



City of
Johnson City,

Tennessee

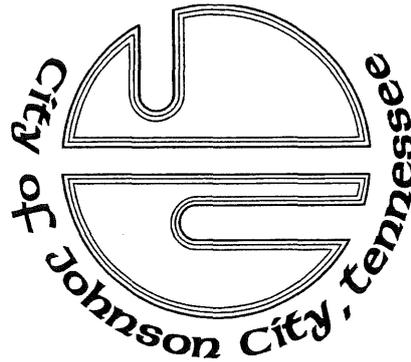
**Comprehensive Annual
Financial Report**

**For the Year Ended
June 30, 2010**

City of Johnson City, Tennessee

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2010



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, 2010

CITY OF JOHNSON CITY, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2010

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	13
Statement of Activities	15
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	20
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
Required Supplementary Information	
Analysis of Funding Progress for Defined Benefit Pension Plans	139
Analysis of Funding Progress for Postemployment Healthcare Plans	140

CITY OF JOHNSON CITY, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2010

Table of Contents

	Page Number
C. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
Major Governmental Funds	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund	141
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Educational Facilities Debt Service Fund	142
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - School Capital Project Fund	143
Nonmajor Governmental Funds	
Combining Balance Sheet	144
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	145
Combining Balance Sheet - Special Revenue Funds	147
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds	148
Combining Balance Sheet - School Funds	149
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - School Funds	150
Combining Balance Sheet - Capital Project Funds	151
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Capital Project Funds	152
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Freedom Hall Civic Center Fund	154
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - School Federal Projects Fund	155
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special School Projects Fund	156
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - School Food Service Fund	157
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Transportation Planning Fund	158
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Drug Fund	159
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Police Grant Fund	160
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Police Technology Fund	161
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Community Development Fund	162
Nonmajor Proprietary Funds	
Combining Statement of Net Assets	163
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	164
Combining Statement of Cash Flows	165

CITY OF JOHNSON CITY, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2010

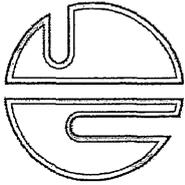
Table of Contents

	Page Number
Internal Service Funds	
Combining Statement of Net Assets	167
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	168
Combining Statement of Cash Flows	169
 D. SUPPLEMENTAL INFORMATION	
Capital Assets Used in the Operation of Governmental Funds	
Comparative Schedule by Source	170
Schedule by Function and Activity	171
Schedule of Changes by Function and Activity	172
 Other	
Schedule of Expenditures of Federal Awards	173
Schedule of Expenditures of State Awards	179
 III. STATISTICAL SECTION (UNAUDITED)	
Net Assets by Component	182
Changes in Net Assets	183
Governmental Activities Tax Revenues by Source	186
Fund Balances of Governmental Funds	187
Changes in Fund Balances of Governmental Funds	188
Assessed Value and Estimated Actual Value of Taxable Property	190
Property Tax Rates - Direct and Overlapping Governments	191
Principal Property Taxpayers	192
Property Tax Levies and Collections	193
Ratios of Outstanding Debt by Type	194
Ratios of General Bonded Debt Outstanding	195
Direct and Overlapping Governmental Activities Debt	196
Legal Debt Margin Information	197
Pledged - Revenue Coverage	198
Demographic and Economic Statistics	200
Principal Employers	201
Full-Time Equivalent City Government Employees by Function	202
Operating Indicators by Function	203
Capital Asset Statistics by Function	204
Schedule of Interfund Transfers	205
Schedule of Bond Principal and Interest Requirements - All Funds - Primary Government	206
Schedule of Note Principal and Interest Requirements - All Funds - Primary Government	207
Schedule of Uncollected Delinquent Taxes	208
Utility Rate Structure & Number of Customers	209
Schedule of Unaccounted for Water	210

CITY OF JOHNSON CITY, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2010

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 <i>Government Auditing Standards</i>	211
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	213
Schedule of Findings and Questioned Costs	215



City of Johnson City Tennessee

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

Office of Finance Director

December 17, 2010

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, 2010 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.

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

Financial Information

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

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

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

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

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

Profile of the Government

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

The City provides a full range of services, as directed by its charter. These services include police and fire protection, park and recreation activities, schools, a senior citizen's center, street construction and maintenance, planning and zoning and general administrative services. In addition, water and sewer, electric power, transit service, garbage pick-up, landfill, storm water, and golf are provided under the proprietary fund concept.

Local Economy

Johnson City, along with Kingsport and Bristol, Tennessee and Virginia, make up the "Tri-Cities" area of Northeastern Tennessee. The area has an MSA population of 503,010. 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. After two (2) consecutive years of higher unemployment, the Johnson City MSA experienced an improvement in the unemployment rate during the current fiscal period, ending the year at 9.2%. A balance of property and sales taxes support the City's finances. Property taxes continued a pattern of growth, while sales tax collections suffered from the troubled economy. Nonetheless, effective cost containment by City departments and the earlier implementation of innovative ideas, such as the gas-to-energy project, have allowed the City to continue to cash fund capital equipment purchases, make cash contributions toward capital projects and operate with no increase in the property tax rate. The City's property tax rate continues to be the lowest of all the surrounding areas.

Long-term financial planning

Unrestricted fund balance in the General Fund (23% of total general fund expenditures and interfund transfers) falls within the policy guidelines set by the Board of Commissioners for budgetary and planning purposes (i.e., 16% of total general fund expenditures and interfund transfers). A planned build-up in this balance, during the years leading up to the current economic condition, has resulted in the City having the ability to maintain its high service level to the citizens, in spite of the distressed economy. Additionally, the City has been able to continue cash funding capital equipment and undertake a number of significant capital projects, in effect creating its own local economic stimulus.

Relevant financial policies

As the result of the federal government's American Recovery and Reinvestment Act (ARRA), the City was awarded over \$4 million in grants. As one-time revenues, these funds were allocated to capital spending for roads, bike trails, mass transit system, water system, police department, civic center and community development.

Major initiatives and accomplishments

The City of Johnson City, in conjunction with neighboring municipalities and the business and education community, conducted the 7th Annual Economic Summit during fiscal year 2010. 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, 2010 are as follows:

- Utilized cash reserves to acquire police and fire equipment and vehicles, public works equipment, school buses, parks and recreation vehicles and equipment, solid waste equipment, water and sewer equipment and storm water management property.
- Purchased and installed new emergency radio communication system for utilization by City departments as well as Washington County and various agencies.
- Completed construction on improvements to Tennessee Street, Buffalo/Plymouth Road and Mall Street.
- Continued construction on Intelligent Transportation System Phase II Project.
- Continued construction project to upgrade the Regional Wastewater Treatment Plant.
- Continued construction project to renovate the Science Hill High School 8-9 Campus.
- Commenced construction of new Science Hill High School 9th Grade Academy and Multi-purpose facility.
- Commenced construction project to renovate Science Hill High School 10-12 Campus.
- Commenced construction of new state-of-the art football stadium on Science Hill High School Campus.
- Commenced project for construction of Memorial Park Recreation Complex (community center).
- Received National Association of Clean Water Agencies Awards for the Knob Creek (Platinum) and Brush Creek (Gold) Wastewater Treatment Plants.
- Received the Kentucky-Tennessee Operational Excellence Awards for Brush Creek and Knob Creek Wastewater Plants.

Awards and Acknowledgements

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Johnson City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the City's ninth consecutive year for receiving the award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements, and are submitting it to the GFOA to determine its eligibility for another award.

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

Respectfully submitted,



Janet Jennings, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Johnson City
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

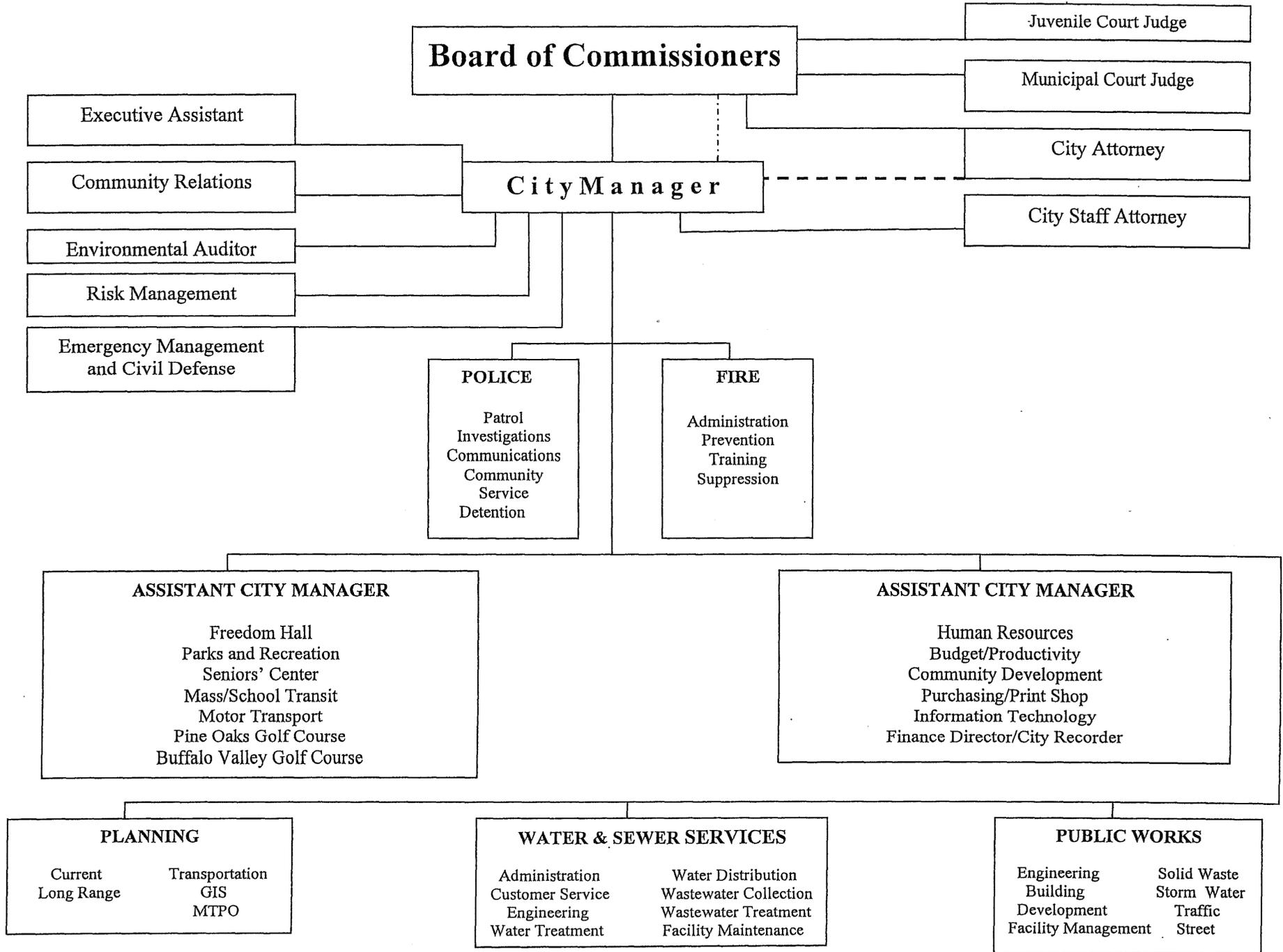
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITIZENS OF JOHNSON CITY



CITY OF JOHNSON CITY, TENNESSEE
CITY OFFICIALS
June 30, 2010

Board of Commissioners:

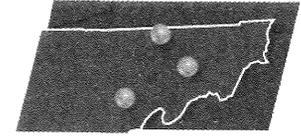
Jane Myron, Mayor
Jeff Banyas, Vice-Mayor
Stephen Darden
Marcy Walker
Phil Carriger

City Judges:

Sharon Greene, Juvenile Judge
Stan Widener, City Judge

City Administration:

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



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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Johnson City Schools Site Based Fund, a nonmajor special revenue fund, which represents 1%, 1%, and 1% respectively, of the assets, fund balance and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Johnson City Schools Site Based Fund, is based on the report of the other auditors. We did not audit the financial statements of the Johnson City Development Authority, which represents 31%, 21%, and 27% respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. 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 Development Authority, is based on the report of 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 reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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, P.O. Box 1504, Kingsport, TN 37662-1504	(423) 246-1725	Fax (423) 247-6800
Greeneville	550 Tusculum Boulevard, Greeneville, TN 37745-3939	(423) 638-8516	Fax (423) 638-3361

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the analysis of funding progress for defined benefit pension plans, and the analysis of funding progress for postemployment healthcare plans on pages 3 through 12 and pages 139 through 140, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual 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 financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

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

December 17, 2010

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, 2010. 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 \$431,533 (*net assets*). Of this amount, \$336,993 is invested in capital assets (*net of related debt*) and \$3,582 is restricted for specific purposes.
- The City's total net assets increased by \$24,475 for the current period.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$87,391, an increase of \$13,777 in comparison with the prior year. Of this amount, \$59,229 is reserved for specific purposes. In addition, beginning fund balance decreased \$8 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 \$19,335, or 28% of total general fund expenditures including transfers out. This balance included \$906 of restricted funds and \$2,268 committed for specific purposes.
- The City's total debt increased by \$44,879 (18%) 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 13 through 16 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-four (24) individual governmental funds. Nineteen (19) of these governmental funds are classified as nonmajor and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, general-purpose school fund, debt service fund, educational facilities 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 17 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 138 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor proprietary funds, are presented. Combining and individual fund statements and schedules can be found on pages 144 through 166 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 \$431,533 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (78%) 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 153,811	140,684	94,980	84,907	248,791	225,591
Capital assets	229,910	212,063	331,059	302,818	560,969	514,881
Total assets	<u>383,721</u>	<u>352,747</u>	<u>426,039</u>	<u>387,725</u>	<u>809,760</u>	<u>740,472</u>
Long-term liabilities	139,827	109,332	156,343	135,681	296,170	245,013
Other liabilities	58,253	62,321	23,804	26,080	82,057	88,401
Total liabilities	<u>198,080</u>	<u>171,653</u>	<u>180,147</u>	<u>161,761</u>	<u>378,227</u>	<u>333,414</u>
Net assets:						
Invested in capital assets, net of related debt	129,429	112,492	207,564	208,312	336,993	320,804
Restricted	207	208	3,375	1,786	3,582	1,994
Unrestricted	56,005	68,394	34,953	15,866	90,958	84,260
Total net assets	<u>\$ 185,641</u>	<u>181,094</u>	<u>245,892</u>	<u>225,964</u>	<u>431,533</u>	<u>407,058</u>

The City's net assets include a significant investment in capital assets (78%), net of the related debt. A portion of the City's net assets (.8%) 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 \$24,475 during the current fiscal year. About 19% of this increase (\$4,547) was from the governmental activities while the remaining 81% of the increase (\$19,928) was from the business-type activities.

The following is a summary of financial activities for the City during the 2010 fiscal year:

City of Johnson City's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 10,870	11,865	219,740	234,353	230,610	246,218
Operating grants & contributions	39,362	36,813	1,775	1,702	41,137	38,515
Capital grants & contributions	163	-	2,614	724	2,777	724
General revenues:						
Property taxes	38,250	36,519	-	-	38,250	36,519
Sales taxes	32,719	33,539	-	-	32,719	33,539
Other taxes & intergovernmental	7,456	8,245	-	-	7,456	8,245
Unrestricted investment earnings	685	1,305	540	1,858	1,225	3,163
Other	3,107	12,780	39	10	3,146	12,790
Total revenues	<u>132,612</u>	<u>141,066</u>	<u>224,708</u>	<u>238,647</u>	<u>357,320</u>	<u>379,713</u>

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Expenses:						
General government	16,250	13,518	-	-	16,250	13,518
Public safety	20,093	23,320	-	-	20,093	23,320
Public works	15,042	14,699	-	-	15,042	14,699
Public welfare	3,459	7,306	-	-	3,459	7,306
City services	2,924	3,078	-	-	2,924	3,078
Education	65,853	63,517	-	-	65,853	63,517
Interest on long-term debt	6,686	5,767	-	-	6,686	5,767
Water and sewer	-	-	21,602	22,831	21,602	22,831
City solid waste	-	-	8,018	8,060	8,018	8,060
Regional solid waste	-	-	1,926	1,871	1,926	1,871
Power board	-	-	163,284	178,834	163,284	178,834
Public building authority	-	-	2,015	1,985	2,015	1,985
Mass transit	-	-	3,449	3,021	3,449	3,021
Stormwater management	-	-	1,004	774	1,004	774
Golf courses	-	-	1,240	1,331	1,240	1,331
Total expenses	130,307	131,205	202,538	218,707	332,845	349,912
Increase in net assets						
before transfers	2,305	9,861	22,170	19,940	24,475	29,801
Transfers	2,242	2,082	(2,242)	(2,082)	-	-
Change in net assets	4,547	11,943	19,928	17,858	24,475	29,801
Net assets, beginning of period	181,094	169,151	225,964	208,106	407,058	377,257
Prior period adjustment	-	-	-	-	-	-
Net assets, end of period	<u>\$ 185,641</u>	<u>181,094</u>	<u>245,892</u>	<u>225,964</u>	<u>431,533</u>	<u>407,058</u>

Governmental activities. Governmental activities increased the City's net assets by \$4,547, thereby accounting for 19% of the total growth in the net assets of the City. This growth was primarily contributed by a surplus in the General Purpose School Fund, Educational Facilities Trust Fund, Insurance Fund and Capital Project Funds. 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 \$19,928 accounting for 81% 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 59% of the total growth in net assets for business-type activities.
- Water and Sewer Activities reported positive performance and contributed 23% 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 36 through 38 of this report.
- Mass Transit achieved a net income and contributed 9% of the total net assets growth. These funds were invested in capital equipment throughout the year.

- Stormwater management activities reported positive performance and provided 5% of the total net assets growth. These funds were invested in the capital expansion program.

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 \$87,391, a current year increase of \$13,777 in comparison with the prior year. Additionally, beginning fund balance decreased \$8 for adjustments to inventory accounted for under the purchase method. Included in ending fund balance is a reserved balance of \$59,229 to indicate that it has already been committed to: (1) public safety projects funded by donations and fees (\$1,587), (2) specific capital projects (\$55,909), and (3) for a variety of other restricted purposes (\$1,733).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached \$19,335, including \$906 of restricted funds and \$2,268 designated 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 and undesignated fund balance represents 23% of total general fund expenditures and transfers out, while total fund balance represents 28% of that same amount. The fund balance of the City's general fund decreased by \$1,252 as a result of transfers made to capital project funds to cash fund equipment and projects (approximately \$2,360). Additionally, beginning fund balance was increased \$406 as the result of a transfer from the police technology fund.

The general-purpose school fund has a total fund balance of \$6,622, of which \$5,774 is unreserved and undesignated. The net increase in fund balance during the current year was \$768. This increase is due to lower than anticipated expenditures.

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

The educational facilities trust fund has a total fund balance of \$697. The net increase in fund balance was \$739. This increase is attributable to the short-term refinancing of debt, which was done as an initial step to more properly align debt service payments with the anticipated revenue stream.

The school capital project fund has a total fund balance of \$38,238, all of which is reserved. The net decrease in fund balance during the current year was \$4,177. This net decrease is primarily due to the expending of bond proceeds received in a prior year.

Nonmajor (other) governmental funds have a fund balance of \$22,498. The net increase in fund balance during the current year was \$17,699. This net increase is primarily attributed to bond proceeds received but not expended prior to year-end. Additionally, the beginning fund balances for nonmajor governmental funds were reduced \$414. These reductions included adjustments to

inventory to account for the purchase method (\$8) and a transfer to the general fund (\$406) to adjust amounts previously transferred to set up the police technology fund.

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 \$7,528, \$1,642 and \$24,170, respectively.

The Public Building Authority (PBA) is a blended component unit of the City and reported unrestricted net assets of \$892.

Nonmajor (other) proprietary funds reported unrestricted net assets of \$721. Total unrestricted net assets of proprietary funds amounted to \$34,953. Total growth in net assets for the proprietary funds amounted to \$19,929. 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 \$330 increase in expenditures appropriations and a \$190 decrease in net transfers appropriated, for a total net increase of \$140. The net increase consists of the following:

\$ 156	Correction to amount budgeted for Public Building Authority lease
158	Public safety salaries, equipment, supplies and training (Fire and Police)
(163)	Debt service savings
(11)	Other
<u>\$ 140</u>	

The Public Building Authority lease was offset by debt service savings. The increased budget for public safety was funded by additional donations, grants and other reimbursements.

Differences, between the original budget and the final amended budget for the general purpose school fund, represent a \$77 increase in expenditures appropriations and a \$145 decrease in transfers appropriated, for a total decrease in appropriations of \$68. The net decrease consists of the following:

\$ 77	Funding for increased personnel costs, materials, supplies, technology, staff development, communications and equipment
(145)	Transfers to educational facilities debt service fund
<u>\$ (68)</u>	

This decrease in spending was offset by lower sales tax collections.

