,470,777	1,577,697	1,507,099	1,586,621
City Services	240,095	1,147,694	2,419,198	2,105,424	2,113,662	2,445,477	2,441,483
Education	2,556,732	2,415,390	2,262,888	2,445,031	2,708,056	3,038,039	2,752,587
Other Activities	2,443,996	1,698,033	1,224,777	1,232,901	2,469,235	2,332,593	2,829,651
Operating Grants and Contributions	24,102,639	24,646,466	26,225,494	30,133,808	30,516,925	33,419,313	35,525,329
Capital Grants and Contributions	-	4,702,519	2,277,006	626,238	164,833	-	31,055
Total Governmental Activities Program Revenues	31,709,214	37,309,224	35,760,677	38,014,179	39,550,408	42,742,521	45,166,726
Business-Type Activities:							
Charges for Services:							
Water and Sewer	17,706,771	19,631,344	19,690,045	20,288,469	21,772,092	23,133,709	23,543,970
City Solid Waste	6,635,333	7,468,291	7,897,479	7,917,942	8,257,612	8,622,823	9,100,844
Johnson City Power Board	111,054,311	118,634,679	124,669,151	128,314,735	141,680,530	150,526,423	161,195,320
Other Activities	4,633,523	5,444,811	5,621,249	5,194,686	5,277,396	5,499,351	6,653,378
Operating Grants and Contributions	1,275,705	1,417,259	1,142,869	995,661	1,103,458	1,249,319	1,509,571
Capital Grants and Contributions	303,981	1,306,351	1,090,342	1,717,925	818,212	397,599	797,607
Total Business-Type Activities Program Revenues	141,609,624	153,902,735	160,111,135	164,429,418	178,909,300	189,429,224	202,800,690
Total Primary Government Program Revenues	$ 173,318,838	191,211,959	195,871,812	202,443,597	218,459,708	232,171,745	247,967,416
Net (Expense)/Revenue							
Governmental Activities	$ (61,539,977)	(58,976,716)	(61,579,054)	(63,153,908)	(64,418,897)	(72,849,478)	(75,923,019)
Business-Type Activities	6,690,792	11,236,800	9,899,359	13,790,813	12,557,893	9,889,777	11,438,262
Total Primary Government Net (Expense)	$ (54,849,185)	(47,739,916)	(51,679,695)	(49,363,095)	(51,861,004)	(62,959,701)	(64,484,757)

(Continued)

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Taxes:							
Property Taxes	$ 28,998,959	29,408,782	30,057,774	32,741,230	33,591,476	34,543,483	36,458,981
Sales Taxes	28,278,484	27,419,503	28,721,469	30,095,052	32,012,124	33,525,842	34,904,671
Other Taxes	6,853,737	6,777,017	6,477,387	6,867,324	7,510,307	7,802,498	8,474,886
Unrestricted Investment Earnings	433,546	371,760	270,478	737,108	1,858,159	2,775,619	2,560,328
Miscellaneous	2,173,707	1,802,171	1,530,007	1,366,945	174,525	5,889,333	29,340,255
Transfers	589,438	2,013,728	2,148,158	2,278,248	2,098,500	1,565,076	2,203,230
Total Governmental Activities	67,327,871	67,792,961	69,205,273	74,085,907	77,245,091	86,101,851	113,942,351
Business-Type Activities:							
Unrestricted Investment Earnings	1,461,450	373,899	245,100	332,770	1,167,313	2,770,991	2,350,892
Miscellaneous	233,447	382,479	-	438,738	197,282	(5,428)	458,838
Transfers	(589,438)	(2,013,728)	(2,148,158)	(2,278,248)	(2,098,500)	(1,565,076)	(2,203,230)
Total Business-Type Activities	1,105,459	(1,257,350)	(1,903,058)	(1,506,740)	(733,905)	1,200,487	606,500
Total Primary Government	$ 68,433,330	66,535,611	67,302,215	72,579,167	76,511,186	87,302,338	114,548,851
Change in Net Assets							
Governmental Activities	$ 5,787,894	8,816,245	7,626,219	10,931,999	12,826,194	13,252,373	38,019,332
Business-Type Activities	7,796,251	9,979,450	7,996,301	12,284,073	11,823,988	11,090,264	12,044,762
Total Primary Government	$ 13,584,145	18,795,695	15,622,520	23,216,072	24,650,182	24,342,637	50,064,094

Information not available prior to 2002.

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
1999	22,009,570	3,036,073	21,448,956	-	891,788	1,471,798	285,122	755,519	368,711	361,033	-	50,628,570
2000	23,180,852	2,661,762	22,561,606	-	1,027,605	1,569,562	300,549	821,117	497,731	278,277	-	52,899,061
2001	24,620,392	3,516,368	23,314,961	-	1,070,085	1,629,893	297,675	852,688	456,646	467,264	-	56,225,972
2002	27,756,409	1,242,550	24,944,155	3,334,329	1,345,704	1,533,506	340,401	789,544	534,241	547,142	1,568,308	63,936,289
2003	28,189,818	1,218,964	24,072,977	3,346,526	1,311,531	1,654,319	359,470	771,638	313,280	556,094	1,810,685	63,605,302
2004	28,749,841	1,307,933	25,462,839	3,258,630	1,405,547	1,725,538	372,019	842,594	687,446	589,580	854,663	65,256,630
2005	31,429,944	1,311,286	26,712,881	3,382,171	1,534,947	1,805,940	361,364	885,521	516,393	577,627	1,185,532	69,703,606
2006	32,167,845	1,423,631	28,294,239	3,717,885	1,647,154	1,816,061	446,371	958,196	701,976	588,419	1,352,130	73,113,907
2007	33,064,284	1,479,199	29,452,416	4,073,426	1,743,053	1,754,139	551,289	1,002,315	495,264	629,898	1,626,540	75,871,823
2008	34,913,535	1,545,446	30,809,215	4,095,456	1,836,729	1,953,748	517,842	1,035,770	485,807	787,281	1,857,709	79,838,538

Information prior to 2002 is presented using the modified accrual basis of accounting.

See Independent Auditors' Report.