Final Amended Budget and Actual Amounts. Differences between the final amended budget and actual results for the general fund represent a \$1,041 decrease in expenditures and a \$3,458 decrease in net transfers, for a total decrease of \$4,499. This decrease consists of the following:

\$ (1,637)	Debt principal and interest savings
(1,168)	Delayed capital project spending
(500)	Educational facilities trust fund subsidy not required due to issuance of short-term debt
(100)	Lower subsidy required by golf fund
(62)	Increase in transfer from power board for annual payment in lieu of tax
86	Higher than budgeted street related expenditures due to snow removal; Public Works Department
(810)	Less than expected personnel-related expenditures and supplies and materials due to delays in filling open positions and overall spending reductions; General Government Departments
(304)	Less than expected personnel-related expenditures and supplies and materials due to delays in filling open positions and overall spending reductions; Public Safety Departments
(4)	Other
<u>\$ (4,499)</u>	

Since the budget to actual variance represents a reduction in required appropriations, no additional funding was necessary. Decreases in revenue totaling \$2,563, when netted with the favorable expenditure performance, resulted in a lower than anticipated deficit by \$1,936. The final budget anticipated a deficit of \$3,188, while the actual deficit reported was \$1,252. Revenue experienced lower than anticipated performance, with the most significant decreases being realized in property tax (\$140), local and state sales tax (\$1,304) and business tax (\$293). The remaining decrease of \$826 came from lower revenues for municipal fines (\$607), gas franchise and cable fees (\$177) and other (\$42).

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, 2010, amounted to \$560,969 (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 and fire equipment and vehicles, public works equipment, school buses, parks and recreation equipment, solid waste equipment, stormwater management property, water and sewer equipment and power board plant and equipment.
- Purchase and installation of new emergency radio communication system.
- Construction in progress on upgrade to Regional Wastewater Treatment Plant.
- Construction in progress on Science Hill High School 8-9 Campus renovations, 10-12 Campus renovations, new Science Hill 9th Grade Academy and Multi-purpose facility.
- Construction of new state-of-the art football stadium on Science Hill High School campus.
- Construction in progress on new community center.
- Additional investment in Johnson City Power Board plant.

City of Johnson City's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 19,717	17,820	15,411	14,025	35,128	31,845
Buildings and Improvements	152,278	147,847	50,637	49,832	202,915	197,679
Plant and Lines	-	-	324,243	311,779	324,243	311,779
Vehicles and Equipment	33,499	33,615	35,332	33,789	68,831	67,404
Infrastructure	158,208	149,331	-	-	158,208	149,331
Construction in Progress	31,741	20,808	55,121	35,021	86,862	55,829
Accumulated Depreciation	<u>(165,533)</u>	<u>(157,358)</u>	<u>(149,685)</u>	<u>(141,628)</u>	<u>(315,218)</u>	<u>(298,986)</u>
Total capital assets	<u>\$ 229,910</u>	<u>212,063</u>	<u>331,059</u>	<u>302,818</u>	<u>560,969</u>	<u>514,881</u>

Additional information on the City's capital assets can be found in Note 4.C. on pages 66 through 67 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$288,497. 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	
	2010	2009	2010	2009	2010	2009
Notes payable	\$ 893	284	1,315	895	2,208	1,179
General obligation bonds	135,306	107,813	84,028	64,401	219,334	172,214
Revenue bonds	-	-	66,665	70,390	66,665	70,390
Capital Leases	<u>247</u>	<u>368</u>	<u>43</u>	<u>83</u>	<u>290</u>	<u>451</u>
Total Long-Term Debt	<u>\$ 136,446</u>	<u>108,465</u>	<u>152,051</u>	<u>135,769</u>	<u>288,497</u>	<u>244,234</u>

The City's total debt increased by \$44,263 (18%) during the current fiscal year, as a result of the issuance of new debt to finance school building projects, construction of a new community center and improvements to the water/sewer system.

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

The City of Johnson City is subject to debt limitations imposed by its Charter. The total bonded indebtedness (excluding sales tax revenue debt) shall not exceed 10% of the assessed taxable value of property within the City. The current debt limitation for the City is in excess of the outstanding general obligation debt, with the amount of debt applicable to the debt limit at only 5.6%. Additional information on the City's long-term debt can be found in Note 4.F. on pages 70 through 98 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the Johnson City statistical area is currently 9.2%, which is a decrease of .9% from a year ago. This compares to the state's average unemployment rate of 10.1% as of June 30, 2010.
- Inflationary trends in the region are comparable to national indices.
- New construction permitted and inspected was down 39% from the previous year, at \$104 million.
- Growth in local sales tax collections is budgeted to approximate 1% in fiscal year 2011.

Short-term interest rates on the City's pooled cash account remained steady. The Federal Open Market Committee made no changes to the federal funds rate, which currently stands at .1%. All of these factors were considered in preparing the City of Johnson City's budget for fiscal year 2011.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$16,161 due to the cash funding of capital equipment and projects. All appropriations lapse at year-end. The City of Johnson City has appropriated an additional \$3 million of this amount for capital spending in the fiscal year 2011 budget.

As the result of a cost rate study, water rates and sewer rates were adjusted 7.9% and 11.3%, respectively. Residential, commercial and industrial collection rates remained steady.

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, 300 East Main Street, Johnson City, TN 37601.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in such. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Johnson City, Director of Finance, 601 East Main Street, Johnson City, Tennessee 37601.

CITY OF JOHNSON CITY, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash on Hand	\$ 12,106	22,317	34,423	500
Cash on Deposit with Paying Agent	5,639	1,319,249	1,324,888	-
Cash in Bank	55,534,499	14,630,689	70,165,188	388,660
Cash on Deposit with State	316,170	1,845,405	2,161,575	-
Cash Due from Central Depository	3,240,199	11,005,747	14,245,946	-
Investments	-	-	-	158,865
Accounts Receivable	2,269,734	14,620,516	16,890,250	306,444
Interest Receivable	41,813	-	41,813	-
Notes Receivable	343,802	145,705	489,507	-
Internal Balances	512,512	(512,512)	-	-
Local Option Sales Tax Receivable	-	-	-	-
Taxes Receivable	29,832,146	-	29,832,146	-
Less: Estimated Uncollectible	(179,111)	-	(179,111)	-
Intergovernmental Receivables	19,417,909	573,819	19,991,728	-
Local Grants Receivable	-	-	-	-
Deposits	5,050	-	5,050	825
Inventories	618,768	5,208,531	5,827,299	-
Prepaid Expenses	132,600	120,059	252,659	-
Restricted Assets:				
Cash or Cash Equivalents	16,329,174	13,721,944	30,051,118	-
Investments	21,387,058	29,774,114	51,161,172	-
Other Assets:				
Bond Issue Costs (Net)	1,125,705	2,274,772	3,400,477	-
Customer Base (Net)	-	79,602	79,602	-
Prepaid Expenses	-	150,000	150,000	-
Fair Value of Interest Rate Swap	2,865,616	-	2,865,616	-
Capital Assets:				
Land	19,716,743	15,411,406	35,128,149	-
Book Collection	-	-	-	1,138,049
Buildings and Improvements	152,278,459	50,637,301	202,915,760	153,666
Plant in Service	-	324,242,829	324,242,829	-
Equipment and Vehicles	33,499,315	35,331,969	68,831,284	669,499
Infrastructure	158,207,798	-	158,207,798	-
Less: Accumulated Depreciation	(165,533,201)	(149,685,143)	(315,218,344)	(579,605)
Construction in Progress	31,740,710	55,121,067	86,861,777	-
Total Assets	383,721,213	426,039,386	809,760,599	2,236,903

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>LIABILITIES:</u>				
Cash Due to Central Depository	2,286,486	1,983,629	4,270,115	-
Accounts Payable	4,743,335	14,720,004	19,463,339	3,765
Accrued Payroll Expenses	3,963,802	906,838	4,870,640	31,630
Accrued Expenses	3,948,019	1,443,393	5,391,412	-
Due to State of Tennessee	-	-	-	-
Deposits Payable	-	2,870,681	2,870,681	-
Deferred Revenue	-	3,303	3,303	18,275
Matured Bonds and Interest Payable	1,302,998	33,253	1,336,251	-
Retainages Payable	522,729	1,317,751	1,840,480	-
Lease Payable	-	42,610	42,610	-
Unearned Revenue	37,744,496	53,247	37,797,743	-
Contractor Deposits	35,807	453,563	489,370	-
Other Liabilities	840,607	-	840,607	305,131
Compensated Absences:				
Due within one year	1,687,992	928,079	2,616,071	23,473
Due in more than one year	832,433	2,110,024	2,942,457	-
Noncurrent Liabilities:				
Due within one year	40,113,625	7,408,041	47,521,666	-
Due in more than one year	96,780,748	144,120,286	240,901,034	-
OPEB Liability	312,795	1,210,840	1,523,635	-
Termination Benefits	98,973	-	98,973	-
Deferred Inflow on Swap	2,865,616	-	2,865,616	-
Special Commission Bonds	-	16,931	16,931	-
Deferred Landfill Postclosure Cost:				
Due within one year	-	37,380	37,380	-
Due in more than one year	-	485,940	485,940	-
Customer Deposits	-	975	975	-
Total Liabilities	198,080,461	180,146,768	378,227,229	382,274
<u>NET ASSETS:</u>				
Invested in Capital Assets, Net of Related Debt	129,428,685	207,564,184	336,992,869	1,381,609
Temporarily Restricted for:				
Restricted for Debt Service	-	3,375,467	3,375,467	-
Restricted by External Contributions	-	-	-	252
Restricted by Enabling Legislation	-	-	-	204,957
Restricted for School Trust- Nonexpendable	206,878	-	206,878	-
Unrestricted	56,005,189	34,952,967	90,958,156	267,811
Total Net Assets	\$ 185,640,752	245,892,618	431,533,370	1,854,629

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, 2010

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary Government:								
Governmental Activities:								
General Government	\$ 16,250,413	2,442,655	251,401	-	(13,556,357)	-	(13,556,357)	-
Public Safety	20,093,411	1,960,333	2,224,545	-	(15,908,533)	-	(15,908,533)	-
Public Works	15,041,881	889,177	159,833	162,945	(13,829,926)	-	(13,829,926)	-
Public Welfare	3,459,067	205,478	538,779	-	(2,714,810)	-	(2,714,810)	-
City Services	2,923,687	2,700,531	1,931,032	-	1,707,876	-	1,707,876	-
Education	65,853,223	2,671,448	34,256,651	-	(28,925,124)	-	(28,925,124)	-
Interest on Long-Term Debt	6,685,700	-	-	-	(6,685,700)	-	(6,685,700)	-
Total Governmental Activities	130,307,382	10,869,622	39,362,241	162,945	(79,912,574)	-	(79,912,574)	0
Business-type Activities:								
Water and Sewer	21,601,917	26,264,591	-	215,560	-	4,878,234	4,878,234	-
City Solid Waste	8,017,980	8,418,244	-	-	-	400,264	400,264	-
Regional Solid Waste	1,925,909	2,330,873	-	-	-	404,964	404,964	-
Johnson City Power Board	163,283,389	177,398,118	-	-	-	14,114,729	14,114,729	-
JC Public Building Authority	2,015,126	2,056,465	-	-	-	41,339	41,339	-
Mass Transit	3,449,299	348,214	1,775,802	2,399,162	-	1,073,879	1,073,879	-
Stormwater Management	1,004,367	2,002,617	-	-	-	998,250	998,250	-
Golf Courses	1,239,672	920,754	-	-	-	(318,918)	(318,918)	-
Total Business-type Activities	202,537,659	219,739,876	1,775,802	2,614,722	-	21,592,741	21,592,741	0
Total Primary Government	\$ 332,845,041	230,609,498	41,138,043	2,777,667	(79,912,574)	21,592,741	(58,319,833)	0

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS							Component Units
	PROGRAM REVENUES				Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Component Units:								
Johnson City Public Library	1,687,081	57,724	1,612,162	-	-	-	-	(17,195)
Johnson City Development Authority	329,321	9,783	623,812	-	-	-	-	304,274
	<u>\$ 2,016,402</u>	<u>67,507</u>	<u>2,235,974</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>287,079</u>
General Revenues:								
Property Taxes					38,250,017	-	38,250,017	-
Sales Taxes					32,718,394	-	32,718,394	-
Beer and Liquor Taxes					2,679,807	-	2,679,807	-
Business Taxes					1,484,814	-	1,484,814	-
Room Occupancy Taxes					1,015,619	-	1,015,619	-
Phone and Cable Fees					728,350	-	728,350	-
State of Tennessee Mixed Drink Taxes					555,461	-	555,461	-
Franchise Taxes					426,259	-	426,259	-
State Income Taxes					356,680	-	356,680	-
State of Tennessee Excise Taxes					208,773	-	208,773	-
Unrestricted Investment Earnings					685,114	539,657	1,224,771	5,814
Gain (Loss) on Disposal of Capital Assets					(14,454)	39,051	24,597	-
Bond Proceeds from Washington County					3,113,898	-	3,113,898	-
Other General Revenue					7,925	-	7,925	56,147
Transfers					2,242,433	(2,242,433)	-	-
Total General Revenues and Transfers					<u>84,459,090</u>	<u>(1,663,725)</u>	<u>82,795,365</u>	<u>61,961</u>
Change in Net Assets					4,546,516	19,929,016	24,475,532	349,040
Net Assets, Beginning					<u>181,094,236</u>	<u>225,963,602</u>	<u>407,057,838</u>	<u>1,505,589</u>
Net Assets, Ending					<u>\$ 185,640,752</u>	<u>245,892,618</u>	<u>431,533,370</u>	<u>1,854,629</u>

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

CITY OF JOHNSON CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>							
Cash Due from Central Depository	\$ -	-	3,345	-	-	5,965,643	5,968,988
Cash on Hand	9,701	-	-	-	-	2,404	12,105
Cash in Bank	20,734	6,510,774	-	120,969	37,019,345	1,543,955	45,215,777
Cash on Deposit with Paying Agent	5,639	-	-	-	-	-	5,639
Cash on Deposit with State of Tennessee	265,927	-	-	-	-	50,243	316,170
Taxes Receivable	29,832,146	-	-	-	-	-	29,832,146
Less: Estimated Uncollectible	(179,111)	-	-	-	-	-	(179,111)
Accounts Receivable	1,056,955	33,128	-	574,999	-	568,091	2,233,173
Interest Receivable	3,055	-	-	-	38,758	-	41,813
Notes Receivable	305,000	-	-	-	-	38,802	343,802
Due from Washington County	-	12,315,062	-	-	-	-	12,315,062
Due from State of Tennessee	2,078,499	94,760	-	-	-	1,882,087	4,055,346
Due from Other Funds	899,412	1,008,505	-	-	-	262	1,908,179
Due from Federal Government	-	-	-	-	-	211,046	211,046
Due from Local Governments	2,836,455	-	-	-	-	-	2,836,455
Postage Deposits	5,050	-	-	-	-	-	5,050
Inventories	-	34,639	-	-	-	190,413	225,052
Advances to Other Funds	350,000	-	-	-	-	-	350,000
Restricted Cash	16,099,500	-	302	2,050	227,321	-	16,329,173
Restricted Investments	-	-	-	-	4,217,475	17,169,583	21,387,058
Total Assets	\$ 53,588,962	19,996,868	3,647	698,018	41,502,899	27,622,529	143,412,923

CITY OF JOHNSON CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<u>LIABILITIES AND FUND BALANCES:</u>							
<u>Liabilities:</u>							
Cash Due to Central Depository	\$ 2,392,547	-	-	5	406,837	2,195,886	4,995,275
Accounts Payable	947,353	80,073	3,647	318	2,397,555	848,538	4,277,484
Accrued Payroll Expenditures	840,607	3,464,232	-	-	-	428,464	4,733,303
Accrued Expenditures	1,247	-	-	-	-	5,312	6,559
Retainages Payable	-	-	-	-	460,125	62,604	522,729
Due to Other Funds	193,000	138,262	-	-	-	1,414,406	1,745,668
Deposits Payable	35,806	-	-	-	-	-	35,806
Matured Bond Interest Payable	5,639	-	-	-	-	-	5,639
Deferred Revenue	1,955,404	-	-	-	-	-	1,955,404
Unearned Revenue	27,882,500	9,692,465	-	-	-	169,531	37,744,496
Total Liabilities	34,254,103	13,375,032	3,647	323	3,264,517	5,124,741	56,022,363
<u>Fund Balances:</u>							
Reserved for:							
Debt Service	-	-	-	697,695	-	-	697,695
Encumbrances	-	64,068	-	-	-	-	64,068
Specific Activities and Projects	235,124	288,184	-	-	-	-	523,308
Public Safety	671,099	329,150	-	-	-	586,874	1,587,123
Inventories	-	34,639	-	-	-	190,413	225,052
Specified Capital Projects	-	-	-	-	38,238,382	17,671,068	55,909,450
School Trust	-	-	-	-	-	206,878	206,878
Senior Citizens	-	-	-	-	-	15,000	15,000
Unreserved, Designated for:							
Compensated Absences	2,267,893	132,227	-	-	-	57,814	2,457,934
Special Projects	-	-	-	-	-	450,144	450,144
Specified Capital Outlays	-	-	-	-	-	3,080,369	3,080,369
Unreserved, Reported In:							
General Fund	16,160,743	-	-	-	-	-	16,160,743
General Purpose School Fund	-	5,773,568	-	-	-	-	5,773,568
Special Revenue Funds	-	-	-	-	-	1,838,451	1,838,451
Capital Project Funds	-	-	-	-	-	(1,599,223)	(1,599,223)
Total Fund Balances	19,334,859	6,621,836	0	697,695	38,238,382	22,497,788	87,390,560
Total Liabilities and Fund Balances	\$ 53,588,962	19,996,868	3,647	698,018	41,502,899	27,622,529	143,412,923

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, 2010

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

Total Fund Balances of Governmental Funds	\$ 87,390,560
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	229,708,000
Prepays are expensed when disbursed and are not recognized based upon economic benefit or recorded as assets in the governmental funds.	132,600
Bond issue costs are expensed when disbursed in the governmental funds and are amortized over the life of the bonds in the governmental activities.	1,125,705
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.	1,581,355
Other revenues which are earned but not available to finance current period expenditures and are reported as deferred revenue at the fund level.	374,049
OPEB and termination benefits represent liabilities of the City that are not recorded at the fund level.	(411,768)
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.	(2,457,934)
Accrued interest on the notes and bonds payable represents a liability of the City that is generally not recorded at the fund level.	(1,297,359)
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.	(136,894,373)
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.	6,389,917
Net Assets of Governmental Activities	<u>\$ 185,640,752</u>

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

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>							
Taxes	\$ 51,375,702	19,626,589	-	1,883,651	-	573,787	73,459,729
Licenses and Permits	680,362	1,192	-	-	-	-	681,554
Intergovernmental Revenue	8,916,313	24,384,566	-	-	3,113,898	10,941,456	47,356,233
Charges for Services	896,065	1,169,038	-	-	-	1,072,895	3,137,998
Fines and Forfeitures	1,441,467	-	-	-	-	414,798	1,856,265
Revenue from Use of Property	1,016,764	-	-	-	-	1,337,486	2,354,250
Investment Earnings	306,511	75,218	986	188	281,664	11,313	675,880
Miscellaneous	864,992	203,777	-	-	105,200	1,862,977	3,036,946
Total Revenues	65,498,176	45,460,380	986	1,883,839	3,500,762	16,214,712	132,558,855
<u>Expenditures:</u>							
<u>Current:</u>							
General Government	10,843,876	-	-	-	-	-	10,843,876
Public Safety	22,211,904	-	-	-	-	978,908	23,190,812
Public Works	11,211,427	-	-	-	-	-	11,211,427
Public Welfare	5,955,123	-	-	-	-	442,472	6,397,595
City Services	-	-	-	-	-	1,904,186	1,904,186
Education	-	50,634,075	-	-	-	10,838,866	61,472,941
Miscellaneous	-	-	-	-	-	7,250	7,250
<u>Capital Outlay</u>							
General Government	9,880	-	-	-	-	5,986,133	5,996,013
Public Safety	14,377	-	-	-	-	496,593	510,970
Public Works	8,298	-	-	-	-	2,931,763	2,940,061
Public Welfare	-	-	-	-	-	744,721	744,721
City Services	-	-	-	-	-	807,333	807,333
Education	-	67,425	-	-	15,105,084	1,125,949	16,298,458
<u>Debt Service:</u>							
Principal Retirement	-	-	5,179,729	919,686	-	132,516	6,231,931
Interest and Fiscal Charges	-	-	3,020,552	2,899,136	-	102,474	6,022,162
Total Expenditures	50,254,885	50,701,500	8,200,281	3,818,822	15,105,084	26,499,164	154,579,736
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,243,291	(5,241,120)	(8,199,295)	(1,934,983)	(11,604,322)	(10,284,452)	(22,020,881)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2010

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<u>Other Financing Sources (Uses):</u>							
Transfers from Other Funds	3,506,860	7,806,392	8,199,295	1,014,592	-	3,675,314	24,202,453
Transfers to Other Funds	(20,041,491)	(1,797,219)	-	-	(4,575)	(366,735)	(22,210,020)
Capital Lease	-	-	-	-	-	-	-
Sale of Real Estate and Other Equipment	38,993	-	-	-	-	9,485	48,478
Bond Premiums	-	-	-	-	77,149	45,464	122,613
Bond Issue Proceeds	-	-	-	1,660,000	7,354,951	24,619,633	33,634,584
Redemption of Refunded Bonds	-	-	-	-	-	-	-
Bond Refunding Payments	-	-	-	-	-	-	-
Impairment Loss	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(16,495,638)</u>	<u>6,009,173</u>	<u>8,199,295</u>	<u>2,674,592</u>	<u>7,427,525</u>	<u>27,983,161</u>	<u>35,798,108</u>
Net Change in Fund Balances	<u>(1,252,347)</u>	<u>768,053</u>	<u>0</u>	<u>739,609</u>	<u>(4,176,797)</u>	<u>17,698,709</u>	<u>13,777,227</u>
Fund Balances, July 1, 2009	20,181,306	5,853,783	-	(41,914)	42,415,179	5,212,960	73,621,314
Purchase Method Inventory Adjustment	-	-	-	-	-	(7,981)	(7,981)
Prior Period Adjustment for Police Technology	405,900	-	-	-	-	(405,900)	-
Fund Balances, July 1, 2009 (Restated)	<u>20,587,206</u>	<u>5,853,783</u>	<u>0</u>	<u>(41,914)</u>	<u>42,415,179</u>	<u>4,799,079</u>	<u>73,613,333</u>
Fund Balances, June 30, 2010	<u>\$ 19,334,859</u>	<u>6,621,836</u>	<u>0</u>	<u>697,695</u>	<u>38,238,382</u>	<u>22,497,788</u>	<u>87,390,560</u>