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

	Fiscal Year				
	1999	2000	2001	2002	2003
General Fund					
Reserved	139,027	193,003	419,344	$ 506,239	715,889
Unreserved	7,373,043	5,804,552	2,024,867	5,343,621	5,949,014
Total General Fund	7,512,070	5,997,555	2,444,211	$ 5,849,860	6,664,903
All Other Governmental Funds					
Reserved	2,180,499	1,872,980	1,681,294	$ 1,968,692	2,049,980
Unreserved, reported in:					
Special Revenue Funds	790,735	718,608	1,581,365	4,585,218	6,391,322
Capital Project Funds	(13,558,062)	(10,613,448)	7,905,828	3,992,758	3,812,255
Total all Other Governmental Funds	(10,586,828)	(8,021,860)	11,168,487	$10,546,668	12,253,557

	2004	2005	2006	2007	2008
General Fund					
Reserved	2,239,857	2,739,904	3,139,975	1,465,885	2,703,817
Unreserved	8,585,184	11,085,672	14,209,712	19,171,689	20,491,781
Total General Fund	10,825,041	13,825,576	17,349,687	20,637,574	23,195,598
All Other Governmental Funds					
Reserved	2,405,370	2,926,613	3,279,288	3,421,588	3,955,386
Unreserved, reported in:					
Special Revenue Funds	6,838,620	7,359,144	7,100,574	6,914,743	6,324,458
Capital Project Funds	2,950,645	8,858,602	17,156,764	15,718,186	35,826,059
Total all Other Governmental Funds	12,194,635	19,144,359	27,536,626	26,054,517	46,105,903

See Independent Auditors' Report.

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues:										
Taxes	50,628,570	52,899,061	56,225,972	58,643,682	58,660,691	61,331,670	65,078,164	68,016,783	69,998,114	73,777,660
Licenses and Permits	714,383	873,542	720,622	817,347	693,800	907,393	988,999	1,141,199	1,063,241	1,014,440
Intergovernmental	27,517,424	29,114,849	36,011,746	30,817,336	31,661,321	32,455,612	35,091,817	35,370,088	38,815,227	41,042,917
Charges for Services	1,819,248	2,736,090	2,890,217	3,214,386	3,246,883	3,160,152	3,299,506	3,474,166	3,493,097	3,528,793
Sale of Property	3,875,865	392,735	10,525	412,631	416,597	66,467	317,641	1,490,276	432,995	143,145
Fines and Forfeitures	769,654	665,026	798,680	1,137,169	1,310,573	1,321,820	1,443,058	1,550,283	1,398,894	1,491,732
Use of Property	1,499,702	1,898,283	2,352,988	1,623,901	1,710,307	2,662,326	2,290,344	2,019,665	2,384,145	2,410,381
Investment Earnings	193,096	418,392	242,262	507,299	371,760	251,925	632,101	1,541,663	2,292,312	2,187,458
Miscellaneous	2,249,072	1,144,197	1,752,995	1,079,005	1,017,049	875,424	701,751	1,211,931	1,307,966	1,716,494
Total Revenues	89,267,014	90,142,175	101,006,007	98,252,756	99,088,981	103,032,789	109,843,381	115,816,054	121,185,991	127,313,020
Expenditures:										
General Government	8,571,586	8,976,747	10,017,967	10,863,994	9,940,946	9,436,485	9,593,656	9,848,863	10,411,369	11,085,668
Public Safety	13,908,841	15,319,127	17,263,941	16,451,487	16,900,884	17,371,848	17,924,968	19,207,764	19,942,643	22,670,820
Public Works	6,610,729	6,589,137	6,587,092	6,127,143	7,801,801	8,059,691	7,518,536	8,006,327	9,090,597	10,090,160
Public Welfare	6,301,191	6,033,120	5,561,905	5,790,202	5,387,930	5,215,580	5,894,087	6,048,271	6,257,074	6,390,206
City Services	-	2,028,975	2,267,819	1,015,110	1,107,267	1,893,464	1,618,348	1,574,399	1,946,010	2,040,465
Education	38,653,622	39,598,870	41,411,565	40,734,322	43,342,763	45,358,328	48,675,282	51,032,222	54,888,885	58,097,916
Miscellaneous	-	118,270	91,743	287,353	17,436	63,273	18,423	-	19,000	-
Capital Outlay	25,280,599	15,845,065	14,551,960	6,249,147	3,096,956	3,557,667	7,505,676	6,450,204	10,734,831	13,732,994
Debt Service:										
Principal	4,800,927	6,176,202	6,695,416	7,185,853	7,550,040	7,146,592	7,386,039	7,447,570	7,101,614	13,438,728
Interest and Fiscal Fees	5,002,397	6,000,451	6,397,812	5,819,175	5,244,117	4,713,367	4,598,310	5,611,096	9,245,927	5,158,406
Other Charges	486,733	126,981	330,819	9,410	-	-	266,066	304,043	-	-
Total Expenditures	109,616,625	106,812,945	111,178,039	100,533,196	100,390,140	102,816,295	110,999,391	115,530,759	129,637,950	142,705,363
Excess of revenues over (under) expenditures	(20,349,611)	(16,670,770)	(10,172,032)	(2,280,440)	(1,301,159)	216,494	(1,156,010)	285,295	(8,451,959)	(15,392,343)

(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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Other Financing Sources (Uses):										
Transfers (Net)	(1,743,080)	(1,456,461)	(1,497,235)	1,868,307	2,013,728	2,148,158	2,254,158	2,087,000	1,280,965	1,923,228
Loss on Investments	-	-	-	-	-	-	-	-	-	-
Notes Issued	-	-	-	-	-	-	-	-	-	-
Refunding Bonds Issued	1,440,040	-	-	-	-	-	11,460,900	6,245,425	29,085,001	6,750,000
Refunding Bond Payments	-	-	-	-	-	-	-	(5,890,000)	(25,574,441)	-
Bond Issued	17,300,000	18,700,000	27,100,000	921,038	2,090,751	-	8,249,610	7,000,000	-	-
Bond Proceeds from Washington County	-	-	-	-	-	-		2,152,800	5,511,025	29,330,390
Refunding Bonds Premium	203,310	-	-	-	-	-	58,861	-	-	-
Payments to Refunded Bond Escrow Agent	(1,357,300)	-	-	-	-	-	(11,380,809)	-	-	-
Insurance Recovery	-	-	-	-	-	-	71,623	-	-	-
Capital Leases	-	-	-	-	-	403,802	-	-	-	-
Total Other Financing Sources (Uses)	15,842,970	17,243,539	25,602,765	2,789,345	4,104,479	2,551,960	10,714,343	11,595,225	10,302,550	38,003,618
Net Change in Fund Balances	(4,506,641)	572,769	15,430,733	508,905	2,803,320	2,768,454	9,558,333	11,880,520	1,850,591	22,611,275
Debt Service as a Percentage of Noncapital Expenditures	12.2%	13.5%	13.9%	13.8%	13.2%	11.9%	11.9%	12.5%	14.0%	14.8%

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: Residential & Farm Property	Real Property: Industrial & Commercial Property	Personal Property	Public Utility	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
1999	1998	357,275,562	345,261,445	99,087,954	33,547,784	835,172,745	2.19	2,544,678,373	32.82%
2000	1999	422,327,350	390,315,160	98,847,526	33,999,226	945,489,262	1.87	3,056,405,828	30.93%
2001	2000	435,578,550	408,159,132	112,630,088	36,911,863	993,279,633	1.87	3,159,332,578	31.44%
2002	2001	460,694,975	406,847,400	117,302,952	43,817,031	1,028,662,358	2.15	3,247,881,063	31.67%
2003	2002	473,877,275	417,779,120	116,420,340	38,519,170	1,046,595,905	2.15	3,328,062,244	31.45%
2004	2003	489,975,800	419,548,720	110,603,453	40,775,100	1,060,903,073	1.93	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%

Source: City of Johnson City Finance Department

Note: Tax rates are per $100 of assessed value

See Independent Auditors' Report.

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

	Overlapping Rates			County Rates		
Fiscal Year Ended June 30	Washington County	Carter County	Sullivan County	Washington County	Carter County	Sullivan County
1999	1.87	1.87	2.05	1.93	2.46	2.58
2000	1.87	1.87	2.05	1.93	2.46	2.63
2001	2.15	2.04	2.04	1.93	2.22	2.35
2002	2.15	2.04	2.04	1.93	2.22	2.35
2003	2.15	2.04	2.04	1.93	2.22	2.35
2004	1.93	2.04	2.04	1.87	2.56	2.67
2005	1.93	2.18	1.95	1.87	2.56	2.53
2006	1.93	2.04	1.80	2.00	2.10	2.53
2007	1.93	1.80	1.80	2.00	2.10	2.53
2008	1.93	1.80	1.80	2.35	2.10	2.53

Source: City of Johnson City Finance Department

Note: Overlapping rates are those of county governments that apply to property owners within the City of Johnson City.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
PRINCIPAL PROPERTY TAXPAYERS
FOR THE FISCAL YEARS NOTED
(Unaudited)

	2008			1999		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Johnson City Venture LLC (Mall)	$ 18,387,520	1	1.3%	$ 14,671,160	2	1.8%
United Telephone SE Inc	17,619,642	2	1.3%	18,358,705	1	2.2%
Mountain States Properties	9,685,720	3	0.7%	6,470,860	5	0.8%
Atmos Energy Corporation	8,463,426	4	0.6%	6,107,545	6	0.7%
American Water Heater Company	8,445,847	5	0.6%	4,317,584	8	0.5%
New Johnson City Crossing	6,967,155	6	0.5%	4,496,920	7	0.5%
Robert Bosch Corporation	6,423,704	7	0.5%	7,314,667	4	0.9%
John A. Pritchett, Jr	5,528,910	8	0.4%	-	-	0.0%
Epic Technologies	5,428,286	9	0.4%	-	-	0.0%
Superior Industries Int'l	5,235,676	10	0.4%	-	-	0.0%
Tarkett Wood Inc	-	-	0.0%	4,029,060	10	0.5%
Siemens Industrial Automation	-	-	0.0%	10,658,992	3	1.3%
Wiggins WB JR	-	-	0.0%	4,249,240	9	0.5%
Totals	$ 92,185,886		6.7%	$ 80,674,733		9.7%

Total Taxable Assessed Value:

FYE 2008 (Tax Year 2007)	1,384,508,442
FYE 1999 (Tax Year 1998)	835,172,745

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)

				Collected within the Fiscal Year of the Levy			Total Collections to Date		
Fiscal Year Ended June 30	Tax Levy for Fiscal Year	Subsequent Adjustments to Levy	Adjusted Tax Levy	Amount	Percentage of Adjusted Levy	Collections in Subsequent Years	Amount	Percentage of Adjusted Levy	Uncollected Delinquent Taxes
1999	17,553,810	(227,443)	17,326,367	16,292,409	94.03%	1,024,238	17,316,647	99.94%	9,720
2000	17,970,361	(11,072)	17,959,289	16,944,556	94.35%	1,008,212	17,952,768	99.96%	6,522
2001	18,558,384	(44,575)	18,513,809	17,756,760	95.91%	742,792	18,499,552	99.92%	14,257
2002	21,117,931	874,982	21,992,913	21,108,710	95.98%	868,745	21,977,455	99.93%	15,458
2003	22,071,665	215,049	22,286,714	21,613,078	96.98%	631,759	22,244,837	99.81%	41,877
2004	22,723,186	37,367	22,760,553	22,019,690	96.74%	648,015	22,667,705	99.59%	92,849
2005	24,282,470	(49,021)	24,233,449	23,694,840	97.78%	457,308	24,152,148	99.66%	85,949
2006	23,967,796	392,286	24,360,082	23,677,242	97.20%	593,213	24,270,455	99.63%	120,621
2007	25,245,152	199,823	25,444,975	24,718,999	97.15%	596,937	25,315,936	99.49%	180,610
2008	26,684,753	(51,078)	26,633,675	25,856,042	97.08%	-	25,856,042	97.08%	777,633

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)

	Governmental Activities			Business-Type Activities					
Fiscal Year Ended June 30	General Obligation Bonds	Notes Payable	Capital Lease	General Obligation Bonds	Revenue Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
1999	108,620,300	2,419,259	-	23,061,278	36,724,998	71,700	170,897,535	14.73%	3,208
2000	113,403,739	2,234,517	-	39,187,239	64,342,998	47,800	219,216,293	17.34%	3,952
2001	134,077,206	1,965,667	-	47,452,907	63,110,997	23,900	246,630,677	18.60%	4,438
2002	128,094,467	1,683,591	-	46,162,236	58,589,000	-	234,529,294	17.24%	4,214
2003	120,825,645	1,402,373	-	44,125,074	54,436,000	448,936	221,238,028	15.96%	3,972
2004	113,974,350	1,107,076	296,744	41,980,980	50,813,000	823,787	208,995,937	14.13%	3,616
2005	114,752,367	1,517,241	201,735	39,624,138	47,220,000	939,804	204,255,285	13.24%	3,482
2006	114,641,644	1,229,264	102,875	68,641,159	43,560,000	929,286	229,104,228	14.54%	3,902
2007	109,503,087	927,757	-	68,828,203	49,195,000	1,076,167	229,530,214	13.74%	3,685
2008	102,112,462	613,189	-	66,994,395	73,900,000	1,028,253	244,648,299	13.97%	3,928