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, 2010

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

Net Change in Fund Balances of Governmental Funds	\$	13,777,227
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.		17,763,601
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.		(62,932)
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.		(27,918,428)
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.		59,364
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.		(7,981)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		57,823
Liability for OPEB and termination benefits are not reported in the governmental funds.		44,574
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.		(329,733)
Expenses for compensated absences do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.		(53,432)
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.		1,216,433
Change in Net Assets of Governmental Activities	\$	<u>4,546,516</u>

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

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property Tax (Net of Discounts)	\$ 26,784,122	26,784,122	26,606,701	(177,421)
Property Tax - Penalty and Interest	300,000	300,000	335,300	35,300
Other Fees - Taxes	-	-	2,002	2,002
Received in Lieu of Taxes	1,475,800	1,475,800	1,383,740	(92,060)
Local Sales Tax	17,850,000	17,850,000	16,985,768	(864,232)
Business Tax	1,500,000	1,500,000	1,221,717	(278,283)
Business Tax - Penalty and Interest	38,000	38,000	22,808	(15,192)
Local Beer Tax	2,026,710	2,026,710	2,083,741	57,031
Local Liquor Tax	530,000	530,000	567,854	37,854
Hotel/Motel Tax	1,000,000	1,000,000	1,015,619	15,619
Franchise Tax	575,000	575,000	426,259	(148,741)
Telephone Commissions/Cable	752,000	752,000	724,193	(27,807)
Total Taxes	52,831,632	52,831,632	51,375,702	(1,455,930)
Licenses and Permits:				
Building Permits	475,000	475,000	401,860	(73,140)
Electrical Permits and Electrician Certificates	74,000	74,000	45,139	(28,861)
Plumbing Permits and Plumbers Certificates	26,000	26,000	40,853	14,853
Natural Gas Permits	6,000	6,000	7,165	1,165
Zoning Permits and Fees	14,000	14,000	10,619	(3,381)
Mechanical Permits	25,500	25,500	32,083	6,583
Sign Permits	12,000	12,000	17,761	5,761
Plan Review Permits	40,000	40,000	23,674	(16,326)
Beverage and Private Club Permits	93,000	93,000	98,855	5,855
Other Fees and Licenses	5,000	5,000	2,353	(2,647)
Total Licenses and Permits	770,500	770,500	680,362	(90,138)
Intergovernmental Revenues:				
State of Tennessee Revenue:				
State:				
Boarding of Prisoners	1,390,000	1,425,874	1,447,445	21,571
Sales Tax	4,040,000	4,040,000	3,600,568	(439,432)
Income Tax	375,000	375,000	509,450	134,450
Beer Tax	31,000	31,000	28,211	(2,789)
Mixed Drink Tax	570,000	570,000	555,461	(14,539)
State Street Aid	1,575,000	1,575,000	1,517,715	(57,285)
Highway Maintenance	209,700	209,700	291,058	81,358
Street and Transit	122,000	122,000	122,259	259
Excise Taxes	186,000	186,000	167,880	(18,120)
Civil Defense	-	-	48,443	48,443

(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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues (Continued):</u>				
<u>Intergovernmental Revenues (Continued):</u>				
<u>State (Continued):</u>				
Fire Supplement	72,000	72,000	68,400	(3,600)
Police Supplement	84,600	84,600	86,400	1,800
First TN-VA Development				
District Senior Citizens Grant	67,000	67,000	46,835	(20,165)
Telecommunications	7,000	7,000	4,665	(2,335)
Total State	8,729,300	8,765,174	8,494,790	(270,384)
<u>Washington County:</u>				
Public Safety	200,000	200,000	209,058	9,058
Senior Citizens	50,000	50,000	50,000	-
Juvenile Court	4,500	4,500	4,500	-
Total Washington County	254,500	254,500	263,558	9,058
Federal Emergency Management	320,910	320,910	157,965	(162,945)
Total Intergovernmental Revenues	9,304,710	9,340,584	8,916,313	(424,271)
<u>Charges for Services:</u>				
School Bus Charters	113,000	113,000	123,765	10,765
Clerk Fees	20,000	20,000	11,492	(8,508)
Accident Reports	20,000	20,000	20,914	914
Sidewalk Assessments/Curb Cuts	5,000	5,000	1,039	(3,961)
Special Work Charges	40,000	40,000	16,500	(23,500)
Administrative Fees from Other Funds	713,619	713,619	713,619	-
Miscellaneous Services	1,000	1,000	8,736	7,736
Total Charges for Services	912,619	912,619	896,065	(16,554)
<u>Fines and Forfeitures:</u>				
Municipal Courts - Fines and Court Costs	2,048,000	2,048,000	1,441,467	(606,533)
Total Fines and Forfeitures	2,048,000	2,048,000	1,441,467	(606,533)
<u>Revenue From Use of Property:</u>				
Rents from Buildings and Equipment	209,850	209,850	243,034	33,184
Parks and Recreation	378,150	378,150	456,703	78,553
Tournaments	23,000	23,000	21,073	(1,927)
Print Shop Charges	73,000	73,000	48,038	(24,962)
Computer Services (MIS)	235,000	235,000	247,916	12,916
Total Revenue From Use of Property	919,000	919,000	1,016,764	97,764

(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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Investment Earnings:</u>				
Investment Income	220,000	220,000	306,511	86,511
Total Investment Earnings	220,000	220,000	306,511	86,511
<u>Miscellaneous:</u>				
Refunds and Reimbursements	200,088	286,960	261,469	(25,491)
Senior Citizens	71,000	71,000	70,831	(169)
Donations	155,800	170,407	84,270	(86,137)
Sale of Methane Gas	400,000	400,000	168,278	(231,722)
Miscellaneous	88,000	90,917	280,144	189,227
Total Miscellaneous	914,888	1,019,284	864,992	(154,292)
Total Revenues	67,921,349	68,061,619	65,498,176	(2,563,443)
<u>Expenditures:</u>				
<u>General Government:</u>				
Economic Development	103,243	103,243	100,049	3,194
City Commission	92,254	92,254	70,269	21,985
City Court	170,369	170,369	208,037	(37,668)
Staff Attorney	340,556	340,556	221,768	118,788
Juvenile Court	709,492	709,492	696,976	12,516
City Manager	352,739	352,739	369,996	(17,257)
Management Services	385,571	385,571	389,394	(3,823)
Community Relations Office	275,563	275,563	236,828	38,735
Community Economic Coordinator	39,771	39,771	39,866	(95)
Purchasing	146,423	146,423	143,641	2,782
Human Resources	347,332	347,332	340,282	7,050
Planning	495,983	495,983	411,726	84,257
Miscellaneous Appropriations	548,500	548,500	201,074	347,426
Risk Management	478,430	478,430	351,766	126,664
Geographic Information Systems	174,290	174,290	173,158	1,132
Management Information Systems	1,173,135	1,173,135	1,092,224	80,911
Central Print Shop	97,525	97,525	92,786	4,739
Special Appropriations	4,200,882	4,200,882	4,200,882	-
Finance Administration	172,246	172,246	175,093	(2,847)
Accounting	747,326	747,326	745,006	2,320
Collections	528,976	528,976	525,486	3,490
Records Management	57,969	57,969	57,062	907
General Elections	-	-	507	(507)
Capital Outlay	25,000	25,000	9,880	15,120
Total General Government	11,663,575	11,663,575	10,853,756	809,819

(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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Expenditures (Continued):</u>				
<u>Public Safety:</u>				
Student Transportation	1,884,964	1,884,964	1,791,749	93,215
Police Department	11,717,696	11,815,621	11,744,963	70,658
Fire Department	8,561,482	8,618,549	8,476,456	142,093
Civil Defense	202,962	205,962	198,736	7,226
Capital Outlay	5,000	5,000	14,377	(9,377)
Total Public Safety	22,372,104	22,530,096	22,226,281	303,815
<u>Public Works:</u>				
Administration	338,600	338,600	339,705	(1,105)
Streets	5,497,200	5,497,200	5,826,970	(329,770)
Engineering	749,922	749,922	819,008	(69,086)
Inspection	856,781	856,781	751,844	104,937
Downtown Parking	-	-	33	(33)
Traffic Control	2,512,915	2,512,915	2,254,360	258,555
Sidewalks	156,010	156,010	126,533	29,477
Mowing	237,600	237,600	237,037	563
General Facilities	343,765	343,765	408,242	(64,477)
Municipal Building	284,275	284,275	295,748	(11,473)
Keystone	128,741	128,741	124,135	4,606
Facilities Center	10,100	10,100	27,812	(17,712)
Capital Outlay	18,000	18,000	8,298	9,702
Total Public Works	11,133,909	11,133,909	11,219,725	(85,816)
<u>Public Welfare:</u>				
Public Building Authority	1,175,000	1,331,431	1,331,431	-
Parks and Recreation	3,766,421	3,781,846	3,871,297	(89,451)
Senior Citizens	854,703	854,703	752,395	102,308
Total Public Welfare	5,796,124	5,967,980	5,955,123	12,857
Total Expenditures	50,965,712	51,295,560	50,254,885	1,040,675

(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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,955,637	16,766,059	15,243,291	(1,522,768)
Other Financing Sources (Uses):				
Transfer from Drug Fund	-	10,830	10,830	-
Transfer to General Purpose School Fund	(7,788,675)	(7,788,675)	(7,788,675)	-
Transfer to Insurance Fund	(375,000)	(375,000)	(250,000)	125,000
Transfer to Mass Transit	(636,500)	(636,500)	(636,500)	-
Transfer to Freedom Hall	(175,000)	(143,000)	(233,514)	(90,514)
Transfer to Police Technology	-	-	(52,649)	(52,649)
Transfer from Police Technology	-	-	629	629
Transfer to Capital Projects	(3,307,800)	(3,339,800)	(2,359,748)	980,052
Transfer to Special School Projects	(514,095)	(514,095)	(16,605)	497,490
Transfer to School Federal Project	(2,000)	(2,000)	(2,000)	-
Transfer to Police Grants	(75,000)	(75,000)	(50,324)	24,676
Transfer to Debt Service	(10,000,000)	(9,836,677)	(8,199,295)	1,637,382
Transfers from Other Funds	24,859	24,859	-	(24,859)
Transfer from Capital Projects	-	15,425	203,559	188,134
Transfer from Proprietary Funds	3,230,000	3,230,000	3,291,842	61,842
Transfer to Proprietary Funds	(518,798)	(518,798)	(418,918)	99,880
Transfer to MTPO	(55,502)	(55,502)	(33,263)	22,239
Sale of Real Estate and Other Equipment	50,000	50,000	38,993	(11,007)
Total Other Financing Sources (Uses)	(20,143,511)	(19,953,933)	(16,495,638)	3,458,295
Net Change in Fund Balance	(3,187,874)	(3,187,874)	(1,252,347)	1,935,527
Fund Balance, July 1, 2009	20,181,306	20,181,306	20,181,306	-
Prior Period Adjustment for Police Technology- Transferred from Police Technology Fund	-	-	405,900	405,900
Fund Balance, July 1, 2009 (restated)	20,181,306	20,181,306	20,587,206	405,900
Fund Balance, June 30, 2010	\$ 16,993,432	16,993,432	19,334,859	2,341,427

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts and Encumbrances</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
<u>Taxes:</u>				
Local Sales Tax	\$ 10,520,000	10,150,000	10,248,407	98,407
County Property Tax	8,645,000	8,865,000	8,917,301	52,301
Interest and Penalty	70,000	70,000	89,347	19,347
Business Tax	265,000	265,000	240,289	(24,711)
In Lieu - Local Utilities	132,000	132,000	131,245	(755)
Total Taxes	<u>19,632,000</u>	<u>19,482,000</u>	<u>19,626,589</u>	<u>144,589</u>
<u>Licenses and Permits:</u>				
Marriage Licenses	1,500	1,500	1,192	(308)
Total Licenses and Permits	<u>1,500</u>	<u>1,500</u>	<u>1,192</u>	<u>(308)</u>
<u>Intergovernmental Revenues:</u>				
<u>State:</u>				
Basic Education Program	23,743,000	23,743,000	23,738,000	(5,000)
Career Ladder Program	553,000	553,000	486,002	(66,998)
Bank Excise Tax	46,000	46,000	40,893	(5,107)
Drivers Education	11,000	11,000	15,151	4,151
Mixed Drink Tax	1,000	1,000	7,385	6,385
Telecommunication Tax	7,500	7,500	4,157	(3,343)
Other State of Tennessee Funds	35,000	35,000	34,060	(940)
Total State	<u>24,396,500</u>	<u>24,396,500</u>	<u>24,325,648</u>	<u>(70,852)</u>
<u>Federal:</u>				
ROTC Reimbursement	50,000	50,000	58,918	8,918
Total Intergovernmental Revenues	<u>24,446,500</u>	<u>24,446,500</u>	<u>24,384,566</u>	<u>(61,934)</u>
<u>Investment Earnings:</u>				
Investment Income	112,500	112,500	75,218	(37,282)
Total Investment Earnings	<u>112,500</u>	<u>112,500</u>	<u>75,218</u>	<u>(37,282)</u>
<u>Miscellaneous Revenues:</u>				
Refunds and Reimbursements	95,000	95,000	104,327	9,327
Other Local Revenue	95,560	108,260	99,450	(8,810)
Total Miscellaneous Revenues	<u>190,560</u>	<u>203,260</u>	<u>203,777</u>	<u>517</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Charges for Services:</u>				
School Tuition	430,000	430,000	336,628	(93,372)
Educare Revenue	850,000	850,000	733,142	(116,858)
Other Charges	145,000	145,000	99,268	(45,732)
Total Charges for Services	1,425,000	1,425,000	1,169,038	(255,962)
Total Revenues	45,808,060	45,670,760	45,460,380	(210,380)
<u>Expenditures:</u>				
<u>Instruction:</u>				
Regular Education	29,867,965	29,688,560	28,157,128	1,531,432
Special Education	3,578,895	3,572,468	3,391,812	180,656
Vocational Education	1,445,580	1,460,580	1,440,442	20,138
Adult Education	152,780	147,450	115,716	31,734
Preschool	195,005	195,005	134,600	60,405
Total Instruction	35,240,225	35,064,063	33,239,698	1,824,365
<u>Support Services:</u>				
Health Services	196,040	196,040	194,412	1,628
Student Support	1,507,660	1,489,660	1,405,330	84,330
Regular Education	2,452,965	2,464,800	2,297,693	167,107
Alternative Instructional	844,825	848,335	697,572	150,763
Special Education	229,895	237,022	235,235	1,787
Vocational Education	195,950	195,950	192,565	3,385
Adult Education	66,050	71,880	70,635	1,245
Board of Education	409,200	412,120	397,283	14,837
Office of Superintendent	522,385	526,385	457,188	69,197
Office of Principal	3,493,640	3,522,140	3,404,246	117,894
Fiscal Services	370,720	375,720	364,597	11,123
Operation of Plant	4,426,460	4,647,460	4,451,754	195,706
Maintenance of Plant	1,430,720	1,475,910	1,405,290	70,620
Transportation Expense	2,079,590	2,024,390	97,415	1,926,975
Other Support	792,820	792,820	684,474	108,346
Community Services	850,000	850,000	804,145	45,855
Other Capital Outlay	377,655	369,475	12,343	357,132
Total Support Services	20,246,575	20,500,107	17,172,177	3,327,930
Total Expenditures	55,486,800	55,564,170	50,411,875	5,152,295
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,678,740)	(9,893,410)	(4,951,495)	4,941,915

(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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts and Encumbrances</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Other Financing Sources (Uses):</u>				
Transfer from General Fund	9,673,640	9,673,640	7,788,675	(1,884,965)
Transfer to Educational Facilities Debt Service	(1,170,500)	(1,025,500)	(1,014,592)	10,908
Transfer to Special School Project	(44,000)	(44,000)	(40,995)	3,005
Transfer from School Federal Projects	43,785	43,785	17,717	(26,068)
Transfer to School Site Based Fund	-	-	(741,632)	(741,632)
Total Other Financing Sources (Uses)	<u>8,502,925</u>	<u>8,647,925</u>	<u>6,009,173</u>	<u>(2,638,752)</u>
Net Change in Fund Balance	(1,175,815)	(1,245,485)	1,057,678	2,303,163
Fund Balance, July 1, 2009	<u>5,500,090</u>	<u>5,500,090</u>	<u>5,500,090</u>	<u>-</u>
Fund Balance, June 30, 2010	<u>\$ 4,324,275</u>	<u>4,254,605</u>	<u>6,557,768</u>	<u>2,303,163</u>

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, 2010

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
ASSETS:							
Current Assets:							
Cash on Hand	\$ 100	-	19,300	-	2,917	22,317	-
Cash in Bank	245,214	-	14,283,033	102,442	-	14,630,689	10,318,722
Cash on Deposit with Paying Agent	1,319,249	-	-	-	-	1,319,249	-
Cash on Deposit with State	580,478	-	-	1,264,927	-	1,845,405	-
Cash Due from Central Depository	6,136,358	2,425,375	-	-	2,444,014	11,005,747	265,645
Accounts Receivable (Net)	1,162,062	399,264	12,919,565	-	139,625	14,620,516	36,561
Notes Receivable	-	-	145,705	-	-	145,705	-
Due from Federal Government	-	-	-	-	402,944	402,944	-
Due from State of Tennessee	-	-	-	-	170,875	170,875	-
Due from Other Funds	-	-	517,000	-	-	517,000	-
Inventories	1,260,022	-	3,829,153	-	119,356	5,208,531	393,715
Prepaid Expenses	-	-	117,809	-	2,250	120,059	-
Total Current Assets	10,703,483	2,824,639	31,831,565	1,367,369	3,281,981	50,009,037	11,014,643
Noncurrent Assets:							
Capital Assets:							
Land	2,939,504	2,050,747	4,883,883	2,281,070	3,256,202	15,411,406	-
Buildings	210,235	833,696	27,035,265	18,221,250	4,336,855	50,637,301	-
Plant in Service	161,766,812	-	162,476,017	-	-	324,242,829	-
Equipment and Vehicles	8,010,876	8,358,390	9,097,324	1,890,832	7,974,547	35,331,969	652,047
Less: Accumulated Depreciation	(69,135,432)	(5,110,948)	(63,553,304)	(6,438,089)	(5,447,370)	(149,685,143)	(450,224)
Construction In Progress	30,720,399	9,000	24,114,180	35,765	241,723	55,121,067	-
Net Capital Assets	134,512,394	6,140,885	164,053,365	15,990,828	10,361,957	331,059,429	201,823
Restricted Assets:							
Cash or Cash Equivalents	39,859	3	13,682,082	-	-	13,721,944	-
Investments	19,626,612	-	10,147,502	-	-	29,774,114	-
Total Restricted Assets	19,666,471	3	23,829,584	0	0	43,496,058	0

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
ASSETS (CONTINUED):							
Noncurrent Assets (Continued):							
Other Assets:							
Bond Issue Costs (Net)	892,757	28,324	1,153,654	188,343	11,694	2,274,772	-
Customer Base (Net)	79,602	-	-	-	-	79,602	-
Prepaid Expenses	-	-	150,000	-	-	150,000	-
Total Other Assets	972,359	28,324	1,303,654	188,343	11,694	2,504,374	0
Total Non-Current Assets	155,151,224	6,169,212	189,186,603	16,179,171	10,373,651	377,059,861	201,823
 Total Assets	 165,854,707	 8,993,851	 221,018,168	 17,546,540	 13,655,632	 427,068,898	 11,216,466
LIABILITIES:							
Current Liabilities:							
Cash Due to Central Depository	-	-	-	-	1,983,629	1,983,629	285,645
Accounts Payable	1,386,910	461,198	12,525,319	81,325	265,252	14,720,004	465,847
Accrued Payroll Expenses	323,624	82,402	371,556	-	129,256	906,838	71,105
Accrued Expenses	412,200	30,710	772,766	217,656	10,061	1,443,393	3,941,461
Leases Payable - Current Portion	-	-	-	-	42,610	42,610	-
Notes and Bonds Payable - Current Portion	3,722,821	421,156	2,435,000	700,000	200,000	7,478,977	-
Due to Other Funds	186,000	-	-	493,512	-	679,512	-
Retainages Payable	1,317,751	-	-	-	-	1,317,751	-
Compensated Absences - Current Portion	315,148	75,921	434,368	-	102,642	928,079	49,368
Deposits Payable	-	-	2,870,681	-	-	2,870,681	-
Deferred Revenue	3,303	-	-	-	-	3,303	-
Contractor Deposits	453,563	-	-	-	-	453,563	-
Deferred Landfill Postclosure							
Cost - Current Portion	-	37,380	-	-	-	37,380	-
Matured Bonds and Interest Payable	33,253	-	-	-	-	33,253	-
Total Current Liabilities	8,154,573	1,108,767	19,409,690	1,492,493	2,733,450	32,898,973	4,813,426