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
1999	108,620,300	(1,788,218)	106,832,082	4.20%	2,005
2000	113,403,739	(1,601,932)	111,801,807	3.66%	2,016
2001	134,077,206	(1,371,745)	132,705,461	4.20%	2,388
2002	128,094,467	(1,287,353)	126,807,114	3.90%	2,279
2003	120,825,645	(1,212,470)	119,613,175	3.59%	2,147
2004	113,974,350	(1,141,370)	112,832,980	3.31%	1,952
2005	114,752,367	(1,036,938)	113,715,429	2.83%	1,939
2006	114,641,644	(905,407)	113,736,237	2.78%	1,937
2007	109,503,087	(1,109,636)	108,393,451	2.55%	1,740
2008	102,112,462	(795,124)	101,317,338	2.21%	1,627

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, 2008
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
Carter County	$ 29,067,667	2.00%	581,353
Sullivan County	53,790,000	0.04%	21,516
Washington County	152,410,000	62.00%	94,494,200
Subtotal, Overlapping Debt	235,267,667		95,097,069
City of Johnson City Direct Debt	102,112,462	100.00%	102,112,462
Total Direct and Overlapping Debt	$337,380,129		197,209,531

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)

	Fiscal Year									
	1999	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Debt Limit	83,517,275	94,548,926	99,327,963	102,866,236	104,659,591	106,090,307	126,261,383	128,604,654	130,990,442	138,450,844
Total Net Debt Applicable to Limit	65,777,497	71,035,936	92,264,403	86,976,664	80,397,842	74,396,547	76,189,564	77,278,841	72,297,357	66,363,920
Legal Debt Margin	17,739,778	23,512,990	7,063,560	15,889,572	24,261,749	31,693,760	50,071,819	51,325,813	58,693,085	72,086,924
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	78.76%	75.13%	92.89%	84.55%	76.82%	70.13%	60.34%	60.09%	55.19%	47.93%

Legal Debt Margin Calculation for Fiscal Year 2008		
Total Taxable Assessed Value	$	1,384,508,442
Debt Limit (10% of Taxable Assessed Value)		138,450,844
Debt Applicable to Limit:		
General Obligation Debt		102,112,462
Less: Sales Tax Revenue Bonds		(35,748,542)
Total Net Debt Applicable to Limit		66,363,920
Legal Debt Margin	$	72,086,924

Note: Under the City of Johnson City's Charter, the City's outstanding general obligation debt should not exceed 10 percent of total taxable assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
Water and Sewer Revenue Bonds:							
1999	19,163,077	11,321,777	7,841,300	3,992,000	1,860,886	5,852,886	1.34
2000	18,829,366	10,352,608	8,476,758	3,867,000	1,578,335	5,445,335	1.56
2001	18,262,236	11,475,442	6,786,794	2,857,001	1,709,359	4,566,360	1.49
2002	17,706,771	10,555,308	7,151,463	3,166,997	1,464,644	4,631,641	1.54
2003	19,626,789	10,920,221	8,706,568	2,733,000	1,335,810	4,068,810	2.14
2004	19,690,045	11,501,842	8,188,203	2,293,000	1,203,915	3,496,915	2.34
2005	20,288,469	11,952,939	8,335,530	2,483,000	1,109,675	3,592,675	2.32
2006	21,772,092	16,415,529	5,356,563	2,545,000	1,052,982	3,597,982	1.49
2007	23,133,709	17,882,817	5,250,892	2,025,000	937,308	2,962,308	1.77
2008	23,543,970	18,616,888	4,927,082	1,960,000	703,327	2,663,327	1.85
City Solid Waste Revenue Bonds:							
1999	6,018,747	7,415,623	(1,396,876)	110,000	87,513	197,513	(7.07)
2000	6,699,036	6,442,559	256,477	115,000	82,068	197,068	1.30
2001	6,212,455	6,748,753	(536,298)	120,000	99,454	219,454	(2.44)
2002	6,635,333	5,543,526	1,091,807	245,000	95,080	340,080	3.21
2003	7,468,291	5,909,997	1,558,294	255,000	82,505	337,505	4.62
2004	7,897,479	6,077,126	1,820,353	275,000	67,504	342,504	5.31
2005	7,917,942	5,996,550	1,921,392	285,000	53,082	338,082	5.68
2006	8,257,612	6,791,872	1,465,740	160,000	40,020	200,020	7.33
2007	8,622,823	7,045,184	1,577,639	170,000	31,060	201,060	7.85
2008	9,100,844	7,586,586	1,514,258	180,000	21,068	201,068	7.53
Regional Solid Waste Revenue Bonds:							
1999	1,374,116	1,040,554	333,562	125,000	29,271	154,271	2.16
2000	1,403,026	1,222,182	180,844	135,000	15,625	150,625	1.20
2001	1,497,806	1,386,409	111,397	140,000	18,301	158,301	0.70
2002	1,578,419	1,372,532	205,887	150,000	10,144	160,144	1.29
2003	1,728,755	1,072,280	656,475	155,000	3,643	158,643	4.14
2004	1,809,069	1,152,122	656,947	N/A	N/A	N/A	N/A
2005	1,892,638	1,290,443	602,195	N/A	N/A	N/A	N/A
2006	2,001,125	1,608,350	392,775	N/A	N/A	N/A	N/A
2007	2,080,774	1,655,070	425,704	N/A	N/A	N/A	N/A
2008	2,191,065	1,818,585	372,480	N/A	N/A	N/A	N/A
Golf Course Revenue Bonds:							
1999	533,380	482,182	51,198	-	38,922	38,922	1.32
2000	552,872	457,620	95,252	110,000	30,426	140,426	0.68
2001	498,628	491,734	6,894	115,000	24,783	139,783	0.05
2002	538,747	507,895	30,852	120,000	19,650	139,650	0.22
2003	533,449	467,528	65,921	130,000	13,650	143,650	0.46
2004	501,343	476,022	25,321	135,000	6,435	141,435	0.18
2005	493,298	497,651	(4,353)	N/A	N/A	N/A	N/A
2006	991,748	1,188,143	(196,395)	N/A	N/A	N/A	N/A
2007	1,034,672	1,240,899	(206,227)	N/A	N/A	N/A	N/A
2008	1,093,309	1,288,126	(194,817)	N/A	N/A	N/A	N/A

(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:							
1999	109,464,372	99,026,356	10,438,016	305,000	1,557,061	1,862,061	5.61
2000	111,275,891	100,556,971	10,718,920	765,000	1,481,409	2,246,409	4.77
2001	116,106,756	104,328,939	11,777,817	800,000	936,979	1,736,979	6.78
2002	111,054,311	99,973,365	11,080,946	840,000	1,474,301	2,314,301	4.79
2003	118,634,679	107,479,291	11,155,388	880,000	1,433,510	2,313,510	4.82
2004	124,669,151	113,013,470	11,655,681	929,121	1,384,892	2,314,013	5.04
2005	128,314,735	113,411,634	14,903,101	980,000	1,330,569	2,310,569	6.45
2006	141,680,530	131,546,144	10,134,386	1,035,000	1,276,389	2,311,389	4.38
2007	150,526,423	141,778,812	8,747,611	1,095,000	1,218,689	2,313,689	3.78
2008	161,195,320	151,860,753	9,334,567	1,155,000	1,613,906	2,768,906	3.37

Note:
-Details regarding the City's outstanding debt can be found in the notes to the financial statements.
-Operating Expenses do not include interest
-Prior to 2006, the Golf Course Revenue Bonds were maintained in the Buffalo Valley Golf Course Fund prior to this funds combination with the City's other golf course to create the Golf Course Fund.

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Population	Personal Income	Per Capita Personal Income[1]	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
1999	53,272	1,160,530,520	21,785	34.4	12.85	6,677	3.6%
2000	55,469	1,263,916,634	22,786	36.9	13.44	6,732	4.0%
2001	55,570	1,325,844,630	23,859	36.9	13.44	6,655	4.7%
2002	55,650	1,360,030,350	24,439	36.9	13.44	6,805	5.3%
2003	55,700	1,386,150,200	24,886	36.9	13.44	6,778	5.1%
2004	57,800	1,478,697,400	25,583	36.9	13.44	6,778	5.0%
2005	58,658	1,542,646,742	26,299	36.9	13.44	6,766	5.6%
2006	58,718	1,575,227,786	26,827	39.7	13.44	6,998	4.9%
2007	62,289	1,671,027,003	26,827	39.2	13.44	7,052	4.2%
2008*	62,289	1,751,255,235	28,115	39.2	13.44	7,180	6.6%

Sources:
-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

[1]Data presented is for Washington County, TN

* (projected for 2008)

See Independent Auditors' Report.

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

	2008			2003*		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Mountain States Health Alliance	3,541	1	6.2%	3,541	1	6.3%
East Tennessee State University	1,990	2	3.5%	2,012	2	3.6%
CITI Commerce Solution	1,900	3	3.4%	1,817	3	3.3%
James H. Quillen VA Medical Center	1,540	4	2.7%	1,259	4	2.3%
American Water Heater Co	1,500	5	2.6%	1,200	5	2.2%
Washington County Schools	1,200	6	2.1%	1,150	6	2.1%
Frontier Health	1,200	7	2.1%	-	-	0.0%
Advanced Call Center Technologies	1,165	8	2.1%	-	-	0.0%
City of Johnson City	892	9	1.6%	824	8	1.5%
Johnson City School Systems	832	10	1.5%	920	7	1.6%
AT & T Mobility	N/A	-	-	805	9	1.4%
Siemens Energy & Automation, Inc.	N/A	-	-	730	10	1.3%
	15,760		27.6%	14,258		25.6%

Total Washington County Employment:

FYE 2008	56,700
FYE 2003	55,800

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

*Principal Employer information is not available prior to FY 2003

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
FOR THE FISCAL YEARS NOTED
(Unaudited)

	Fiscal Year							
Function	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
General Government	143	135	125	120	116	91	94	96
Public Safety	319	310	295	294	294	310	297	294
Public Works	92	86	91	90	89	90	94	90
Public Welfare	90	85	74	74	74	74	75	68
City Services	42	34	36	34	34	34	36	34
Education	850	857	860	827	829	832	832	846
Water and Sewer	160	139	142	145	146	150	153	147
Solid Waste	62	56	49	47	45	46	47	47
Storm Water Mgmt	-	-	-	-	-	-	-	7
Mass Transit	59	64	59	57	55	49	49	49
Golf Courses	19	12	13	12	12	10	8	8
	1,836	1,778	1,744	1,700	1,694	1,686	1,685	1,686

Sources:
-City of Johnson City Finance Department
-Johnson City School System

Data not available prior to 2001

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
OPERATING INDICATORS BY FUNCTION
FOR THE FISCAL YEARS NOTED
(Unaudited)

Function	Fiscal Year 2004	2005	2006	2007	2008
Public Safety:					
Student Transportation:					
Miles	398,550	388,700	399,255	403,328	443,526
Passengers	891,123	878,450	961,496	991,432	993,748
Police:					
Physical Arrests	5,433	7,126	7,457	6,764	7,365
Parking Citations	N/A	3,678	3,195	3,020	2,493
Traffic Citations	14,986	19,538	23,092	21,829	26,602
Fire:					
Calls Answered	3,190	3,006	2,912	3,543	3,378
Inspections	1,225	1,788	1,802	1,980	1,581
Public Works:					
Potholes Repaired	N/A	695	211	53	103
Streets Swept (linear miles)	1,450	2,264	2,484	2,500	2,500
Traffic Signals Repaired/Replaced	N/A	372	371	241	245
Snow & Ice Control Treatment (lane miles)	N/A	3,000	2,200	2,800	2,226
Public Welfare:					
Parks and Recreation:					
Pool Admissions	N/A	50,584	51,710	51,789	46,988
Youth Basketball Participants	1,260	1,234	1,128	912	1,057
Youth Soccer Participants	1,955	1,906	1,895	1,691	1,846
Youth Softball & Tee-ball Participants	524	516	487	383	436
Tennis Instruction Participants	194	200	216	210	284
Adult Basketball Teams	54	44	30	29	26
Adult Softball Teams	132	131	81	127	143
Senior Citizens:					
Programs/Events Attendance	159,256	161,094	142,054	141,508	146,989
City Services:					
Freedom Hall:					
Events	N/A	69	61	60	58
Water and Sewer:					
Average Daily Consumption (Water)	14.21 mgd	14.40 mgd	14.34 mgd	14.91 mgd	14.8 mgd
Maximum Daily Capacity (Water)	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd
Water Taps	848	783	792	802	606
Sewer Taps	580	618	628	596	349
Solid Waste:					
Refuse Collected (Tons)	95,895	95,002	95,372	95,849	98,766
Recyclables Sold (Tons)	4,401	4,395	4,456	4,519	4,932
Mulch Sold as Boiler Fuel (Tons)	12,533	13,365	10,004	13,414	11,068
Leaves Collected (Tons)	3,326	3,447	3,643	3,602	3,072
Mass Transit:					
Passenger Miles	1,387,312	1,460,394	1,681,266	1,470,000	1,662,747
Golf Courses:					
18-Hole Rounds Played	48,415	55,000	47,775	47,349	51,668