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>Noncurrent Liabilities:</u>							
Compensated Absences Payable	83,774	20,182	1,978,784	-	27,284	2,110,024	13,123
OPEB Liability	-	-	1,210,840	-	-	1,210,840	-
Advances from Other Funds	-	-	-	350,000	-	350,000	-
Notes and Bonds Payable	73,295,847	2,583,224	54,305,000	13,190,000	1,155,000	144,529,071	-
Plus: Bond Premiums	372,845	63,379	377,035	-	-	813,259	-
Less: Deferred Debt Refunding	(723,103)	(46,883)	-	(478,758)	(44,236)	(1,292,980)	-
Special Commission Bonds	-	-	-	-	16,931	16,931	-
Deferred Landfill Postclosure Cost	-	485,940	-	-	-	485,940	-
Deferred Revenue	15,580	-	-	-	37,667	53,247	-
Customer Deposits	-	975	-	-	-	975	-
Total Non-Current Liabilities	<u>73,044,943</u>	<u>3,106,817</u>	<u>57,871,659</u>	<u>13,061,242</u>	<u>1,192,646</u>	<u>148,277,307</u>	<u>13,123</u>
Total Liabilities	<u>81,199,516</u>	<u>4,215,584</u>	<u>77,281,349</u>	<u>14,553,735</u>	<u>3,926,096</u>	<u>181,176,280</u>	<u>4,826,549</u>
<u>NET ASSETS:</u>							
Invested in Capital Assets, Net of Related Debt	77,126,944	3,136,505	116,191,324	2,100,828	9,008,583	207,564,184	201,823
Restricted for:							
Debt Service	-	-	3,375,467	-	-	3,375,467	-
Capital Improvements	-	-	-	-	-	-	-
Unrestricted	7,528,247	1,641,762	24,170,028	891,977	720,953	34,952,967	6,188,094
Total Net Assets	<u>\$ 84,655,191</u>	<u>4,778,267</u>	<u>143,736,819</u>	<u>2,992,805</u>	<u>9,729,536</u>	<u>245,892,618</u>	<u>6,389,917</u>

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>Operating Revenues:</u>							
Charges for Services (Net)	\$ 26,055,238	8,388,189	173,201,375	1,681,837	5,550,711	214,877,350	22,576,071
Other Revenue	209,353	30,055	4,196,743	374,628	51,747	4,862,526	221,120
Total Operating Revenues	26,264,591	8,418,244	177,398,118	2,056,465	5,602,458	219,739,876	22,797,191
<u>Operating Expenses:</u>							
Administration	387,180	166,679	-	-	187,845	741,704	-
Personnel Services	7,781,639	2,439,836	-	-	3,746,614	13,968,089	2,143,978
Contractual Services	1,030,074	2,661,589	-	8,857	857,374	4,557,894	15,944,412
Materials and Supplies	1,077,282	220,258	-	26	419,224	1,716,790	31,099
Repairs and Maintenance	2,208,994	1,372,511	6,421,407	19,159	946,939	10,969,010	3,573,149
Items for Resale	-	-	-	-	36,922	36,922	-
Other Operating Expenses	3,647,893	214,362	148,350,957	771,668	266,182	153,251,062	126,576
Depreciation and Amortization	3,962,446	787,303	5,854,530	488,630	1,066,376	12,159,285	20,778
Total Operating Expenses	20,095,508	7,862,538	160,626,894	1,288,340	7,527,476	197,400,756	21,839,992
Operating Income (Loss)	6,169,083	555,706	16,771,224	768,125	(1,925,018)	22,339,120	957,199
<u>Nonoperating Revenue (Expenses):</u>							
Investment Income	39,560	5,626	485,332	4,591	4,548	539,657	9,234
Operating Grants	-	-	-	-	1,775,802	1,775,802	-
Interest Expenses and Commissions	(1,448,099)	(150,721)	(2,600,302)	(674,051)	(89,822)	(4,962,995)	-
Amortization-Bond Cost	(58,310)	(4,721)	(56,193)	(52,735)	(1,949)	(173,908)	-
Gain (Loss) on Sale of Capital Assets	48,726	14,369	-	42	(24,086)	39,051	-
Total Nonoperating Revenues (Expenses)	(1,418,123)	(135,447)	(2,171,163)	(722,153)	1,664,493	(2,782,393)	9,234

(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, 2010

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
Income (Loss) Before Transfers and Capital Contributions	4,750,960	420,259	14,600,061	45,972	(260,525)	19,556,727	966,433
<u>Transfers and Capital Contributions:</u>							
Transfers In	76,435	126,440	-	-	1,055,418	1,258,293	250,000
Transfers Out	(436,009)	(52,176)	(2,861,842)	-	(150,699)	(3,500,726)	-
Federal Capital Grant Revenue	47,760	-	-	-	2,184,074	2,231,834	-
State Capital Grant Revenue	167,800	-	-	-	215,088	382,888	-
Total Transfers and Capital Contributions	(144,014)	74,264	(2,861,842)	0	3,303,881	372,289	250,000
Change in Net Assets	4,606,946	494,523	11,738,219	45,972	3,043,356	19,929,016	1,216,433
Net Assets, July 1, 2009	80,048,245	4,283,744	131,998,600	2,946,833	6,686,180	225,963,602	5,173,484
Net Assets, June 30, 2010	<u>\$ 84,655,191</u>	<u>4,778,267</u>	<u>143,736,819</u>	<u>2,992,805</u>	<u>9,729,536</u>	<u>245,892,618</u>	<u>6,389,917</u>

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, 2010

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>Cash Flows from Operating Activities:</u>							
Receipts from Customers and Users	\$ 25,167,849	8,379,224	167,623,920	722,878	5,575,193	207,469,064	17,324,460
Receipts from Interfund Services Provided	896,073	86,059	6,084,934	1,331,431	-	8,398,497	5,479,856
Payments to Employees	(7,750,291)	(2,433,105)	(7,145,134)	-	(3,757,300)	(21,085,830)	(2,137,261)
Payments from (to) Contractor Deposits	(129,955)	-	(176,956)	-	-	(306,911)	-
Payments to Suppliers	(2,667,622)	(3,104,055)	(140,712,588)	(810,967)	(1,834,653)	(149,129,885)	(19,014,272)
Payments for Interfund Services Used	(4,607,493)	(1,591,129)	(868,744)	-	(791,161)	(7,858,527)	(38,316)
Net Cash Provided by (Used for) Operating Activities	10,908,561	1,336,994	24,805,432	1,243,342	(807,921)	37,486,408	1,614,467
<u>Cash Flows from Noncapital Financing Activities:</u>							
Transfers to Other Funds	(436,009)	(52,176)	(2,861,842)	-	(150,699)	(3,500,726)	-
Advances from Other Funds	76,435	126,440	-	-	1,055,418	1,258,293	-
Operating Grants Received	167,800	-	-	-	1,689,080	1,856,880	-
Loans from Other Funds	-	-	-	(70,000)	-	(70,000)	250,000
Net Cash Provided by (Used for) Noncapital Financing Activities	(191,774)	74,264	(2,861,842)	(70,000)	2,593,799	(455,553)	250,000
<u>Cash Flows from Capital and Related Financing Activities:</u>							
Proceeds from Bonds Issued	22,628,802	-	-	-	-	22,628,802	-
Purchase of Capital Assets	(11,672,103)	(468,225)	(23,645,715)	(84,303)	(3,688,433)	(39,558,779)	(167,277)
Capitalized Interest	(1,440,468)	-	-	-	-	(1,440,468)	-
Construction Retainage	109,148	-	-	-	-	109,148	-
Capital Grants Received	93,541	-	-	-	2,399,162	2,492,703	-
Principal Paid on Capital Debt	(2,725,171)	(391,105)	(2,335,000)	(665,000)	(190,350)	(6,306,626)	-
Principal Paid on Capital Lease	-	-	-	-	(40,448)	(40,448)	-
Interest Paid on Capital Debt	(1,475,634)	(154,362)	(2,645,402)	(663,028)	(77,258)	(5,015,684)	-
Sale of Capital Assets	58,770	104,956	-	-	83,762	247,488	-
Proceeds from Notes Receivable	-	-	26,795	-	-	26,795	-
Net Cash Used for Capital and Related Financing Activities	5,576,885	(908,736)	(28,599,322)	(1,412,331)	(1,513,565)	(26,857,069)	(167,277)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
Cash Flows from Investing Activities:							
Interest and Related Income/Expenses on Investments	39,560	5,626	485,332	4,592	(362)	534,748	9,234
Sale of Investments	-	-	13,857,193	-	-	13,857,193	-
Purchase of Investments	(19,626,612)	-	-	-	-	(19,626,612)	-
Net Cash Provided by (Used for) Investing Activities	(19,587,052)	5,626	14,342,525	4,592	(362)	(5,234,671)	9,234
Net Increase (Decrease) in Cash and Cash Equivalents	(3,293,380)	508,148	7,686,793	(234,397)	271,951	4,939,115	1,706,424
Cash and Cash Equivalents, July 1, 2009	11,614,638	1,917,230	20,297,622	1,601,766	2,174,980	37,606,236	8,877,943
Cash and Cash Equivalents, June 30, 2010	<u>\$ 8,321,258</u>	<u>2,425,378</u>	<u>27,984,415</u>	<u>1,367,369</u>	<u>2,446,931</u>	<u>42,545,351</u>	<u>10,584,367</u>
Classified as:							
Current Assets	\$ 8,281,399	2,425,375	14,302,333	1,367,369	2,446,931	28,823,407	10,584,367
Restricted Assets	39,859	3	13,682,082	-	-	13,721,944	-
Current Liabilities	-	-	-	-	-	-	-
Totals	<u>\$ 8,321,258</u>	<u>2,425,378</u>	<u>27,984,415</u>	<u>1,367,369</u>	<u>2,446,931</u>	<u>42,545,351</u>	<u>10,584,367</u>
Reconciliation of Operating Income (Loss) to Net							
Cash Provided by (Used for) Operating Activities:							
Operating Income (Loss)	\$ 6,169,038	555,706	16,771,224	768,125	(1,925,018)	22,339,075	957,199
Adjustments:							
Depreciation	3,931,682	787,303	6,270,205	488,630	1,066,377	12,544,197	20,777
Bad Debt Expense	-	-	-	-	-	-	-
Amortization of Customer Base	30,764	-	-	-	-	30,764	-
Landfill Postclosure Cost	-	(37,380)	-	-	-	(37,380)	-
Changes in the Allowance for Uncollectible Receivables	94,080	-	629,502	-	-	723,582	-
Changes in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	(323,411)	47,639	180,110	3,284	(19,712)	(112,090)	7,125
(Increase) Decrease in Inventories	441,601	-	(276,150)	-	(10,839)	154,612	25,262
(Increase) Decrease in Customer Base	30,764	-	-	-	-	30,764	-
(Increase) Decrease in Prepaid Expenses	-	-	115,486	-	750	116,236	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	627,451	(22,380)	671,383	(11,215)	70,475	1,335,714	597,387
Increase (Decrease) in Accrued Payroll Expenses	27,022	-	103,200	-	12,147	142,369	8,300
Increase (Decrease) in Compensated Absences	4,326	(1,192)	99,090	-	5,453	107,677	(1,583)
Increase (Decrease) in Customer Deposits	(129,955)	-	(172,871)	-	-	(302,826)	-
Increase (Decrease) in Other Payables	7,301	7,298	414,253	-	-	428,852	-
Increase (Decrease) in Deferred Revenue	(2,102)	-	-	(5,482)	(7,554)	(15,138)	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 10,908,561</u>	<u>1,336,994</u>	<u>24,805,432</u>	<u>1,243,342</u>	<u>(807,921)</u>	<u>37,486,408</u>	<u>1,614,467</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>Reconciliation of Cash and Cash Equivalents from Statement of Cash Flows:</u>							
Cash on Hand	\$ 100	-	19,300	-	2,917	22,317	-
Cash in Bank	245,214	-	14,283,033	102,442	-	14,630,689	10,318,722
Cash on Deposit with Paying Agent	1,319,249	-	-	-	-	1,319,249	-
Cash on Deposit with State	580,478	-	-	1,264,927	-	1,845,405	-
Equity Pooled Cash and Investments	6,136,358	-	-	-	-	6,136,358	-
Restricted Cash	39,859	3	13,682,082	-	-	13,721,944	-
Cash in From Central Depository	-	2,425,375	-	-	-	2,425,375	-
Cash Due From Central Depository	-	-	-	-	2,444,014	2,444,014	265,645
	<u>\$ 8,321,258</u>	<u>2,425,378</u>	<u>27,984,415</u>	<u>1,367,369</u>	<u>2,446,931</u>	<u>42,545,351</u>	<u>10,584,367</u>

Non-Cash Capital and Related Financing Activities:

Water and Sewer:

- Amortization of Deferred Bond Refunding totaling \$58,310 was included with Interest Expense on the Statement of Revenues, Expenses and Changes in Fund Net Assets.
- Interest paid on capital debt includes \$1,440,468 that was capitalized.

City Solid Waste:

- Amortization of Bond Issue Cost totaling \$4,721 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 \$52,735 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, 2010 was \$5,854,531. Total depreciation expense was \$6,270,205. The difference of \$415,674 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, 2010

	Johnson City Public Library	Johnson City Development Authority	Total Component Units
<u>ASSETS:</u>			
Cash on Hand	\$ 500	-	500
Cash in Bank	149,084	239,576	388,660
Accounts Receivable	5,248	301,196	306,444
Security Deposits	-	825	825
Investments	158,865	-	158,865
Capital Assets:			
Book Collection	1,138,049	-	1,138,049
Buildings and Improvements	-	153,666	153,666
Equipment and Furniture	659,894	9,605	669,499
Less: Accumulated Depreciation	(572,858)	(6,747)	(579,605)
Total Assets	<u>1,538,782</u>	<u>698,121</u>	<u>2,236,903</u>
<u>LIABILITIES:</u>			
Accounts Payable	-	3,765	3,765
Accrued Payroll Expenses	31,630	-	31,630
Compensated Absences	23,473	-	23,473
Other Liabilities	131	305,000	305,131
Deferred Revenue	18,275	-	18,275
Total Liabilities	<u>73,509</u>	<u>308,765</u>	<u>382,274</u>
<u>NET ASSETS:</u>			
Invested in Capital Assets, Net of Related Debt	1,225,085	156,524	1,381,609
Restricted by External Contributions	-	252	252
Restricted by Enabling Legislation	-	204,957	204,957
Unrestricted	240,188	27,623	267,811
Total Net Assets	<u>\$ 1,465,273</u>	<u>389,356</u>	<u>1,854,629</u>

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, 2010

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	Expenses	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	\$ 1,687,081	57,724	1,612,162	-	(17,195)	-	(17,195)
Total Johnson City Public Library	1,687,081	57,724	1,612,162	0	(17,195)	0	(17,195)
Johnson City Development Authority:							
Operations	329,321	9,783	623,812	-	-	304,274	304,274
Total Johnson City Development Authority	329,321	9,783	623,812	0	0	304,274	304,274
Total Component Units	\$ 2,016,402	67,507	2,235,974	0	(17,195)	304,274	287,079
General Revenues:							
Unrestricted Investment Earnings					5,721	93	5,814
Other General Revenue					56,147	-	56,147
Total General Revenues					61,868	93	61,961
Change in Net Assets					44,673	304,367	349,040
Net Assets, Beginning					1,420,600	84,989	1,505,589
Net Assets, Ending					\$ 1,465,273	389,356	1,854,629

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, 2010

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 85% of its annual support is provided by the City of Johnson City. The City is obligated to finance any deficits and all debt is financed by the City. The Library property is also owned and titled to the City of Johnson City. Separately issued financial statements may be requested from: Johnson City Public Library; 100 West Millard Street; Johnson City, 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 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 expenditure-driven grant revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 other than that payable from enterprise funds and the general obligation debt used to construct educational facilities.

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

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

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

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

The *Community Development Fund* accounts for 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 Johnson City 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 Federal Transportation Administration and state grants provided from federal funds for support of local government transportation programs.

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

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 \$2,888,567. During the fiscal year ended June 30, 2010, \$1,440,468 of interest and related fees were capitalized in connection with the wastewater treatment plant upgrade.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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:

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

Assets of the Johnson City Power Board are depreciated over the useful lives per guidelines of the Federal Energy Regulatory Commission. When property is retired or otherwise disposed of, its average cost, together with its cost of removal less salvage, is charged to accumulated depreciation; no gain or loss is recognized as per federal energy regulations. The useful lives range from 3 years to 50 years. The Power Board's depreciation expense for the year ended June 30, 2010 was \$6,270,205 of which \$415,675 was charged to Other Operating Expenses.

6. *Compensated absences*

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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' vacation and sick leave are in accordance with state policies. Most other school employees do not accumulate vacation or sick leave in excess of a normal year's accumulation. Vacation is earned and accumulates at one day per month. Administrative personnel are allowed to accumulate vacation days and may earn up to 20 days per year after 10 years of service. Employees have eighteen months to use the vacation time or it is lost. Five days of vacation can be converted to sick time for carryover for retirement. Unused sick time is not compensated. Accrued vacation has been recorded for the twelve month administrative personnel in the government-wide 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 at June 30, 2010, in the amount of \$2,413,152. The portion of this liability expected to be paid within one year is classified as a current liability and the remainder as a long-term liability.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

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

9. Reclassifications

Certain reclassifications have been made to the June 30, 2009 financial statements in order for them to conform to the June 30, 2010 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

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

The governmental fund balance sheet includes a reconciliation between *fund 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 \$229,708,000 difference are as follows:

Governmental funds capital assets	\$ 395,443,024
Less: Accumulated depreciation	(165,533,201)
Less: Internal service funds, net capital assets	<u>(201,823)</u>
Net adjustment to increase <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ <u>229,708,000</u>

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 governmental funds.” The details of this \$136,894,373 difference are as follows:

Bonds payable (net of deferred refunding)	\$ 135,754,803
Notes payable	893,000
Capital Lease	<u>246,570</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ <u>136,894,373</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net 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 capital assets in the current period exceeded depreciation.” This difference does not include depreciation expense of \$20,778 relating to internal service funds. The details of this \$17,763,601 difference are as follows:

Capital outlay	\$ 27,406,814
Depreciation expense	<u>(9,643,213)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>17,763,601</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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.” In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. The details of this \$(62,932) difference are as follows:

Loss on sale	\$ (14,454)
Less: Sales proceeds	<u>(48,478)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (62,932)</u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds”. The details of this \$57,823 difference are as follows:

Deferred property taxes as of June 30, 2010	\$ 1,581,355
Deferred property taxes as of June 30, 2009	(1,370,762)
Deferred other taxes as of June 30, 2010	374,049
Deferred other taxes as of June 30, 2009	<u>(526,819)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 57,823</u>

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 \$(27,918,428) difference are as follows:

Principal repayments	\$ 6,353,812
Proceeds from bonds and notes payable	(34,334,584)
Amortization of deferred refunding	184,957
Deferred refunding	<u>(122,613)</u>
Net adjustment to decrease <i>net changes in fund balances –total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (27,918,428)</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 30th, 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:

	<u>General Purpose School Fund</u>
Fund Balance-Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	\$ 6,621,836
Less: Encumbrances	<u>(64,068)</u>
Fund Balance-Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	<u>\$ 6,557,768</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2010, expenditures exceeded appropriations in the listed departments within the following governmental funds:

	<u>Over spent Amount</u>
School Capital Project Fund:	
Capital Outlay Expenditures	2,118,084
General Fund:	
Public Works	85,816

C. Deficit fund equity

The following funds had deficit net assets/fund balance at June 30, 2010:

Capital Projects Funds:	
Industrial Park Fund	(1,444,949)
Infrastructure Fund	(154,274)
Special Revenue Funds:	
Community Development Fund	(6,454)
Enterprise Funds:	
Golf Course Fund	(728,301)

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

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 \$34,423 of cash on hand which has been included in cash and cash equivalents. The City's carrying amount of deposits was \$111,517,025 and the bank balance was \$112,902,400. Of the City's bank balance, \$74,584,723 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 \$89,598 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, \$38,228,079 represents cash in trust accounts which are insured by the FDIC.

In addition to the above deposits, the City has \$2,161,575 on deposit with the State of Tennessee, which is held in the Local Government Investment Pool at June 30, 2010.