Source: Various City Departments

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

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
Public Safety:					
Student Transportation:					
Buses	51	54	52	52	53
Police:					
Stations	1	1	1	1	1
Patrol Units	154	163	166	170	162
Motorcycle Units	3	3	3	3	3
Fire:					
Stations	8	8	8	8	9
Fire Trucks/Rescue Units	27	26	27	15	15
Public Works:					
Streets (Miles)	409.3	409.3	409.27	409.27	409.27
Traffic Signals	84	85	86	91	91
Public Welfare:					
Parks and Recreation:					
Park Sites	19	19	19	19	19
Park Acreage	1,081	1,081	1,081	1,081	1,081
Swimming Pools	2	2	2	2	2
Tennis Courts	17	17	17	17	17
Community/Recreation Centers	4	4	4	4	4
Senior Citizens:					
Senior Centers	1	1	1	1	1
School System:					
Elementary Schools	8	8	8	8	8
Secondary Schools	2	2	2	2	2
Water and Sewer:					
Water Mains (Miles)	840.7	854.5	871.3	960	900
Fire Hydrants	2,622	2,639	2,828	3,108	3,109
Sanitary Sewers (Miles)	474.3	474.8	505.3	525	536
Manholes	10,743	10,766	11,452	11,525	12,088
Solid Waste:					
Collection Trucks	46	48	51	51	52
Golf Courses	2	2	2	2	2
Mass Transit:					
Buses/Trolleys/Vans	33	35	43	43	39

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, 2008
(Unaudited)

Transfers In:		Special Revenue Funds									Capital Projects Funds			Enterprise Funds				Internal Service Funds
Transfers Out:	General Fund	General Purpose School	Trans-portation Planning	Police Grant Fund	Freedom Hall	School Federal Projects	Special School Projects	School Site Based Fund	Debt Service Fund	Community Development	Parks	Equipment	Public Facilities	Water and Sewer	City Solid Waste	Golf Fund	Mass Transit	Insurance Fund
General Fund	$ -	7,832,675	45,364	77	233,177	-	4,750	-	-	39,000	9,294	2,292,910	-	-	-	461,101	498,825	280,000
Special Revenue Funds:																		
General Purpose School Fund	-	-	-	-	-	41,737	-	775,100	1,061,902	-	-	-	-	-	-	-	-	-
Debt Service	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Drug Fund	-	-	-	30,162	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special School Projects	-	5,586	-	-	-	-	-	-	-	-	-	2,000	-	-	-	-	-	-
Public Aid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Projects:																		
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Schools	-	-	-	-	-	-	-	-	-	-	-	-	2,961,839	-	-	-	-	-
Internal Service Funds:																		
Motor Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Enterprise Funds:																		
Johnson City Power Board	2,733,156	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water and Sewer	430,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regional Solid Waste	-	-	-	-	-	-	-	-	-	-	-	-	-	20,180	115,800	-	-	-
City Solid Waste	-	-	-	-	-	-	-	-	-	-	-	-	-	51,000	-	-	-	-
Totals	$ 3,207,156	7,838,261	45,364	30,239	233,177	41,737	4,750	775,100	1,061,902	39,000	9,294	2,294,910	2,961,839	71,180	115,800	461,101	498,825	280,000

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS - ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2008
(Unaudited)

Fiscal Year Ending	Principal	Interest	Total Requirements
2009	11,535,751	11,446,640	22,982,391
2010	12,124,686	11,410,307	23,534,993
2011	12,790,713	11,086,680	23,877,393
2012	13,354,837	10,662,786	24,017,623
2013	14,010,870	10,238,177	24,249,047
2014	16,065,000	8,420,518	24,485,518
2015	17,005,000	7,688,018	24,693,018
2016	17,435,000	6,907,058	24,342,058
2017	15,745,000	6,083,720	21,828,720
2018	15,790,000	5,343,710	21,133,710
2019	14,395,000	4,620,908	19,015,908
2020	15,070,000	3,954,773	19,024,773
2021	9,990,000	3,254,239	13,244,239
2022	9,420,000	2,770,999	12,190,999
2023	7,775,000	2,312,556	10,087,556
2024	5,005,000	1,986,759	6,991,759
2025	5,215,000	1,733,128	6,948,128
2026	4,360,000	1,468,687	5,828,687
2027	3,880,000	1,250,687	5,130,687
2028	4,090,000	1,056,687	5,146,687
2029	4,265,000	857,287	5,122,287
2030	4,475,000	649,361	5,124,361
2031	4,735,000	435,250	5,170,250
2032	2,595,000	208,560	2,803,560
2033	1,880,000	89,300	1,969,300
	$ 243,006,857	115,936,795	358,943,652

The total reflected on the statement of net assets has been reduced by deferred debt refunding costs of $2,136,359.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS -
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2008
(Unaudited)