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

A. **Deposits and investments (continued)**

At June 30, 2010, the City's investments were as follows:

	<u>Primary Government</u>	
Investment Type:	Reported Amount	Fair Value
Local Government Investment Pool (LGIP)	\$ 2,161,575	2,161,575
Certificates of Deposit-Investments	1,695,000	1,695,000
Cash with Investment Firm	384,352	384,352
Bond Fund Investments		
Fixed Rate Agency Securities	7,856,957	7,856,957
Treasury Securities	41,224,863	41,224,863
Total Bond Fund Investments	49,081,820	49,081,820
Reported as Investments	51,161,172	51,161,172
Total Primary Government	\$ 53,322,747	53,322,747

The LGIP has been classified as cash on Deposit with State since they are comprised of short term investments. The TN LGIP has not been rated by a nationally recognized statistical rating organization. The bond fund investments had the following credit risk structure as of June 30, 2010:

Investment Type	Moody's Credit Rating	Fair Value	Percent of Total
Fixed Rate Agency Securities			
Federal Home Loan Bank	AAA	\$ 3,603,299	7%
Fannie Mae	AAA	1,510,943	3%
Freddie Mac	AAA	1,518,357	3%
Ridgeworth FD - US Government	AAA	560,510	1%
Ridgeworth FD - State Bond Fund	AAA	100,808	0%
Federal Farm Credit	AAA	257,486	1%
Federal Hom Loan Note	AAA	305,554	1%
		7,856,957	
Treasury Securities			
U.S. Treasury Bill	Unrated	41,224,863	84%
Total Bond Fund Investments		\$ 49,081,820	

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

A. **Deposits and investments (continued)**

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. The Series D-9-A bonds have since been refunded with a portion of the proceeds of the Series V-K-1 bonds and the interest rate swap is now associated with the Series V-K-1 bonds.

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.746 percent and receives a variable equal to the Securities Industry and Financial Markets Association Index (the "SIFMA"). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$29.085 million. In March 2009, the City refinanced the variable rate bonds associated with this swap. This was due to a lack of liquidity in the market and the inability to obtain a satisfactory liquidity facility to back the variable rate bonds. Therefore, per a resolution of the City legislative body, the variable-rate bonds associated with the swap were refinanced with two-year fixed rate bonds, which will be due and payable in March 2011. Also per the resolution, the City's legislative body has said the City expects to refinance these bonds with variable rate bonds that will match or exceed the notional amortization of the interest rate swap. Therefore, with the completion of the 2011 refinancing, at no time will the notional amount of the interest rate swap agreement exceed the outstanding principal amount on the associated hedged bonds. The related swap agreement matures on June 1, 2021. As of June 30, 2010, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed Payment to Counterparty	Fixed	3.746%
Variable Payment from Counterparty		-0.310%
Net Interest Rate Swap Payments		<u>3.436%</u>
True Interest Costs		<u>3.550%</u>
Synthetic Interest Rate on Bonds		<u><u>6.986%</u></u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

A. **Deposits and investments (continued)**

Fair value. As of June 30, 2010, the swap had a negative fair value of (\$2,865,616). 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, 2010, 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, Morgan Keegan Financial Products ("MKFP"), was rated "A+" by Standard and Poor's as of June 30, 2010 with its Credit Support Provider, Deutsche Bank, rated Aa3/A+/AA- by Moody's, Standard & Poor's and Fitch, respectively.

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

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

Swap payments and associated debt. As of June 30, 2010, 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.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate	Total
	Principal	Interest	Swap Payment	
2011	\$ 375,000	994,000	962,080	2,331,080
2012	400,000	980,688	949,195	2,329,883
2013	425,000	966,488	935,451	2,326,939
2014	2,700,000	951,400	920,848	4,572,248
2015	3,000,000	855,550	828,076	4,683,626
2016-2020	20,150,000	2,428,200	2,350,224	24,928,424
2021	950,000	33,725	32,642	1,016,367
	<u>\$ 28,000,000</u>	<u>7,210,051</u>	<u>6,978,516</u>	<u>42,188,567</u>

During the current year, the City implemented GASB 53, "Accounting and Financial Reporting for Derivative Instruments," which required the fair value of the interest rate swap (as described in Note 4.A) be reported in the financial statements. The derivative was effectively hedged and is reported as an asset and a liability at the Government-Wide level in the Statement of Net Assets.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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	Educational Facilities Debt Service	School Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Receivables						
Taxes	\$ 29,832,146	-	-	-	-	29,832,146
Accounts	1,056,955	33,128	574,999	-	568,091	2,233,173
Interest	3,055	-	-	38,758	-	41,813
Notes	305,000	-	-	-	38,802	343,802
Intergovernmental	4,914,954	12,409,822	-	-	2,093,133	19,417,909
Gross receivables	36,112,110	12,442,950	574,999	38,758	2,700,026	51,868,843
Less: Allowances for Uncollectibles	(179,111)	-	-	-	-	(179,111)
Net total receivables	<u>\$ 35,932,999</u>	<u>12,442,950</u>	<u>574,999</u>	<u>38,758</u>	<u>2,700,026</u>	<u>51,689,732</u>

	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds	Total Proprietary Funds
Receivables						
Accounts	\$ 2,387,694	674,851	13,602,700	30,115	262,376	16,957,736
Notes	-	-	145,705	-	-	145,705
Intergovernmental	-	-	-	-	573,819	573,819
Gross receivables	2,387,694	674,851	13,748,405	30,115	836,195	17,677,260
Less: Allowances for Uncollectibles	(1,225,632)	(275,587)	(683,135)	(30,115)	(122,751)	(2,337,220)
Net total receivables	<u>\$ 1,162,062</u>	<u>399,264</u>	<u>13,065,270</u>	<u>0</u>	<u>713,444</u>	<u>15,340,040</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

B. **Receivables (continued)**

	Total Governmental Funds	Total Proprietary Funds	Internal Service Funds	Total Primary Government
Receivables				
Taxes	\$ 29,832,146	-	-	29,832,146
Accounts	2,233,173	16,957,736	36,561	19,227,470
Interest	41,813	-	-	41,813
Notes	343,802	145,705	-	489,507
Intergovernmental	19,417,909	573,819	-	19,991,728
Gross receivables	51,868,843	17,677,260	36,561	69,582,664
Less: Allowances for Uncollectibles	(179,111)	(2,337,220)	-	(2,516,331)
Net total receivables	<u>\$ 51,689,732</u>	<u>15,340,040</u>	<u>36,561</u>	<u>67,066,333</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

B. **Receivables (Continued)**

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

Uncollectibles related to:	General Services	\$ 149
	Water and Sewer Services	219,665
	City Solid Waste Services	46,702
	Public Building Authority	30,115
		<u>\$ 296,631</u>

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:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	\$ -	27,882,500
Delinquent property taxes receivable (General Fund)	1,581,355	-
Other taxes receivable (General Fund)	374,049	-
Property taxes receivable (General Purpose School Fund)	-	9,692,465
Taxes receivable (School Federal Projects Fund)	-	7,717
Grant drawdowns prior to meeting all eligibility requirements (Transportation Planning, Police Grant and Community Development)	-	161,814
Total deferred / unearned revenue for governmental funds	<u>\$ 1,955,404</u>	<u>37,744,496</u>

Property taxes which are delinquent at year end are earned but not available. The tax year 2010 property taxes are unearned and unavailable, but are recorded as receivable on the levy date, as described in Note 1.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Additions	Deletions	Adjustments	
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 17,819,404	1,897,339	-	-	19,716,743
Construction in Progress	20,808,063	25,308,628	(14,375,981)	-	31,740,710
Total capital assets, not being depreciated	38,627,467	27,205,967	(14,375,981)	0	51,457,453
Capital assets, being depreciated:					
Buildings	147,846,651	4,312,102	-	119,706	152,278,459
Equipment and Vehicles	33,614,774	1,555,621	(1,599,808)	(71,272)	33,499,315
Infrastructure	149,331,415	8,876,383	-	-	158,207,798
Total capital assets, being depreciated	330,792,840	14,744,106	(1,599,808)	48,434	343,985,572
Accumulated depreciation:					
Buildings	(70,943,363)	(4,032,273)	-	(99,576)	(75,075,212)
Equipment and Vehicles	(22,640,589)	(2,120,203)	1,536,876	51,142	(23,172,774)
Infrastructure	(63,773,700)	(3,511,515)	-	-	(67,285,215)
Total Accumulated Depreciation	(157,357,652)	(9,663,991)	1,536,876	(48,434)	(165,533,201)
Total capital assets, being depreciated, net	173,435,188	5,080,115	(62,932)	0	178,452,371
Governmental activities capital assets, net	\$ 212,062,655	32,286,082	(14,438,913)	0	229,909,824

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

Governmental Activities:

General Government	\$ 597,247
Education	3,787,030
Public Welfare	509,758
Public Works	4,040,481
Public Safety	516,850
City Service	212,625
Total Depreciation Expense-Governmental Activities	\$ 9,663,991

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets (continued)

	Primary Government				Ending Balance
	Beginning Balance	Additions	Deletions	Adjustments	
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 14,025,387	1,299,411	(30)	86,638	15,411,406
Construction in progress	35,021,218	26,085,488	(5,985,639)	-	55,121,067
Total capital assets, not being depreciated	<u>49,046,605</u>	<u>27,384,899</u>	<u>(5,985,669)</u>	<u>86,638</u>	<u>70,532,473</u>
Capital assets, being depreciated:					
Buildings and other improvements	49,831,428	878,787	(45,247)	(27,667)	50,637,301
Plant in service	311,779,019	13,947,422	(1,483,612)	-	324,242,829
Equipment and vehicles	33,789,235	4,494,153	(2,850,702)	(100,717)	35,331,969
Total capital assets, being depreciated	<u>395,399,682</u>	<u>19,320,362</u>	<u>(4,379,561)</u>	<u>(128,384)</u>	<u>410,212,099</u>
Accumulated depreciation:					
Buildings and other improvements	(12,034,763)	(1,229,754)	35,623	(21,061)	(13,249,955)
Plant in service	(110,082,524)	(8,506,187)	1,794,920	-	(116,793,791)
Vehicles and equipment	(19,511,190)	(2,807,741)	2,614,727	62,807	(19,641,397)
Total accumulated depreciation	<u>(141,628,477)</u>	<u>(12,543,682)</u>	<u>4,445,270</u>	<u>41,746</u>	<u>(149,685,143)</u>
Total capital assets, being depreciated, net	<u>253,771,205</u>	<u>6,776,680</u>	<u>65,709</u>	<u>(86,638)</u>	<u>260,526,956</u>
Business-type activities capital assets, net	<u>\$ 302,817,810</u>	<u>34,161,579</u>	<u>(5,919,960)</u>	<u>0</u>	<u>331,059,429</u>

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

Business-Type Activities:

Water Sewer	\$ 3,931,685
City Solid Waste	787,303
Johnson City Power Board	6,270,205
Johnson City Public Building Authority	488,113
Golf Course Fund	108,414
Regional Solid Waste	269,443
Mass Transit	592,155
Stormwater Management	96,364
 Total Depreciation Expense-Business-Type Activities	 <u>\$ 12,543,682</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

D. **Interfund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	School Federal Projects	\$ 806,417
General Purpose School	Special School Projects	202,089
General Fund	Public Building Authority	493,512
General Fund	Police Technology Fund	405,900
Johnson City Power Board	General Fund	193,000
Johnson City Power Board	Water/Sewer	186,000
Johnson City Power Board	General Purpose School	138,000
School Federal Projects	General Purpose School	259
Special School Projects	General Purpose School	3
Total		<u>\$ 2,425,180</u>

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

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Public Building Authority	\$ <u>350,000</u>

The balance payable to the General Fund relates to loans made to the PBA to fund operations. The PBA paid \$50,000 in principal during the year ended June 30, 2010.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

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

Interfund Transfers:

	<u>Transfers In:</u>									
	<u>Governmental Activities</u>					<u>Business-Type Activities</u>				
	<u>General Fund</u>	<u>General Purpose School</u>	<u>Educational Facilities Debt Service</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>City Solid Waste</u>	<u>Water and Sewer</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
<u>Transfers Out:</u>										
Governmental Activities										
General Fund	\$ -	7,788,675	-	8,199,295	2,748,103	250,000	-	-	1,055,418	20,041,491
General Purpose School Fund	-	-	1,014,592	-	782,627	-	-	-	-	1,797,219
School Capital Project	-	-	-	-	4,575	-	-	-	-	4,575
Nonmajor Governmental Funds	215,018	17,717	-	-	134,000	-	-	-	-	366,735
Business-Type Activities										
Johnson City Power Board	2,861,842	-	-	-	-	-	-	-	-	2,861,842
Water and Sewer	430,000	-	-	-	6,009	-	-	-	-	436,009
City Solid Waste	-	-	-	-	-	-	52,176	-	-	52,176
Nonmajor Proprietary Funds	-	-	-	-	-	126,440	24,259	-	-	150,699
Totals	\$ 3,506,860	7,806,392	1,014,592	8,199,295	3,675,314	250,000	126,440	76,435	1,055,418	25,710,746

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. 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, 2010, the City earned revenue from the leases in the amount of \$262,827.

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:

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2010</u>
<u>Debt Service Fund:</u>				
Capital Outlay Note - School Buses	12/20/2004	\$ 620,000	Variable	\$ 193,000
				<u>\$ 193,000</u>
<u>General Fund:</u>				
Note Payable - Land Keefauver Farms	9/2/2009	\$ 700,000	n/a	\$ 700,000
				<u>\$ 700,000</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 95,000	6,658	101,658
2012	98,000	3,381	101,381
	<u>\$ 193,000</u>	<u>10,039</u>	<u>203,039</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

F. **Long-Term Debt (continued)**

Governmental Activities (continued):

Notes Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 175,000	-	175,000
2012	175,000	-	175,000
2013	175,000	-	175,000
2014	175,000	-	175,000
	<u>\$ 700,000</u>	<u>0</u>	<u>700,000</u>

Bonds Payable:

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

<u>Educational Facilities Debt Service Fund:</u>	Date Issued	Amount Issued	Interest Rate	Outstanding June 30, 2010
Sales Tax and Tax Refunding Bonds, Series 1997	5/1/1997	\$ 4,812,803	5.25%-5.60%	\$ 2,426,420
Sales Tax Revenue and Unlimited Tax Refunding Bonds, Series 1998	7/15/1998	3,280,000	4.10%-4.75%	1,800,000
Local Government Public Improvement Bonds- Series V-K-1	3/12/2009	28,485,000	4.53%	28,485,000
General Obligation 2010B Refunding	4/29/2010	1,660,000	1.51%	1,660,000
				<u>\$ 34,371,420</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 2,426,420</u>	<u>3,148,580</u>	<u>5,575,000</u>

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 270,000	86,710	356,710
2012	280,000	72,535	352,535
2013	295,000	59,375	354,375
2014	305,000	45,363	350,363
2015	320,000	30,875	350,875
2016	330,000	15,675	345,675
	<u>\$ 1,800,000</u>	<u>310,533</u>	<u>2,110,533</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

Local Government Public Improvement Bonds Series V-K-1 issued March 12, 2009, debt service requirements to maturity in 2011 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 28,485,000	1,289,750	29,774,750
	<u>\$ 28,485,000</u>	<u>1,289,750</u>	<u>29,774,750</u>

The City intends to refinance the current debt in the coming year, but plans to do so have not yet been finalized.

General Obligation Refunding Bonds, Series 2010B issued April 29, 2010 debt service requirements to maturity in 2011 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 1,660,000	21,028	1,681,028
	<u>\$ 1,660,000</u>	<u>21,028</u>	<u>1,681,028</u>

Total annual debt service requirements to maturity for governmental activities general obligation bonds in the Educational Facilities Debt Service Fund are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 31,195,713	2,296,775	33,492,488
2012	1,089,837	1,117,698	2,207,535
2013	1,130,870	1,263,505	2,394,375
2014	305,000	45,363	350,363
2015	320,000	30,875	350,875
2016-2020	330,000	15,675	345,675
	<u>\$ 34,371,420</u>	<u>4,769,891</u>	<u>39,141,311</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

F. **Long-Term Debt (Continued):**

Governmental Activities (Continued):

Bonds Payable (Continued):

<u>General Obligation</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2010</u>
Public Improvement Refunding Bonds, Series 1998	7/15/1998	\$ 20,060,000	4.10%-4.75%	\$ 4,880,000
General Obligation Refunding Bonds, Series 2004A	9/23/2004	11,460,900	3.00%-4.40%	5,680,620
General Obligation Refunding Bonds, Series 2004B	12/29/2004	7,625,000	3.00%-4.40%	6,185,000
General Obligation Refunding Bonds, Series 2006	3/30/2006	6,230,000	3.50%-4.125%	5,250,000
Local Government Public Improvement Bonds- Series V-K-1	3/12/2009	26,645,000	2.50%-5.00%	24,985,000
General Obligation Refunding Bonds, Series 2009	6/30/2009	11,390,000	3.00%-5.00%	10,615,000
Qualified School Construction Bonds, 2009	12/1/2009	8,160,000	1.52%	-
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	18,898,315	5.00%	15,880,455
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	5,200,000	5.00%	4,959,000
General Obligation Bonds, BABs, 2010A	6/24/2010	22,500,000	3.64%	<u>22,500,000</u>
				<u>\$ 100,935,075</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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
2011	\$ 725,000	235,045	960,045
2012	760,000	196,983	956,983
2013	790,000	161,262	951,262
2014	830,000	123,738	953,738
2015	870,000	84,312	954,312
2016	905,000	42,987	947,987
	<u>\$ 4,880,000</u>	<u>844,327</u>	<u>5,724,327</u>

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
2011	\$ 338,844	222,354	561,198
2012	348,810	211,510	560,320
2013	363,759	200,175	563,934
2014	378,708	187,443	566,151
2015	393,657	174,189	567,846
2016-2020	2,242,350	630,785	2,873,135
2021-2023	1,614,492	142,423	1,756,915
	<u>\$ 5,680,620</u>	<u>1,768,879</u>	<u>7,449,499</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 315,000	246,599	561,599
2012	325,000	235,574	560,574
2013	335,000	224,198	559,198
2014	350,000	212,474	562,474
2015	360,000	200,224	560,224
2016-2020	2,025,000	782,268	2,807,268
2021-2025	2,475,000	330,422	2,805,422
	<u>\$ 6,185,000</u>	<u>2,231,759</u>	<u>8,416,759</u>

General Obligation Refunding 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
2011	\$ 435,000	209,613	644,613
2012	450,000	192,212	642,212
2013	470,000	174,213	644,213
2014	490,000	156,587	646,587
2015	510,000	136,988	646,988
2016-2020	2,895,000	361,337	3,256,337
	<u>\$ 5,250,000</u>	<u>1,230,950</u>	<u>6,480,950</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 4,110,000	1,055,556	5,165,556
2012	1,500,000	850,056	2,350,056
2013	1,590,000	775,056	2,365,056
2014	1,645,000	727,356	2,372,356
2015	1,720,000	661,556	2,381,556
2016-2020	9,850,000	2,211,381	12,061,381
2021-2025	4,570,000	496,775	5,066,775
	<u>\$ 24,985,000</u>	<u>6,777,736</u>	<u>31,762,736</u>

The City intends to refinance the current debt in the coming year, but plans to do so have not yet been finalized.

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 795,000	406,350	1,201,350
2012	830,000	382,500	1,212,500
2013	835,000	357,600	1,192,600
2014	875,000	332,550	1,207,550
2015	910,000	304,113	1,214,113
2016-2020	3,590,000	1,024,363	4,614,363
2021-2025	2,185,000	437,613	2,622,613
2026	595,000	28,261	623,261
	<u>\$ 10,615,000</u>	<u>3,273,350</u>	<u>13,888,350</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

F. **Long-Term Debt (Continued):**

Governmental Activities (Continued):

Bonds Payable (Continued):

Qualified School Construction Bonds, Series 2009 bonds were issued December 1, 2009, but there have been no draws on the bond as of June 30, 2010 and the funds are still with the State. Debt service requirements to maturity in 2026 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 424,309	123,624	547,933
2012	509,171	123,624	632,795
2013	509,171	123,624	632,795
2014	509,171	123,624	632,795
2015	509,171	123,624	632,795
2016-2020	2,545,856	618,120	3,163,976
2021-2025	2,545,856	618,120	3,163,976
2026	607,295	133,926	741,221
	<u>8,160,000</u>	<u>1,988,286</u>	<u>10,148,286</u>
Less: Amount not drawn	<u>(8,160,000)</u>	<u>-</u>	<u>(8,160,000)</u>
	<u>\$ 0</u>	<u>1,988,286</u>	<u>1,988,286</u>

At June 30, 2010, there is no outstanding balance. The City expects to draw the \$8,160,000 during the year ended June 30, 2011.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 852,366	904,329	1,756,695
2012	895,921	861,710	1,757,631
2013	940,407	816,914	1,757,321
2014	986,892	769,894	1,756,786
2015	1,036,172	720,549	1,756,721
2016-2020	5,495,050	2,771,668	8,266,718
2021-2025	4,409,297	1,525,755	5,935,052
2026-2029	3,470,859	444,549	3,915,408
	<u>18,086,964</u>	<u>8,815,368</u>	<u>26,902,332</u>
Less: Amount not drawn	(2,206,509)	-	(2,206,509)
	<u>\$ 15,880,455</u>	<u>8,815,368</u>	<u>24,695,823</u>

At June 30, 2010, the outstanding balance of this bond issue is \$15,880,455. The City expects to draw the remaining \$2,206,509 during the year ended June 30, 2011.

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 253,000	247,950	500,950
2012	266,000	235,300	501,300
2013	279,000	222,000	501,000
2014	293,000	208,050	501,050
2015	308,000	193,400	501,400
2016-2020	1,784,000	720,250	2,504,250
2021-2024	1,776,000	227,400	2,003,400
	<u>\$ 4,959,000</u>	<u>2,054,350</u>	<u>7,013,350</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

F. **Long-Term Debt (Continued):**

Governmental Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 100,000	1,136,177	1,236,177
2012	100,000	1,212,920	1,312,920
2013	100,000	1,211,420	1,311,420
2014	100,000	1,209,420	1,309,420
2015	100,000	1,206,920	1,306,920
2016-2020	1,950,000	5,918,300	7,868,300
2021-2025	3,525,000	5,270,305	8,795,305
2026-2030	4,400,000	4,251,040	8,651,040
2031-2035	5,430,000	2,904,100	8,334,100
2036-2040	6,695,000	1,197,700	7,892,700
	<u>\$ 22,500,000</u>	<u>25,518,302</u>	<u>48,018,302</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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
2011	\$ 39,544,232	7,084,372	46,628,604
2012	7,074,739	5,620,087	12,694,826
2013	7,343,207	5,529,967	12,873,174
2014	6,762,771	4,096,499	10,859,270
2015	7,037,000	3,836,750	10,873,750
2016-2020	33,612,256	15,097,134	48,709,390
2021-2025	23,100,645	9,048,813	32,149,458
2026-2030	9,073,154	4,857,776	13,930,930
2031-2035	5,430,000	2,904,100	8,334,100
2036-2040	6,695,000	1,197,700	7,892,700
	<u>145,673,004</u>	<u>59,273,198</u>	<u>204,946,202</u>
Less: Amount not drawn	<u>(10,366,509)</u>	<u>-</u>	<u>(10,366,509)</u>
	<u>\$ 135,306,495</u>	<u>59,273,198</u>	<u>194,579,693</u>

At June 30, 2010, the outstanding balance of governmental activities general obligation bonds is \$135,306,495. The difference relates to the amount not drawn on the Tennessee Municipal Bond Fund, Series TCSLP 2008 issued January 9, 2009 and the Qualified School Construction Bonds, Series 2009 issued December 1, 2009. The City expects to draw the remaining \$10,366,509 during the year ending June 30, 2011.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities:

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

Notes Payable:

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

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2010</u>
<u>Water and Sewer:</u>				
Note Payable - Limestone Cove	3/13/2003	\$ 450,000	4.65%	\$ 412,605
Note Payable - Limestone Cove	4/20/2005	125,000	4.25%	117,367
Note Payable - Watauga Flats	4/20/2004	380,000	4.38%	352,160
Note Payable - ARRA Greggtown	1/24/2010	435,000	3.25%	<u>432,500</u>
				<u><u>\$ 1,314,632</u></u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

F. **Long-Term Debt (Continued):**

Business-Type Activities (Continued):

Notes Payable (Continued):

Note 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
2011	\$ 6,219	19,083	25,302
2012	6,513	18,795	25,308
2013	6,824	18,494	25,318
2014	7,145	18,179	25,324
2015	7,486	17,848	25,334
2016-2020	43,092	83,707	126,799
2021-2025	54,309	72,753	127,062
2026-2030	68,451	58,946	127,397
2031-2035	86,287	41,543	127,830
2036-2040	108,750	19,608	128,358
2041	17,529	811	18,340
	<u>\$ 412,605</u>	<u>369,767</u>	<u>782,372</u>

Note 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
2011	\$ 1,681	4,988	6,669
2012	1,753	4,929	6,682
2013	1,829	4,855	6,684
2014	1,909	4,778	6,687
2015	1,991	4,697	6,688
2016-2020	11,328	22,150	33,478
2021-2025	14,005	19,543	33,548
2026-2030	17,315	16,320	33,635
2031-2035	21,406	12,336	33,742
2036-2040	26,465	7,411	33,876
2041-2043	17,685	1,609	19,294
	<u>\$ 117,367</u>	<u>103,616</u>	<u>220,983</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Notes Payable (Continued):

Note 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
2011	\$ 5,263	15,409	20,672
2012	5,456	15,179	20,635
2013	5,741	14,940	20,681
2014	5,998	14,689	20,687
2015	6,265	14,427	20,692
2016-2020	35,699	67,776	103,475
2021-2025	44,459	59,232	103,691
2026-2030	55,312	48,600	103,912
2031-2035	68,815	35,371	104,186
2036-2040	85,610	18,912	104,522
2041-2042	33,542	2,087	35,629
	<u>\$ 352,160</u>	<u>306,622</u>	<u>658,782</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 6,037	13,967	20,004
2012	6,198	13,806	20,004
2013	6,440	13,564	20,004
2014	6,653	13,351	20,004
2015	6,872	13,132	20,004
2016-2020	37,841	62,179	100,020
2021-2025	44,551	55,469	100,020
2026-2030	52,403	47,617	100,020
2031-2035	61,640	38,380	100,020
2036-2040	72,492	27,528	100,020
2041-2045	85,291	14,729	100,020
2046-2048	46,082	1,883	47,965
	<u>\$ 432,500</u>	<u>315,605</u>	<u>748,105</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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
2011	\$ 19,200	53,447	72,647
2012	19,920	52,709	72,629
2013	20,834	51,853	72,687
2014	21,705	50,997	72,702
2015	22,614	50,104	72,718
2016-2020	127,960	235,812	363,772
2021-2025	157,324	206,997	364,321
2026-2030	193,481	171,483	364,964
2031-2035	238,148	127,630	365,778
2036-2040	293,317	73,459	366,776
2041-2045	154,047	19,236	173,283
2046-2048	46,082	1,883	47,965
	<u>\$ 1,314,632</u>	<u>1,095,610</u>	<u>2,410,242</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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:

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2010</u>
<u>Water and Sewer:</u>				
Local Government Public Improvement Bonds- Series V-K-1	3/12/2009	\$ 9,520,000	2.50%-5.00%	\$ 8,970,000
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	901,685	5.00%	874,036
General Obligation Refunding Bonds, Series 2009	6/30/2009	35,385,000	3.00%-5.00%	33,935,000
General Obligation Bonds Series 2010A (BABs)	6/24/2010	22,000,000	3.62%	22,000,000
				<u>\$ 65,779,036</u>
<u>City Solid Waste:</u>				
Solid Waste Refunding Bonds	7/15/1998	1,640,000	Variable	\$ 900,000
General Obligation Refunding Bonds, Series 2004A	9/23/2004	39,100	3.00%-4.40%	19,380
Local Government Public Improvement Bonds- Series V-K-1	3/12/2009	2,350,000	2.50%-5.00%	2,085,000
				<u>\$ 3,004,380</u>
<u>Buffalo Valley Golf Course:</u>				
Golf Course Revenue and Tax Refunding Bonds	7/15/1998	2,465,000	4.10%-4.75%	<u>\$ 1,355,000</u>
<u>Johnson City Public Building Authority:</u>				
Public Facility Refunding Bonds Series 2006A	6/29/2006	16,655,000	4.04%-5.22%	<u>\$ 13,890,000</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 V-K-1 issued March 12, 2009 debt service requirements to maturity in 2015 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 580,000	364,250	944,250
2012	615,000	335,250	950,250
2013	650,000	304,500	954,500
2014	685,000	285,000	970,000
2015	6,440,000	257,600	6,697,600
	<u>\$ 8,970,000</u>	<u>1,546,600</u>	<u>10,516,600</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 28,634	43,721	72,355
2012	30,079	42,290	72,369
2013	31,593	40,786	72,379
2014	33,108	39,206	72,314
2015	34,828	37,551	72,379
2016-2020	201,950	159,832	361,782
2021-2025	257,703	104,045	361,748
2026-2029	256,141	32,651	288,792
	<u>\$ 874,036</u>	<u>500,082</u>	<u>1,374,118</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

F. **Long-Term Debt (Continued):**

Business-Type Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 1,530,000	1,432,063	2,962,063
2012	1,535,000	1,386,163	2,921,163
2013	1,565,000	1,340,113	2,905,113
2014	1,590,000	1,293,163	2,883,163
2015	1,625,000	1,241,488	2,866,488
2016-2020	7,735,000	5,256,788	12,991,788
2021-2025	7,010,000	3,729,138	10,739,138
2026-2030	9,195,000	1,929,950	11,124,950
2031	2,150,000	107,500	2,257,500
	<u>\$ 33,935,000</u>	<u>17,716,366</u>	<u>51,651,366</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 100,000	1,097,799	1,197,799
2012	100,000	1,171,923	1,271,923
2013	100,000	1,170,423	1,270,423
2014	100,000	1,168,423	1,268,423
2015	100,000	1,165,923	1,265,923
2016-2020	2,495,000	5,649,925	8,144,925
2021-2025	3,625,000	4,943,638	8,568,638
2026-2030	4,075,000	3,961,698	8,036,698
2031-2035	5,010,000	2,717,950	7,727,950
2036-2040	6,295,000	1,127,230	7,422,230
	<u>\$ 22,000,000</u>	<u>24,174,932</u>	<u>46,174,932</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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
2011	\$ 130,000	43,330	173,330
2012	140,000	36,505	176,505
2013	145,000	29,925	174,925
2014	155,000	23,038	178,038
2015	160,000	15,675	175,675
2016	170,000	8,075	178,075
	<u>\$ 900,000</u>	<u>156,548</u>	<u>1,056,548</u>

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
2011	\$ 1,156	759	1,915
2012	1,190	722	1,912
2013	1,241	683	1,924
2014	1,292	639	1,931
2015	1,343	594	1,937
2016-2020	7,650	2,153	9,803
2021-2023	5,508	486	5,994
	<u>\$ 19,380</u>	<u>6,036</u>	<u>25,416</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 V-K-1 issued March 12, 2009 debt service requirements to maturity in 2016 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 290,000	86,050	376,050
2012	300,000	71,550	371,550
2013	325,000	56,550	381,550
2014	350,000	46,800	396,800
2015	400,000	32,800	432,800
2016	420,000	16,800	436,800
	<u>\$ 2,085,000</u>	<u>310,550</u>	<u>2,395,550</u>

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
2011	\$ 200,000	65,257	265,257
2012	210,000	54,758	264,758
2013	220,000	44,887	264,887
2014	230,000	34,438	264,438
2015	240,000	23,512	263,512
2016	255,000	12,113	267,113
	<u>\$ 1,355,000</u>	<u>234,965</u>	<u>1,589,965</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

F. **Long-Term Debt (Continued):**

Business-Type Activities (Continued):

Bonds Payable (Continued):

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
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	875,000	539,780	1,414,780
2015	935,000	499,932	1,434,932
2016-2020	5,830,000	1,705,376	7,535,376
2021-2023	4,000,000	269,282	4,269,282
	<u>\$ 13,890,000</u>	<u>4,840,040</u>	<u>18,730,040</u>

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
2011	\$ 3,559,790	3,772,030	7,331,820
2012	3,656,269	3,709,132	7,365,401
2013	3,862,834	3,564,765	7,427,599
2014	4,019,400	3,430,487	7,449,887
2015	9,936,171	3,275,075	13,211,246
2016-2020	17,114,600	12,811,062	29,925,662
2021-2025	14,898,211	9,046,589	23,944,800
2026-2030	13,526,141	5,924,299	19,450,440
2031-2035	7,160,000	2,825,450	9,985,450
2035-2040	6,295,000	1,127,230	7,422,230
	<u>\$ 84,028,416</u>	<u>49,486,119</u>	<u>133,514,535</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

F. **Long-Term Debt (Continued):**

Business-Type Activities (Continued):

Bonds Payable (Continued):

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

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2010</u>
<u>Water and Sewer:</u>				
Water and Sewer Revenue and Tax Refunding Bonds	7/15/1998	\$ 19,325,000	4.10%-4.75%	\$ 8,410,000
Water and Sewer Revenue and Tax Series 2006 Refunding Bonds	3/30/2006	1,795,000	3.50%-4.12%	<u>1,515,000</u>
				<u>\$ 9,925,000</u>
<u>Johnson City Power Board:</u>				
Revenue Bonds Series A and B, 2007 Refunding	5/1/2007	33,515,000	4.00%-5.10%	\$ 29,430,000
Electric System Revenue	6/30/2008	28,000,000	4.00%-5.00%	27,310,000
				<u>\$ 56,740,000</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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
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	1,545,000	198,788	1,743,788
2015	1,615,000	125,400	1,740,400
2016	1,025,000	48,688	1,073,688
	<u>\$ 8,410,000</u>	<u>1,382,316</u>	<u>9,792,316</u>

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
2011	\$ 125,000	60,475	185,475
2012	130,000	55,475	185,475
2013	140,000	50,275	190,275
2014	140,000	45,025	185,025
2015	145,000	39,425	184,425
2016-2020	835,000	103,925	938,925
	<u>\$ 1,515,000</u>	<u>354,600</u>	<u>1,869,600</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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, issued May 1, 2007 debt service requirements to maturity in 2032 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	1,925,000	1,087,000	3,012,000
2015	2,005,000	1,010,000	3,015,000
2016-2020	8,820,000	3,713,350	12,533,350
2021-2025	6,375,000	1,800,750	8,175,750
2026-2030	3,390,000	793,525	4,183,525
2031-2032	1,570,000	100,725	1,670,725
	<u>\$ 29,430,000</u>	<u>12,199,350</u>	<u>41,629,350</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$ 720,000	1,249,838	1,969,838
2012	750,000	1,221,037	1,971,037
2013	775,000	1,191,038	1,966,038
2014	810,000	1,160,038	1,970,038
2015	840,000	1,127,637	1,967,637
2016-2020	4,740,000	5,103,526	9,843,526
2021-2025	5,855,000	3,987,637	9,842,637
2026-2030	7,430,000	2,410,438	9,840,438
2031-2033	5,390,000	519,886	5,909,886
	<u>\$ 27,310,000</u>	<u>17,971,075</u>	<u>45,281,075</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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
2011	\$ 3,900,000	3,016,583	6,916,583
2012	4,070,000	2,843,832	6,913,832
2013	4,240,000	2,671,163	6,911,163
2014	4,420,000	2,490,851	6,910,851
2015	4,605,000	2,302,462	6,907,462
2016-2020	15,420,000	8,969,489	24,389,489
2021-2025	12,230,000	5,788,387	18,018,387
2026-2030	10,820,000	3,203,963	14,023,963
2031-2033	6,960,000	620,611	7,580,611
	<u>\$ 66,665,000</u>	<u>31,907,341</u>	<u>98,572,341</u>

Advanced 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, 2010, the following bonds outstanding are considered defeased:

<u>Issue</u>	<u>Year Refunded</u>	<u>Balance June 30, 2010</u>
General Obligation Public Improvement Bonds and Water and Sewer Revenue and Tax Bonds	1998	\$ 17,030,000

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

F. **Long-Term Debt (Continued):**

Capital Leases – Governmental Activities

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

Fiscal Year		
2011	\$	3,840
2012		3,840
2013		3,840
2014		3,800
Present Value of Minimum Payments	\$	15,320

The City entered into a lease for an upgrade to computer equipment on January 1, 2009. The present value of the minimum lease payments was \$472,161 to be repaid over 48 months. Components of the equipment have two separate interest rates. Specifically, equipment with a cost of \$320,744 of the lease is financed at 3.58% and the remaining equipment with a value of \$151,417 is financed at 4.65%. The future minimum lease obligations as of June 30, 2010 are as follows:

Fiscal Year		
2011	\$	125,478
2012		125,478
Total Minimum Lease Payments		250,956
Less: Interest		19,706
Present Value of Minimum Payments	\$	231,250

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

F. **Long-Term Debt (Continued):**

Capital Leases – Governmental Activities (Continued):

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

Computer Equipment	\$	472,161
Vehicle		23,000
Less: Accumulated Depreciation		<u>(239,366)</u>
Total	\$	<u><u>255,795</u></u>

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 5.22% and the leases are to be repaid over 60 months. The future minimum lease obligations as of June 30, 2010 are as follows:

<u>Fiscal Year</u>		
2011	\$	<u>43,824</u>
Total Minimum Lease Payments		43,824
Less: Interest		<u>1,214</u>
Present Value of Minimum Payments	\$	<u><u>42,610</u></u>

The assets acquired through capital leases are as follows:

Golf Carts	\$	192,500
Less: Accumulated Depreciation		<u>(134,740)</u>
Total	\$	<u><u>57,760</u></u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Bonds Payable:					
General Obligation Bonds	\$ 107,812,843	33,634,584	(6,140,932)	135,306,495	39,544,232
Less: Deferred Amounts for Refunding, Premiums and Discounts	510,652	(184,957)	122,613	448,308	187,001
Total Bonds Payable	108,323,495	33,449,627	(6,018,319)	135,754,803	39,731,233
Notes Payable:					
Notes Payable-Land	-	700,000	-	700,000	175,000
Capital Outlay Note	284,000	-	(91,000)	193,000	95,000
Capital Lease	368,450	-	(121,880)	246,570	112,392
OPEB Liability and Termination Benefits	456,342	-	(44,574)	411,768	-
Compensated Absences Governmental Activity	2,468,576	1,705,117	(1,653,268)	2,520,425	1,687,992
Long-term Liabilities	<u>\$ 111,900,863</u>	<u>35,854,744</u>	<u>(7,929,041)</u>	<u>139,826,566</u>	<u>41,801,617</u>
Business-type activities:					
Bonds Payable:					
General Obligation Bonds	\$ 64,400,485	22,901,685	(3,273,754)	84,028,416	3,559,790
Revenue Bonds	70,390,000	-	(3,725,000)	66,665,000	3,900,000
Less: Deferred Amounts for Refunding, Premiums and Discounts	(666,428)	128,195	58,512	(479,721)	(70,949)
Total Bonds Payable	134,124,057	23,029,880	(6,940,242)	150,213,695	7,388,841
Notes Payable:					
Capital Leases	83,058	-	(40,448)	42,610	42,610
General Obligation	895,037	435,000	(15,405)	1,314,632	19,200
OPEB Liability	796,248	414,592	-	1,210,840	-
Compensated Absences	2,930,427	961,389	(853,713)	3,038,103	928,079
Landfill Postclosure Cost Business-type Activity	560,700	-	(37,380)	523,320	37,380
Long-term Liabilities	<u>\$ 139,389,527</u>	<u>24,840,861</u>	<u>(7,887,188)</u>	<u>156,343,200</u>	<u>8,416,110</u>

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 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, 2010, the City paid Waste Management \$2,264,235 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, 2010, for segments of the Golf Course Fund and Regional Solid Waste (see Note 1.C. for description of services provided) is presented below.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

H. **Segment Information (Continued)**

CONDENSED STATEMENT OF NET ASSETS

	Golf Course Fund	Regional Solid Waste Fund	Total
<u>ASSETS:</u>			
Current Assets	\$ 122,606	2,148,662	2,271,268
Capital Assets (Net)	2,635,978	1,358,500	3,994,478
Other Assets (Net)	11,694	-	11,694
Total Assets	<u>2,770,278</u>	<u>3,507,162</u>	<u>6,277,440</u>
<u>LIABILITIES:</u>			
Current Liabilities	2,343,623	139,521	2,483,144
Non-Current Liabilities	1,154,956	23,313	1,178,269
Total Liabilities	<u>3,498,579</u>	<u>162,834</u>	<u>3,661,413</u>
<u>NET ASSETS:</u>			
Invested in Capital Assets, Net of Related Debt	1,282,604	1,358,500	2,641,104
Unrestricted	(2,010,905)	1,985,828	(25,077)
Total Net Assets	<u>\$ (728,301)</u>	<u>3,344,328</u>	<u>2,616,027</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

4. **DETAILED NOTES ON ALL FUNDS (CONTINUED):**

H. **Segment Information (continued)**

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

	Golf Course Fund	Regional Solid Waste Fund	Total
Operating Revenues (Expenses):			
Charges for Services (Net)	\$ 920,119	2,330,873	3,250,992
Other Revenue	635	-	635
Depreciation and Amortization	(108,414)	(269,443)	(377,857)
Other Operating Expenses	(1,039,487)	(1,656,466)	(2,695,953)
Operating Income (Loss)	(227,147)	404,964	177,817
Nonoperating Revenues (Expenses):			
Investment Income	-	4,376	4,376
Interest Expense and Commissions	(89,822)	-	(89,822)
Amortization	(1,949)	-	(1,949)
Gain (Loss) on Sale of Capital Assets	-	(54,226)	(54,226)
Operating Transfers	418,918	(150,699)	268,219
Change in Net Assets	100,000	204,415	304,415
Beginning Net Assets	(828,301)	3,139,913	2,311,612
Ending Net Assets	\$ (728,301)	3,344,328	2,616,027

CONDENSED STATEMENT OF CASH FLOWS

	Golf Course Fund	Regional Solid Waste Fund	Total
Net Cash Provided by (Used for):			
Operating Activities	\$ (50,666)	683,125	632,459
Noncapital Financing Activities	418,918	(150,699)	268,219
Capital and Related Financing Activities	(363,426)	(77,337)	(440,763)
Investing Activities	(4,910)	4,376	(534)
Net Increase (Decrease)	(84)	459,465	459,381
Beginning Cash and Cash Equivalents	1,084	1,646,859	1,647,943
Ending Cash and Cash Equivalents	\$ 1,000	2,106,324	2,107,324

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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. With the TML coverage, the City has an annual aggregate limit of \$650,000 for the liability retention plan. As of June 30, 2010, the general liability program had \$92,392 in claims incurred during the fiscal year for the City, but not yet settled. These amounts are not recorded in the financial statements until settlement is made. For the July 1, 2009 to July 1, 2010 policy period, the City received a dividend of \$64,087 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-insured plan. The City carries stop-loss insurance with an individual specific amount of \$500,000 and an aggregate limit of 80% of expected claims. The total paid out for workers' compensation during 2009-2010 was \$904,171 for the City and \$222,530 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, 2010 and 2009 are as follows:

	<u>June 30, 2010</u>			<u>June 30, 2009</u>	<u>Variance</u>
	<u>City</u>	<u>Schools</u>	<u>Total</u>		
Claims Incurred	\$ 335,997	89,562	425,559	662,016	(236,457)
Claims Paid	188,584	55,512	244,096	342,158	(98,062)
Claims Ending	\$ 147,413	34,050	181,463	319,858	(138,395)

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 \$1,745,000.