Fiscal Year Ending	Principal	Interest	Total Requirements
2009	341,225	61,669	402,894
2010	103,856	49,011	152,867
2011	108,163	45,294	153,457
2012	111,722	41,428	153,150
2013	14,394	37,430	51,824
2014	15,052	36,784	51,836
2015	15,742	36,109	51,851
2016	16,424	35,403	51,827
2017	17,213	34,664	51,877
2018	18,003	33,893	51,896
2019	18,827	33,084	51,911
2020	19,652	32,238	51,890
2021	20,587	31,357	51,944
2022	21,531	30,432	51,963
2023	22,514	29,466	51,980
2024	23,517	28,454	51,971
2025	24,624	27,398	52,022
2026	25,752	26,293	52,045
2027	26,930	25,136	52,066
2028	28,138	23,926	52,064
2029	29,455	22,663	52,118
2030	30,803	21,340	52,143
2031	32,216	19,956	52,172
2032	33,672	18,509	52,181
2033	35,233	16,998	52,231
2034	36,850	15,414	52,264
2035	38,536	13,758	52,294
2036	40,289	12,028	52,317
2037	42,148	10,217	52,365
2038	44,079	8,324	52,403
2039	46,046	6,344	52,390
2040	48,152	4,272	52,424
2041	42,960	2,106	45,066
2042	20,314	991	21,305
2043	5,369	106	5,475
	$ 1,519,988	872,495	2,392,483

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES
June 30, 2008
(Unaudited)

Tax Year	Uncollected Delinquent Taxes June 30, 2008
2006	$ 180,610
2005	120,621
2004	85,949
2003	92,849
2002	41,877
2001	15,458
2000	14,257
1999	6,522
1998	9,720
Total	$ 567,863

Uncollected Delinquent Taxes Filed in Chancery Court:

As of April 1, 2008 all of the above delinquent taxes for 1998 through 2006 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, 2008
(Unaudited)

Water Rates:	Inside City	Outside City
Base	3.42	6.84
0 - 20,000 Gallons Used	2.65 / 1,000 gal.	5.30 / 1,000 gal.
20,001 - 190,000 Gallons Used	2.12 / 1,000 gal.	4.24 / 1,000 gal.
190,000 - 490,000 Gallons Used	1.91 / 1,000 gal.	3.82 / 1,000 gal.
Over 490,000 Gallons Used	1.72 / 1,000 gal.	3.45 / 1,000 gal.

Sewer Rates:	Inside City	Outside City
Base	3.46	6.92
0 - 20,000 Gallons Used	3.47 / 1,000 gal.	6.94 / 1,000 gal.
20,001 - 190,000 Gallons Used	3.47 / 1,000 gal.	6.94/ 1,000 gal.
190,000 - 490,000 Gallons Used	3.30 / 1,000 gal.	6.59 / 1,000 gal.
Over 490,000 Gallons Used	3.12 / 1,000 gal.	6.25 / 1,000 gal.

Residential Collection Rates:	Inside City	Outside City
Collection at Roadside	$8 / mon.	$15 / mon.
Collection at Door	$23 / mon.	$26 / mon.
2 Carts	$8/mon.	$22.50 / mon.
3 Carts	$8/mon.	$45 / mon.

Commercial Collection Rates:	Inside City[1]	Outside City[2]
4 yard	$60.00 / mon.	$102.50 / mon.
6 yard	$75.00 / mon.	$117.50 / mon.
8 yard	$90.00 / mon.	$132.50 / mon.
Each Commercial Cart	1-4 $13/mon.	1 $15 / mon.
	5-8 $26/mon.	2 $22.50/mon.
	9-12 $39/mon.	3 $45/mon.
		4 $60/mon.

Number of Customers:	Inside City	Outside City
Water	25,232	15,557
Sewer	23,371	3,797
Solid Waste[3]	23,252	9,487

Unaccounted for Water:	Gallons	% of Total Gallons
Pumped gallons of water	6,635,780,000	100.00%
Accounted for gallons of water[4]	5,723,730,000	86.26%
Unaccounted for (lost) gallons of water	912,050,000	13.74%

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

[1]Does not include dumpster which can be purchased or rented @$30/mon.
[2]Includes dumpster which is furnished.
[3]Does not include garbage pulls, front loader or container rentals.
[4]Accounted for gallons includes metered water sold, under registration of metered water use, authorized unmetered water uses, and identified water losses.

See Independent Auditors' Report.

City of Johnson City, TN
Schedule of Unaccounted for Water
June 30, 2008

Water Supply:	
Water Supplied to Distribution System	5,378,480,000
Source Meter Adjustments	1,266,300,000
Adjusted Total Water Supply	6,635,078,000
Metered Water Sold	3,726,140,000
Under Registration of Metered Water Use	1,092,680,000
Authorized Unmetered Water Uses	46,580,000
Identified Water Losses	858,330,000
Total Accounted for Water	5,723,730,000
Unaccounted for Water	912,050,000
Percent Unaccounted for Water	13.74%
Cost per 1,000 gallons of water	$1.82
Cost of Unaccounted for Water	$1,659,931

See Independent Auditors' Report.

Single Audit Section

Blackburn, Childers & Steagall, PLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REGIONAL EXPERTISE - LOCAL SERVICE

American Institute of Certified Public Accountants

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

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

We have audited the 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 year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2008. We did not audit the financial statements of the Johnson City Schools Site-Based Fund, a nonmajor special revenue fund, as of and for the year ended June 30, 2008, which represent 1%, 2% and 0%, respectively, of the assets, net assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the City's financial statements, insofar as it relates to the amounts included for the 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Johnson City	801B Sunset Drive, P.O. Box 3745, Johnson City, TN 37602-3745	**(423) 282-4511**	Fax (423) 283-4532
Kingsport	440 E. Sullivan Street, Kingsport, TN 37660	**(423) 246-1725**	Fax (423) 245-2839
Greeneville	1140 Tusculum Boulevard, Greeneville, TN 37745-4039	**(423) 638-8516**	Fax (423) 638-3361

website = http://www.BCScpa.com e-mail: BCS@BCScpa.com

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not to be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 08-1, 08-2, 08-3, 08-4 and 08-5.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

We noted certain other matters that we reported to management of the City, in a separate letter dated December 22, 2008.

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

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

December 22, 2008

Blackburn, Childers & Steagall, PLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REGIONAL EXPERTISE - LOCAL SERVICE

American Institute of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Johnson City, Tennessee with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Johnson City, Tennessee's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Johnson City, Tennessee's management. Our responsibility is to express an opinion on the City of Johnson City, Tennessee's compliance based on our audit.

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

In our opinion, the City of Johnson City, Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Johnson City	801B Sunset Drive, P.O. Box 3745, Johnson City, TN 37602-3745	**(423) 282-4511**	Fax (423) 283-4532
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website = http://www.BCScpa.com e-mail: BCS@BCScpa.com

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Johnson City, Tennessee's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Johnson City, Tennessee's response and, accordingly, we express no opinion on it.

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

Blackburn, Childers and Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC

December 22, 2008

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

Section I - Summary of Auditors' Results

1. The auditors' report based on our audit and the report of other auditors expresses an unqualified opinion on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the "City").

2. Five significant deficiencies relating to the audit of the consolidated financial statements are reported in the Schedule of Findings and Questioned Costs. Of these significant deficiencies, none are considered to be material weaknesses.

3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. There are no significant deficiencies relating to the audit of the major federal award programs.

5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.

6. There are no audit findings relative to the major federal award programs that are required to be disclosed in accordance with section 510(a) of OMB Circular A-133.

7. The programs tested as major programs were as follows:

Program	CFDA Number
Title I, U.S. Department of Education	84.010
Title II, U.S. Department of Education	84.367
Federal Transportation Administration	20.205
Federal Transportation Administration	20.507
Community Development Block Grant	14.218
Public Works Program, U.S. Department of Commerce	11.300
National School Lunch Program	10.555

8. The threshold for distinguishing Types A and B programs was $300,000.

9. The City was determined to be a low-risk auditee.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

Section II - Financial Statement Findings

Current Year Findings:

08-1 Significant Deficiency: Budget Procedures

Condition: During our audit we noted deficiencies in the control procedures relating to the budget.

Criteria: All changes in expectations for the year should be approved by City Commission through budget amendments.

Effect: Failure to account for budgets properly may lead to misuse of funds appropriated by City Commission.

Recommendation: We recommend strengthening communication between the department heads, budget coordinators, and the City Commission, as well as increased of budget and actual expenditures. Then, as need the City Commission can appropriate funds to meet the needs of the City.

Management's Comments: The City Commission will designate additional funding for unbudgeted projects approved subsequent to budget preparation. In addition, the Budget Department will work closely with the Department Heads to monitor actual expenditures against the appropriation. During the fiscal year, several departments were affected by increased fuel costs. One City Department was affected by additional projects approved subsequent to budget adoption.

08-2 Significant Deficiency: Golf Course Procedures

Condition: During our audit we noted deficiencies in the control procedures relating to the recording of revenue and cash collections for the entire year.

Criteria: The City's policies regarding the use of daily cash collections, recording of revenue, and procurement policies were not appropriately followed until the initial use of the cash register system at Pine Oaks until November of 2007 and Buffalo Valley in February of 2008.

Effect: Failure to follow the City's policies results in the circumventing of controls that are in place to insure that amounts are properly recorded and that the City's resources are spent in the most effective manner possible.

Recommendation: We recommend strengthening controls to ensure that proper control over revenue and cash collections is maintained. This will include the use of standard cash collection sheets and the use of a new cash register system.

Section II - Financial Statement Findings (Continued)

Current Year Findings (Continued)

08-2 Significant Deficiency: Golf Course Procedures (continued)

Management's Comments: The cash register system was implemented in November, 2007 at Pine Oaks Golf Course and February 2008 at Buffalo Valley Golf Course, therefore, it is considered to be corrected.

08-3 Significant Deficiency: Budget Procedures

Condition: During our audit we noted deficiencies in the control procedures relating to the budget.

Criteria: The budgets for the Federal and Special Projects were approved by the Board of Education in October of 2007. The City Commission did not approve the budget until August of 2008. Also, it was noted that the amount approved by the Board of Education did not agree with amounts approved by the City Commission.

Effect: The funds will be operating using the Board of Education budgeted amounts as opposed to the approved by the City Commission.

Recommendation: We recommend the budget be approved for the fiscal year end June 30.

Recommendation: We recommend that the budget be approved for the same amount or detail of discrepancies noted.

Management's Comments: Due to the timing of most of our grants, we do not have final budgets until after the start of the new fiscal year, and some are not finalized by the State/Federal Government until the fall of each year. A lot of the grants have carry-over funds, and the new grant period does not begin until October 1 of each year. Thus, the Board of Education approved the grants in October when the new grants started. These budgets were sent to the city staff in November of 2007 for approval by the City Commission. In the future, we will ask the Johnson City Board of Education and the City Commission to approve a continuing budget resolution at the beginning of the fiscal year for the Federal and State Grant funds until final budget numbers are released by the State/Federal Governments. More care will be taken in making sure the amounts presented to the City Commission for approval are exactly what the Board of Education has approved.

Section II - Financial Statement Findings (Continued)

Current Year Findings (Continued)

08-4 Significant Deficiency: Tracking of Grants

Condition: During our audit we noted deficiencies in the accounting for federal grant monies.

Criteria: The accounting personnel duplicated the revenue of a few expense items through reimbursement requests.

Effect: Through the incorrect tracking of the grant money, the specific grant spent the same money twice. This resulted in the general purpose school fund having to transfer money to account for the overspending in each grant.

Recommendation: We recommend tracking the receipt of reimbursements and more closely monitoring what expenses are associated with each reimbursement request.

Management's Comments: More care will be taken to track the receipt of reimbursements and to more closely monitor the expenses associated with each reimbursement request. Balance sheets will be monitored for uncollected receivables on a monthly basis. The total of $3,949 has been reimbursed by the General Purpose School Fund.

Section II - Financial Statement Findings (Continued)

Current Year Findings (Continued)

08-5 Significant Deficiency: Actuarial Reports

Condition: The City did not receive the actuarial reports on the worker's compensation, automotive liability and general liability until the middle of December. Thus, the liability for these items was not adjusted in a timely manner.

Criteria: A strong accounting system and control environment supports the recording of all assets and liabilities in a timely manner. This means all source documents and supporting information should be available in a timely manner.

Effect: There is a very large liability that cannot be accurately recorded until the actuarial reports are received. This causes times delays in the City's ability to close the fiscal year and have a completed audit.

Recommendation: The City should make arrangements with the firm performing the actuarial study such that the City would receive the report in a timely manner.

Management's Comments: Risk Management Department will make arrangements with the actuarial consultant to ensure that the actuarial study is complete prior to completion of audit fieldwork. A reasonable target is October 31st, which will allow the actuary adequate time to compile all necessary data and complete the calculation.

Prior Year Findings Implemented:

The following prior year findings have been corrected to our satisfaction:

Finding 98-1 Deficit Retained Earnings; Enterprise Fund: Golf Courses
While the golf courses continue to have negative net assets, the City has implemented a plan to eventually eliminate this problem. The Golf Course fund also showed a net income in the current year.

Section III - Federal Award Findings and Questioned Costs

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