In addition to the above insurance, the City provides medical insurance to employees as well as post employment health care benefits through a partially self-funded health insurance plan. Participants in the plan pay premiums as determined by the City to offset a portion of the cost of the plan. The City carries stop-loss insurance with an individual specific limit of \$150,000 and an aggregate limit of 120% of expected claims. A reconciliation of claims for the year ended June 30, 2010 and 2009 are as follows:

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

A. Risk Management (continued):

	June 30, 2010			June 30, 2009	Variance
	City	Schools	Total		
Claims Accrued, Beginning	\$ 505,090	427,060	932,150	948,997	(16,847)
Claims Incurred	6,878,063	7,736,779	14,614,842	14,901,475	(286,633)
Claims Paid	6,766,084	7,439,447	14,205,531	14,918,322	(712,791)
Claims Accrued, Ending	\$ 617,069	724,392	1,341,461	932,150	409,311

The above liabilities are reflected in the Internal Service Funds.

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 \$855,000.

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 \$2,096,626 at June 30, 2010. The Power Board has workman's compensation and employee group health insurance with outside companies.

B. Prior Period Adjustments

Prior Period Adjustment – Police Technology Fund	\$ <u>(405,900)</u>
Prior Period Adjustment – General Fund	\$ <u>405,900</u>

A prior period adjustment was recorded between the General Fund and the Police Technology Fund. The adjustment is a reclassification of fund balances for funds which should have been in the General Fund.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

C. Contingencies

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a 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 schools. These amounts will be paid with bonded debt.

The City entered a lease agreement with the Johnson City Public Building Authority (PBA), an enterprise fund of the City, on December 15, 1997 to lease a facility known as the Continuing Education Center. The lease expires in 2023 in connection with the final payments on the PBA's bond issues. The annual rent due is the amount necessary to pay the maturing principal and interest due on the bond issues and any other expense or debt of the PBA that remains unpaid during the fiscal year. During the year ended June 30, 2010, the City paid \$1,331,431 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 \$98,973 at June 30, 2010 and is recorded in the government-wide financial statements.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

F. Post-employment health care benefits

City of Johnson City:

Plan Description:

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

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

Active employees with 30 to 34 years of full time continuous service solely to the City as of July 1, 2008, who retire with 40 years of service prior to reaching Medicare eligibility, may remain in the group health plan at employee rates until reaching Medicare eligibility. There are currently 89 retirees covered for this health benefit. The quarterly charge for employees is \$354 for individual and \$909 for family. The co-insurance rate of reimbursement depends on the plan the employee is covered by. The Preferred Network has a \$550 deductible with an 80% co-insurance rate. The Select Network has a \$475 deductible and a 90% co-insurance rate. During the fiscal year ending June 30, 2010, contributions received from active employees were \$1,447,184 and contributions received from retirees were \$228,863. Upon reaching Medicare eligibility, these employees shall be eligible to be reimbursed up to \$3,000 per year for the costs of a Medicare supplemental plan, if they choose to procure such a plan.

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

Funding Policy:

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

Annual OPEB Cost and Net OPEB Obligation:

The City's other 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

F. Post-employment health care benefits (continued)

City of Johnson City (Continued):

	FYE 6/30/2010
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 976,769
2. Interest on net OPEB Obligation	16,896
3. Adjustment to ARC	(12,352)
4. Annual OPEB Cost (Expense) (1+2+3)	981,313
5. Contribution made (assumed end of year)*	(999,656)
6. Increase in net OPEB Obligation (4 - 5)	(18,343)
7. Net OPEB Obligation - beginning of year	355,708
8. Net OPEB Obligation - end of year (6 + 7)	\$ 337,365

**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 2010 is as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 981,313	102.0%	\$ 337,365

Funded Status and Funding Progress:

As of July 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$17,948,898. The covered payroll (annual payroll of active employees covered by the plan) was \$30,495,735, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 59 percent.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

F. Post-employment health care benefits (continued)

City of Johnson City (Continued):

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 July 1, 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 in 2008, reduced by decrements of one-half a percent to an ultimate rate of 4.5 percent in 2019. There is a 30 year closed amortization of the UAAL increasing at 5.0% a year (the payroll growth rate).

Johnson City Schools:

Plan Description:

The Johnson City Schools have two arrangements for post-employment health care benefits. If the school employee retires with full benefits (30 years or age 60), 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, \$325.48 for employee plus one coverage and \$654.58 for family coverage. If the school employee does not retire with full benefits but has 20 years of service with the Johnson City Schools and has carried insurance for the past 5 consecutive years, then the quarterly charge is \$354 for individual and \$909 for family. There are approximately 108 school employees participating in the post-employment health care benefit arrangements. The co-insurance rate of reimbursement depends on the plan the employee is covered by. The Preferred Network has a \$350 deductible with an 80% co-insurance rate. The Select Network has a \$275 deductible and a 90% co-insurance rate.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

F. Post-employment health care benefits

Johnson City Schools (Continued):

During the year ended June 30, 2010, premiums of \$1,840,380 were collected from active employees and \$75,330 was collected from retirees.

Funding Policy:

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

Annual OPEB Cost and Net OPEB Obligation:

The School'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 School's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School's OPEB obligation.

	FYE 6/30/2010
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 1,048,805
2. Interest on net OPEB Obligation	(3,084)
3. Adjustment to ARC	2,401
4. Annual OPEB Cost (Expense) (1+2+3)	1,048,122
5. Contribution made (assumed end of year)*	(1,007,759)
6. Increase in net OPEB Obligation (4 - 5)	40,363
7. Net OPEB Obligation - beginning of year	(64,933)
8. Net OPEB Obligation - end of year (6 + 7)	\$ (24,570)

**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 2010 is as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$1,048,122	96.0%	\$ (24,570)

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

F. Post-employment health care benefits (continued)

Johnson City Schools (Continued):

Funded Status and Funding Progress:

As of July 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$14,002,833. The covered payroll (annual payroll of active employees covered by the plan) was \$31,723,445, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 44 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 July 1, 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 Schools and an annual healthcare cost trend rate of 10 percent initially in 2008, reduced by decrements of one-half a percent to an ultimate rate of 4.5 percent in 2019. There is a 30 year closed amortization of the UAAL increasing at 5.0% a year (the payroll growth rate).

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 | \$5,342 |
| Pre-65 Retiree plus Spouse | \$5,910 |
| Medicare Eligible Single | \$2,129 |
- g. *Medicare Part B* The Board reimburses the retiree for payment of the Medicare Part B premium: \$1,159 for 2009.
- 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

F. Post-employment health care benefits (continued)

Johnson City Power Board (Continued):

Annual OPEB Cost and Net OPEB Obligation (Continued):

	7/01/2009 - 6/30/2010	7/1/2008 - 6/30/2009
Annual OPEB Cost and Net OPEB Obligation		
1. Annual Required Contribution (ARC)	\$ 751,028	\$ 724,497
2. Interest on net OPEB Obligation	33,840	16,644
3. Adjustment to ARC	(35,400)	(16,924)
4. Annual OPEB Cost (Expense) (1+2+3)	749,468	724,217
5. Contribution made (assumed end of year)*	334,876	319,595
6. Increase in net OPEB Obligation (4 - 5)	414,592	404,622
7. Net OPEB Obligation - beginning of year	796,248	391,626
8. Net OPEB Obligation - end of year (6 + 7)	<u>\$ 1,210,840</u>	<u>\$ 796,248</u>

**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 2010 and 2009 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 749,468	44.7%	\$1,210,840
6/30/2009	\$ 724,217	44.1%	\$ 796,248

Funded Status and Funding Progress:

As of June 30, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$8,614,792.

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

F. Post-employment health care benefits (continued)

Johnson City Power Board (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 methods and assumptions were used.

Funding Interest Rate	4.25%
2009 Medical Trend Rate	8.00%
Ultimate Trend Rate	5.00%
Year Ultimate Trend Rate Reached	2012
Actuarial Cost Method	Entry Age Normal
Remaining Amortization Period at June 30, 2010	27 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

G. Pension Plan (continued)

City of Johnson City (Continued):

Effective July 1, 2010, the City closed the plan to new participants. Those employees who were employed by the City prior to July 1, 2010 are still eligible to accrue salary and service credit in TCRS. The City is responsible for continuing to fund the retirement cost of the plan.

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

Funding Policy

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

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010 was 18.35% 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, 2010, the City's annual pension cost of \$7,158,539 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

G. Pension Plan (continued)

City of Johnson City (Continued):

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 7,158,539	100%	\$ -
June 30, 2009	\$ 7,191,211	100%	\$ -
June 30, 2008	\$ 6,769,990	100%	\$ -

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 78.83 percent funded. The actuarial accrued liability for benefits was \$162.24 million, and the actuarial value of assets was \$127.89 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$34.35 million. The covered payroll (annual payroll of active employees covered by the plan) was \$38.69 million, and the ratio of the UAAL to the covered payroll was 88.79 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	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 127,885	\$ 162,239	\$ 34,354	78.83%	\$ 38,691	88.79%
July 1, 2007	\$ 120,065	\$ 146,993	\$ 26,928	81.68%	\$ 34,866	77.23%

Subsequent to year end, the City selected the Trust Company as their new retirement plan provider.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

G. Pension Plan (continued)

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 are vested after five years of service.

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

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

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, 2010 was 6.42% 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, 2010, 2009, and 2008 were \$1,972,906, \$1,966,347, and \$1,826,297, respectively, equal to the required contributions for each year.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

G. Pension Plan (continued)

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

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

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, 2010 was 14.00% 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

G. Pension Plan (continued)

Johnson City Power Board (Continued):

Annual Pension Cost

For the year ending June 30, 2010, the Power Board's annual pension cost of \$1,400,039 to TCRS was equal to the Power Board's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 1,400,039	100%	\$ -
June 30, 2009	\$ 1,334,487	100%	\$ -
June 30, 2008	\$ 1,292,419	100%	\$ -

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 75.00 percent funded. The actuarial accrued liability for benefits was \$38.58 million, and the actuarial value of assets was \$28.94 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$9.64 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.30 million, and the ratio of the UAAL to the covered payroll was 103.67 percent.

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

G. Pension Plan (continued)

Johnson City Power Board (Continued):

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	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 28,936	\$ 38,581	\$ 9,645	75.00%	\$ 9,303	103.67%
July 1, 2007	\$ 27,950	\$ 35,454	\$ 7,504	78.83%	\$ 8,432	88.99%

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. The City has control over budget and financing of the joint venture only to the extent of representation by the board members appointed and is responsible for funding 50% of any deficits from operations. Johnson City contributed \$158,000 to the operations during the year ended June 30, 2010.

The Washington County – Johnson City EMS, Inc. (EMS) receives revenue from Washington County and Johnson City, as well as patient billings. Johnson City contributed \$583,495 to the operations during the year ended June 30, 2010.

Johnson City is responsible for funding at least 36% of operations of the Johnson City/Jonesborough/Washington County Economic Development Board, Inc. (EDB). Johnson City contributed \$139,244 and the Johnson City Power Board contributed \$77,000 to the operations during the year ended June 30, 2010.

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

H. Joint Ventures (continued)

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 \$37,950 for operations during the year ended June 30, 2010.

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, 2010, the City received \$9,485 from vacant lot sales. Financial statements are not prepared for the Tri-County Industrial Park.

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

Animal Control Center 525 Sells Avenue Johnson City, TN 37601	Tri-Cities Airport Commission P.O. Box 1055 Blountville, TN 37617	Johnson City Athletic Club P.O. Box 59 Johnson City, TN 37605
Emergency Medical Services 296 Wesley Street Johnson City, TN 37601	Economic Development Board 603 East Market Street Johnson City, TN 37601	

Audited information as of June 30, 2010 is presented below for the above mentioned organizations except for the JCAC and EMS. The JCAC year end presented is September 30, 2009. The EMS year end presented is June 30, 2009. The information does not include the Tri-County Industrial Park. All are presented on the accrual basis.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. OTHER INFORMATION (CONTINUED):

H. Joint Ventures (continued)

	<u>ACC</u>	<u>EMS</u>	<u>EDB</u>	<u>TCA</u>	<u>JCAC</u>
Operating Revenues	\$ 80,900	6,876,706	373,878	5,693,560	90,781
Operating Expenses	(513,806)	(8,310,651)	(372,520)	(5,101,080)	(108,871)
Depreciation	-	-	-	(3,053,364)	-
Amortization	-	-	-	(13,501)	-
Other Income (Expense)	416,909	1,865,257	8,662	809,692	253
Capital Contributions	-	-	-	6,774,016	-
Net Income (Loss) Transferred to Net Assets	(15,997)	431,312	10,020	5,109,323	(17,837)
Net Assets, Beginning	334,779	3,073,972	910,584	55,949,414	112,685
Prior Period Adjustments	-	-	-	-	-
Net Assets, Ending	<u>\$ 318,782</u>	<u>3,505,284</u>	<u>920,604</u>	<u>61,058,737</u>	<u>94,848</u>
Total Assets	\$ 353,855	6,152,651	972,476	69,451,205	108,281
Total Liabilities	35,073	2,647,367	51,872	8,392,468	13,433
Total Net Assets	<u>\$ 318,782</u>	<u>3,505,284</u>	<u>920,604</u>	<u>61,058,737</u>	<u>94,848</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC).

a. Government-wide and Fund Financial Statements

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

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

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 funds:

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

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

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

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. Investments are recorded at market value in accordance with GASB Statement No. 31 (See Note 2).

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

A. Johnson City Public Library (continued)

1. Summary of Significant Accounting Policies (Continued):

d. Capital Assets

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 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 Library.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

General policy of the Library does not allow employees to accumulate vacation days in excess of a normal year's accumulation. The amount of liability for accrued vacation pay was determined by computing the total number of hours earned as of June 30, 2010 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 fund equity is classified as fund balance. Fund balance is further classified into reserved and unreserved. Reservations of fund balance consist of 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 2010 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 certificate of deposit at June 30, 2010. All deposits are insured by FDIC insurance up to \$250,000. Amounts in excess of \$250,000 are secured by the financial institution through the State Collateral Pool. Various restrictions on deposits and investments, including repurchase agreements, are imposed by state statutes. These restrictions are summarized as follows:

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

A. Johnson City Public Library (continued)

2. Deposits and Investments (Continued):

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

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

Deposits

The Library had \$500 cash on hand and the following balances in the bank at June 30, 2010:

	<u>Per Bank</u>	<u>Per Books</u>
Cash in Bank	\$ 188,470	149,084
Certificate of Deposit	158,800	158,865
Total	<u>\$ 347,270</u>	<u>307,949</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

A. Johnson City Public Library (continued)

3. Capital Assets

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Book Collection	\$1,138,049	-	-	-	1,138,049
Capital Assets, Being Depreciated:					
Equipment	170,272	18,305	(8,130)	-	180,447
Furniture	479,447	-	-	-	479,447
Total Capital Assets, Being Depreciated	<u>649,719</u>	<u>18,305</u>	<u>(8,130)</u>	<u>0</u>	<u>659,894</u>
Less Accumulated Depreciation for:					
Equipment	(76,534)	(25,007)	8,130	-	(93,411)
Furniture	(478,984)	(463)	-	-	(479,447)
Total Accumulated Depreciation	<u>(555,518)</u>	<u>(25,470)</u>	<u>8,130</u>	<u>0</u>	<u>(572,858)</u>
Total Capital Assets, Being Depreciated, Net	<u>94,201</u>	<u>(7,165)</u>	<u>0</u>	<u>0</u>	<u>87,036</u>
Governmental Activities, Capital Assets, Net	<u>\$1,232,250</u>	<u>(7,165)</u>	<u>0</u>	<u>0</u>	<u>1,225,085</u>

Depreciation expense of \$25,470 was charged to the general government function in the statement of activities.

Capital assets are classified by three funding sources. General Fund asset purchases, purchases made with donated funds and purchases from grant funds. Capital asset purchases made with grant funds are usually for computer equipment paid for with funds received from the LSTA Grants. Assets purchased with donated funds consist of furnishings and equipment purchased from private donations raised by the Library. Many of these originated from the opening of the Millard Street Building. All capital assets that were not purchased with the use of grant funds or donations are considered to be purchased from general funds.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

A. Johnson City Public Library (continued)

4. 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 has established the Johnson City Public Library 403(b) Defined Contribution plan in which employees may contribute up to 100 percent of pretax annual compensation. The Library provides employer matching contributions to eligible contributing participants equal to three percent of the employee contribution so long as the employee contributes one percent or more of their compensation. Employees are eligible to participate immediately upon hire, but will not be eligible to receive the employer matching contribution until attaining age 21 and working at least 1,000 hours during the plan year. The Library made matching contributions to the plan totaling \$20,657 for the fiscal year ending June 30, 2010.

5. 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.

6. Grants:

During the fiscal year ended June 30, 2010, \$660 was received on the Harris Fund grant for the Friendly Visitor Program. Funds for the LSTA Grant, in the amount of \$18,275, were awarded to the Library, but were not received until after year end. This amount was recorded as deferred revenue for the Library.

7. 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, 2010 was \$1,481. In November 2006, the library entered into a lease for Toshiba copiers. This lease has a term of 60 months with payments of \$491 per month. The total amount paid during fiscal year ended June 30, 2010 was \$5,893. The following is a schedule of future rental payments as identified in the lease agreements:

2011	\$ 4,910
------	----------

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

A. Johnson City Public Library (continued)

8. Economic Dependency:

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

City of Johnson City, Tennessee	87%
Washington County, Tennessee	5%

9. Compensated Absences:

Compensated absences are earned based on position and years of service up to 20 working days per year. Up to 8 days per year may be carried over from the end of the calendar year to the end of the fiscal year. Carryover amounts are also allowed based on position and years of service and the carryover amount is forfeited after the end of the next fiscal year. The balance at June 30, 2010 was \$23,473.

10. Imagination Library Fund:

The Imagination Library is a cooperative program through the Governor's Books from Birth Foundation, through which monthly free books are provided to children under the age of five that are enrolled in the program. The Library assumed control of the Washington County Imagination Library in October 2009. Funding for this program will vary each year depending on community support and grants awarded. The Library has received indirect funding support from Washington County through the Chamber of Commerce for this program. In addition to these sources, donations from other organizations and the public have been received. Expenses of this program are for monthly book purchases and the cost of advertising and promotional items to raise awareness for the program. All funds received in this program are designated for use by the Washington County Imagination Library and as such this fund was setup as a special revenue fund.

11. FIN 48:

During the current year, the Library adopted FIN 48 which clarifies the accounting for uncertainty in income taxes recognized in the Library's financial statements in accordance with Statements on Financial Accounting Standards and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return. The adoption of FIN 48 did not have a material effect on the Library.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

B. Johnson City Development Authority

1. Summary of Significant Accounting Policies:

Nature of Operations - Johnson City Development Authority and Affiliate (the "Authority") is a component unit of the City of Johnson City, Tennessee. The Authority's purpose is to facilitate business development within the City. The Authority was established by the Johnson City Commission and became operative in February 1990.

Significant Policies – The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In the government-wide financial statements, governments are required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The significant accounting principles and policies utilized by the Authority are described below.

a. Government-Wide and Fund Financial Statements:

Government-wide Financial Statements – The statement of net assets and the statement of activities present financial information about the Authority's organizational activities. These statements include the financial activities of the organization in its entirety. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally consist of programs funded by grants from state and local governments.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the Authority's organizational activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes (a) an annual operating appropriation from the City; (b) charges and fees for Authority-organized events; and (c) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including interest income, is presented as general revenue.

Fund Financial Statements – The fund statements provide information about the Authority's funds. A separate statement for governmental fund types is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 Authority reports the following major governmental funds:

General Fund – This is the Authority’s primary operating fund. It accounts for all financial activity that is not required to be accounted for in the special revenue fund. All general receipts that are not allocated by law or contractual agreement to a special revenue fund are accounted for in this fund. General operating expenditures and capital improvement costs not paid through other funds are paid from the general fund.

Special Revenue Fund Grants – This fund accounts for activities associated with various grant programs funded by grants from the City and the State of Tennessee that focus on improving the appearance of business areas in the City.

Special Revenue Fund TIF – This fund accounts for activities associated with tax increment financing provided by the City and Washington County that focus on improving the appearance of business areas in the City.

There are no non-major governmental funds.

b. Measurement Focus and Basis of Accounting

The government-wide and fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Interest earnings on temporary investments are recognized in the fiscal period earned.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. “Measurable” means that amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 and Basis of Accounting (Continued):

General capital asset acquisitions are reported as expenditures in governmental funds.

c. Fund Balances

The unreserved portions of fund balances reflected for the governmental funds are available for use within the specific purposes of those funds.

d. Use of Estimates

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

e. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received. Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

The Authority's capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) for purchases of property and equipment is \$500. The Authority depreciates property and equipment using the straight-line basis. The range of estimated useful lives by type of asset is as follows:

Building Improvements	15 – 40 years
Equipment	5 – 7 years

f. Federal, State, and Local Agency Grant Funds

Program funds authorized under federal, state, and local agency grants are requisitioned from such agencies primarily for reimbursement of allowable costs incurred up to amounts contracted for under each grant. These funds are accounted for at the time allowable costs are incurred. The grant periods for individual grants do not necessarily coincide with the fiscal year of the Authority. Since the Authority receives funds on a cost-reimbursement basis, a receivable (due from grantor agencies) may exist at the Authority's balance sheet date.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

B. Johnson City Development Authority (Continued)

3. Grant Receivable:

At June 30, 2010, the Authority had applied for and was due reimbursement from the State of Tennessee in the amount of \$10,000 for expenditures incurred in connection with a Main Street Innovation Grant.

4. TIF Receivable:

The Authority is responsible for administering the City's tax increment financing program for rehabilitating distressed business zones within the City. Under this program, the Authority collects the tax increment, the difference between property taxes collected on higher assessed values on new or rehabilitated real estate improvements and the prior assessed value of the real estate when it was unimproved or a blighted property. At June 30, 2010, the Authority was owed \$289,948 by the City which represents \$1,600 for the 2007 TIF increment, \$19,400 for the 2008 TIF increment, and \$268,948 for the 2009 TIF increment.

5. Capital Assets:

Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ -	153,666	-	153,666
Office Equipment and Furniture	12,721	4,219	(7,335)	9,605
Total Capital Assets, Being Depreciated	<u>12,721</u>	<u>157,885</u>	<u>(7,335)</u>	<u>163,271</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	-	(1,243)	-	(1,243)
Office Equipment and Furniture	(12,448)	(391)	7,335	(5,504)
Total Accumulated Depreciation	<u>(12,448)</u>	<u>(1,634)</u>	<u>7,335</u>	<u>(6,747)</u>
Governmental Activities, Capital Assets, Net	<u>\$ 273</u>	<u>156,251</u>	<u>0</u>	<u>156,524</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

B. Johnson City Development Authority (Continued)

6. Accrued Compensated Absences:

The Authority provides employees with two weeks of paid vacation per year. Unused vacation can be carried over to the following year. A liability for accrued compensated absences is presented on the Authority's statement of net assets. The Authority provides employees with eight days of sick leave per year. Employees are not eligible to be compensated for the unused portion of sick leave and are unable to carry over unused sick days to the following year.

7. Net Assets:

The Authority's net assets at June 30, 2010, consisted of:

Invested in Capital Assets	\$	156,524
Restricted by enabling legislation:		
TIF revenues		204,957
Restricted by external contributors:		
Façade grant revenues		252
Unrestricted		27,623
	\$	389,356

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

B. Johnson City Development Authority (Continued)

8. Grants:

The Authority applies for and receives grant funds for various projects targeted at improving the commercial areas of the City. Grant revenues recognized by the Authority during the year were:

<u>Grantor</u>	<u>Grant</u>	<u>Statement of Activities</u>	<u>Statement of Revenue, Expenditures, and Changes in Fund Balance</u>
State of Tennessee	Main Street Innovation Grant	\$ 15,000	15,000
Other Sources		500	500
Total grant revenue recognized		<u>\$ 15,500</u>	<u>15,500</u>

All other grant revenues and receivables, if applicable, were recognized in the current fiscal year since any grant receivable due the Authority had been received within sixty days following June 30, 2010.

9. Retirement Commitments:

The Authority maintains a SIMPLE plan for employees who elect to participate. The plan allows participating employees to contribute pre-tax monies from their salaries and requires an annual matching contribution by the Authority of up to 3% of the employee's salary based on their contribution rate. For the fiscal year ended June 30, 2010, the Authority recorded \$2,365 of matching contributions as an expense.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

B. Johnson City Development Authority (Continued)

10. Leases:

Operating leases – The Authority leases office space from an entity that is owned by two board members. The lease is a one year lease which will end in October 2011. Monthly rent on the Authority’s office space is \$850 per month. A security deposit of \$825 was paid to the lessor prior to the Authority occupying the property. The Authority also leases office equipment utilizing either operating or capital leases.

The minimum lease payments under operating leases for which the Authority is obligated are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 12,189
2012	4,234
2013	<u>1,263</u>
Total	<u>\$ 17,686</u>

11. Related Party Transactions:

The Authority receives an annual operating appropriation from the City which is used to fund the Authority’s basic operations. The amount of the appropriation for the year ended June 30, 2010, was \$159,135. This represented 25% of revenues recognized in the government-wide financial statements for the year ended June 30, 2010, and 24% of the revenue recorded in the governmental fund financial statements.

Additionally, TIF revenues recognized in the Authority’s financial statements represented 46% and 49%, respectively of the government-wide and governmental fund revenues for the year. When all sources of City-related revenue are combined, the City accounted for 71% of the government-wide and 73% of the governmental fund revenue for the year ended June 30, 2010.

12. Risk Management Activities

The Authority carries insurance for general liability and to cover destruction or damage to its property and equipment. There were no claims filed against the Authority in the current fiscal year or either of the two preceding years which were not covered by insurance.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

B. Johnson City Development Authority (Continued)

13. Downtown Johnson City Foundation, Inc.:

The Authority was involved in incorporating Downtown Johnson City Foundation, Inc. (the "Foundation") during the year ended June 30, 2008. The Foundation was formed for the purpose of securing grant revenues from sources which will not make grants directly to a governmental or quasi-governmental agency. The Foundation expects to apply for and receive grants and obtain contributions that complement the purpose of the Authority. The Foundation has applied for exempt status with the Internal Revenue Service but had not received a determination letter by the date the Authority's financial statements were issued.

During the year June 30, 2010, the Foundation received a grant in the amount of \$500 and incurred legal expenses of \$1,748. The Foundation borrowed the money from the Authority to pay these fees. The financial statements of the Foundation have been combined with the financial statements of the Authority for the year ended June 30, 2010.

Condensed financial statements for the Foundation are presented below.

Downtown Johnson City Foundation, Inc.
Condensed Financial Statements
For the Year Ended June 30, 2010

Assets		
Cash	\$	1,500
Liabilities		
Accounts Payable		1,248
Net Assets	\$	252
Revenues	\$	500
Expenses		1,748
Decrease in Net Assets	\$	(1,248)

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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. The City's portion of the proceeds is valued at \$47,386,830. During the fiscal year ended June 30, 2010, the City received \$928,107. These proceeds were deposited in the School Capital Project Fund. All of the available funds were drawn by June 30, 2010.

In addition to the bonds, during the fiscal year ended June 30, 2010, Washington County issued three capital outlay notes. The total received by the City from these was \$2,185,791.

On January 9, 2009, the City entered into a Loan Agreement with The Public Building Authority of the County of Montgomery, Tennessee in the amount of \$25,000,000. These funds will be drawn down to make capital improvements within the General Government. During the fiscal year ended June 30, 2010, the City drew \$10,483,346. These proceeds were deposited in the Infrastructure, Public Facilities, Equipment and School Capital Project Funds. The remaining funds available to be drawn by the City are \$2,099,432 as of June 30, 2010. This balance is expected to be received during fiscal year 2011.

During the course of the audit, a question arose regarding the specific revenue stream that funds the Police Technology Fund and the legality of the separate revenue stream and fund. The propriety of the fund and the related fees will continue to be assessed in the 2010-2011 fiscal year.

8. NEW ACCOUNTING STANDARDS:

There are several new GASB Statements that have been issued that will be effective in future years. The City has not yet evaluated the effects, if any, of adopting these standards.

9. SUBSEQUENT EVENTS:

The City adopted a 401(a) and 457(b) for employees hired after July 1, 2010 and will no longer enroll any new hires in the Tennessee Consolidated Retirement plan as noted in Note 5.G. The 401(a) defined contribution plan will become effective January 1, 2011. Employees become eligible to participate with six months of service. The employer contribution is 5%. In addition to the 401(a) plan, the City will have a 457(b) plan. The employer will match the employee contribution to this plan 100%, not to exceed 3% of the covered compensation. Employees will be 100% vested after five years.

Also, the City plans to refinance \$28,400,000 of the Peoples Education Plan (PEP) debt prior to December 31, 2010 as bank qualified. The final maturity is planned as 2033. The restructuring is designed to more accurately match debt service payments with projected sales tax revenues and thus make the PEP fund self-sustaining.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLANS
For the Fiscal Year Ended June 30, 2010

Schedule of Funding Progress for the City of Johnson City

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 127,885	\$ 162,239	\$ 34,354	78.83%	\$ 38,691	88.79%
July 1, 2007	\$ 120,065	\$ 146,993	\$ 26,928	81.68%	\$ 34,866	77.23%

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 went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

Schedule of Funding Progress for the Johnson City Power Board

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 28,936	\$ 38,581	\$ 9,645	75.00%	\$ 9,303	103.67%
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 went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR POSTEMPLOYMENT HEALTHCARE PLANS
For the Fiscal Year Ended June 30, 2010

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 17,664	\$ 17,664	0.0%	\$ 29,044	61.0%
July 1, 2007	\$ -	\$ 15,479	\$ 15,479	0.0%	\$ 28,203	54.9%

Note: Data is not available for the preceding year.

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 13,525	\$ 13,525	0.0%	\$ 28,774	47.0%

Note: Data is not available for the two preceding years.

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ -	\$ 8,615	\$ 8,615	0.0%	N/A	N/A
July 1, 2007	\$ -	\$ 8,295	\$ 8,295	0.0%	N/A	N/A

Note: Data is not available for the preceding year.

MAJOR GOVERNMENTAL FUNDS

Debt Service Fund accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt other than that payable from enterprise funds and the general obligation debt used to construct educational facilities.

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

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

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Investment Earnings	\$ -	-	986	986
Total Revenues	0	0	986	986
<u>Expenditures:</u>				
Debt Service:				
Principal Retirement	5,232,837	5,232,837	5,179,729	53,108
Interest and Fiscal Charges	4,737,666	4,737,666	2,706,798	2,030,868
Other Fees	30,000	30,000	313,754	(283,754)
Total Expenditures	10,000,503	10,000,503	8,200,281	1,800,222
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,000,503)	(10,000,503)	(8,199,295)	1,801,208
<u>Other Financing Sources (Uses):</u>				
Transfer In	10,000,000	10,000,000	8,199,295	(1,800,705)
Total Other Financing Sources (Uses)	10,000,000	10,000,000	8,199,295	(1,800,705)
Net Change in Fund Balances	(503)	(503)	-	503
Fund Balance, July 1, 2009	-	-	-	-
Fund Balance, June 30, 2010	\$ (503)	(503)	0	503

See Independent Auditors' Report

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
EDUCATIONAL FACILITIES DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Taxes	\$ 1,974,000	1,974,000	1,883,651	(90,349)
Investment Earnings	-	-	188	188
Total Revenues	1,974,000	1,974,000	1,883,839	(90,161)
<u>Expenditures:</u>				
<u>Debt Service:</u>				
Principal Retirement	1,624,424	1,624,424	919,686	704,738
Interest and Fiscal Charges	1,989,088	3,609,088	2,889,185	719,903
Other Fees	-	-	9,951	(9,951)
Total Expenditures	3,613,512	5,233,512	3,818,822	1,414,690
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,639,512)	(3,259,512)	(1,934,983)	1,324,529
<u>Other Financing Sources (Uses):</u>				
Transfer In	1,584,145	1,584,145	1,014,592	(569,553)
Bond Issue Proceeds	-	1,620,000	1,660,000	40,000
Total Other Financing Sources (Uses)	1,584,145	3,204,145	2,674,592	(529,553)
Net Change in Fund Balances	(55,367)	(55,367)	739,609	794,976
Fund Balance, July 1, 2009	(41,914)	(41,914)	(41,914)	-
Fund Balance, June 30, 2010	\$ (97,281)	(97,281)	697,695	794,976

See Independent Auditors' Report

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SCHOOL CAPITAL PROJECT FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Investment Earnings	\$ -	237,000	281,664	44,664
Intergovernmental Revenue	-	-	3,113,898	3,113,898
Donations	-	-	105,200	105,200
Total Revenues	0	237,000	3,500,762	3,263,762
<u>Expenditures:</u>				
Capital Outlay	4,000,000	12,987,000	15,105,084	(2,118,084)
Total Expenditures	4,000,000	12,987,000	15,105,084	(2,118,084)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,000,000)	(12,750,000)	(11,604,322)	1,145,678
<u>Other Financing Sources (Uses):</u>				
Transfer In	1,500,000	1,500,000	-	(1,500,000)
Transfer Out	-	-	(4,575)	(4,575)
Bond Premium	-	-	77,149	77,149
Bond Issue Proceeds	2,500,000	6,250,000	7,354,951	1,104,951
Total Other Financing Sources (Uses)	4,000,000	7,750,000	7,427,525	(322,475)
Net Change in Fund Balances	-	(5,000,000)	(4,176,797)	823,203
Fund Balance, July 1, 2009	42,415,179	42,415,179	42,415,179	-
Fund Balance, June 30, 2010	\$ 42,415,179	37,415,179	38,238,382	823,203

See Independent Auditors' Report

NONMAJOR GOVERNMENTAL FUNDS

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

Freedom Hall Civic Center Fund is used to account for the revenues generated from the Civic Center's operations. Fee revenues are supplemented by the General Fund to the extent of the 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.

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

Community Development Fund accounts for Housing and Urban Development Funds.

Senior Citizens Fund accounts for contributions and 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 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, 2010

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
<u>ASSETS:</u>				
Cash on Hand	\$ 2,404	-	-	2,404
Cash in Bank	1,337,077	-	206,878	1,543,955
Cash on Deposit with State of Tennessee	-	50,243	-	50,243
Cash Due from Central Depository	1,907,137	4,058,506	-	5,965,643
Accounts Receivable	1,000	567,091	-	568,091
Due from Other Funds	262	-	-	262
Due from Federal Government	211,046	-	-	211,046
Due from State of Tennessee	1,882,087	-	-	1,882,087
Notes Receivable	38,802	-	-	38,802
Restricted Investments	-	17,169,583	-	17,169,583
Inventories	190,413	-	-	190,413
Total Assets	\$ 5,570,228	21,845,423	206,878	27,622,529
<u>LIABILITIES AND FUND BALANCES:</u>				
<u>Liabilities:</u>				
Cash Due to Central Depository	\$ 188,661	2,007,225	-	2,195,886
Accounts Payable	225,158	623,380	-	848,538
Accrued Payroll Expenditures	428,464	-	-	428,464
Accrued Expenditures	5,312	-	-	5,312
Due to Other Funds	1,414,406	-	-	1,414,406
Unearned Revenue	169,531	-	-	169,531
Retainage Payable	-	62,604	-	62,604
Total Liabilities	2,431,532	2,693,209	0	5,124,741
<u>Fund Balances:</u>				
Reserved for Inventories	190,413	-	-	190,413
Reserved for Police Technology	586,874	-	-	586,874
Reserved for School Trust	-	-	206,878	206,878
Reserved for Senior Citizens	15,000	-	-	15,000
Reserved for Specified Capital Projects	-	17,671,068	-	17,671,068
Unreserved:				
Designated for Special Projects	450,144	-	-	450,144
Designated for Compensated Absences	57,814	-	-	57,814
Designated for Specified Capital Outlays	-	3,080,369	-	3,080,369
Undesignated	1,838,451	(1,599,223)	-	239,228
Total Fund Balances	3,138,696	19,152,214	206,878	22,497,788
Total Liabilities and Fund Balances	\$ 5,570,228	21,845,423	206,878	27,622,529

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
<u>Revenues:</u>				
Taxes	\$ -	573,787	-	573,787
Federal Government	9,977,985	162,945	-	10,140,930
State of Tennessee	679,346	-	-	679,346
Local Governments	121,180	-	-	121,180
Charges for Services	1,072,895	-	-	1,072,895
Fines and Forfeitures	414,798	-	-	414,798
Investment Earnings	7,150	4,163	-	11,313
Revenue from Use of Property	1,336,586	900	-	1,337,486
Miscellaneous	238,769	1,624,208	-	1,862,977
Total Revenues	13,848,709	2,366,003	-	16,214,712
<u>Expenditures:</u>				
Current:				
Public Safety	978,908	-	-	978,908
Public Welfare	442,472	-	-	442,472
Senior Citizens	93,080	-	-	93,080
Scholarships Awarded	-	-	1,500	1,500
Entertainment and Operation	1,616,569	-	-	1,616,569
Highway and Transportation Planning	193,037	-	-	193,037
Education	7,912,516	-	-	7,912,516
School Food Service	2,926,350	-	-	2,926,350
Miscellaneous	7,250	-	-	7,250
Capital Outlay	619,254	11,473,238	-	12,092,492
Debt Service:				
Principal Retirement	-	132,516	-	132,516
Interest and Fiscal Charges	-	102,474	-	102,474
Total Expenditures	14,789,436	11,708,228	1,500	26,499,164
Excess (Deficiency) of Revenues Over (Under) Expenditures	(940,727)	(9,342,225)	(1,500)	(10,284,452)
<u>Other Financing Sources (Uses):</u>				
Transfers (Net)	1,141,806	2,166,773	-	3,308,579
Sale of Real Estate	-	9,485	-	9,485
Bond Issue Proceeds	-	24,665,097	-	24,665,097
Total Other Financing Sources	1,141,806	26,841,355	0	27,983,161

(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, 2010

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
Net Change in Fund Balances	201,079	17,499,130	(1,500)	17,698,709
Fund Balances, July 1, 2009	3,351,498	1,653,084	208,378	5,212,960
Purchase Method Inventory Adjustment	(7,981)	-	-	(7,981)
Prior Period Adjustment for Police Technology	(405,900)	-	-	(405,900)
Fund Balances, July 1, 2009 (Restated)	2,937,617	1,653,084	208,378	4,799,079
Fund Balances, June 30, 2010	<u>\$ 3,138,696</u>	<u>19,152,214</u>	<u>206,878</u>	<u>22,497,788</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
June 30, 2010

	Freedom Hall Civic Center Fund	School Funds	Transportation Planning Fund	Drug Fund	Police Grant Fund	Police Technology Fund	Community Development Fund	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
ASSETS:										
Cash on Hand	\$ 1,875	-	-	529	-	-	-	-	-	2,404
Cash in Bank	-	1,337,077	-	-	-	-	-	-	-	1,337,077
Cash Due from Central Depository	68,116	-	5,297	501,204	39,307	1,016,461	-	275,064	1,688	1,907,137
Accounts Receivable	1,000	-	-	-	-	-	-	-	-	1,000
Due from Other Funds	-	262	-	-	-	-	-	-	-	262
Due from Federal Government	-	-	-	-	62,324	-	148,722	-	-	211,046
Due from State of Tennessee	-	1,750,731	60,992	-	10,280	-	60,084	-	-	1,882,087
Notes Receivable	-	-	-	-	-	-	38,802	-	-	38,802
Inventories	-	190,413	-	-	-	-	-	-	-	190,413
Total Assets	\$ 70,991	3,278,483	66,289	501,733	111,911	1,016,461	247,608	275,064	1,688	5,570,228
LIABILITIES AND FUND BALANCES:										
Liabilities:										
Cash Due to Central Depository	\$ -	-	-	-	-	-	188,661	-	-	188,661
Accounts Payable	6,268	146,131	5,903	13,250	3,043	23,687	23,588	3,288	-	225,158
Accrued Payroll Expenses	10,152	410,978	4,323	-	-	-	3,011	-	-	428,464
Accrued Expenses	5,312	-	-	-	-	-	-	-	-	5,312
Due to Other Funds	-	1,008,506	-	-	-	405,900	-	-	-	1,414,406
Unearned Revenue	-	7,717	14,400	-	108,612	-	38,802	-	-	169,531
Total Liabilities	21,732	1,573,332	24,626	13,250	111,655	429,587	254,062	3,288	0	2,431,532
Fund Balances:										
Reserved for Inventories	-	190,413	-	-	-	-	-	-	-	190,413
Reserved for Police Technology	-	-	-	-	-	586,874	-	-	-	586,874
Reserved for Senior Citizens	-	-	-	-	-	-	-	15,000	-	15,000
Unreserved:										
Designated for Special Projects	-	450,144	-	-	-	-	-	-	-	450,144
Designated for Compensated Absences	49,259	5,675	2,880	-	-	-	-	-	-	57,814
Undesignated	-	1,058,919	38,783	488,483	256	-	(6,454)	256,776	1,688	1,838,451
Total Fund Balances	49,259	1,705,151	41,663	488,483	256	586,874	(6,454)	271,776	1,688	3,138,696
Total Liabilities and Fund Balances	\$ 70,991	3,278,483	66,289	501,733	111,911	1,016,461	247,608	275,064	1,688	5,570,228

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, 2010

	Freedom Hall Civic Center Fund	School Funds	Transportation Planning Fund	Drug Fund	Police Grant Fund	Police Technology Fund	Community Development Fund	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
Revenues:										
Federal Government	\$ -	9,228,465	153,370	-	243,619	-	352,531	-	-	9,977,985
State of Tennessee	-	583,470	6,463	-	-	-	89,413	-	-	679,346
Local Governments	-	-	-	-	121,180	-	-	-	-	121,180
Charges for Services	-	1,072,468	-	-	-	-	427	-	-	1,072,895
Fines and Forfeitures	-	-	-	76,611	-	338,187	-	-	-	414,798
Investment Earnings	-	6,871	-	-	-	-	-	269	10	7,150
Revenue from Use of Property	1,336,586	-	-	-	-	-	-	-	-	1,336,586
Miscellaneous	48,601	-	-	82,986	168	-	820	98,269	7,925	238,769
Total Revenues	1,385,187	10,891,274	159,833	159,597	364,967	338,187	443,191	98,538	7,935	13,848,709
Expenditures:										
Current:										
Public Safety	-	-	-	124,201	425,043	429,664	-	-	-	978,908
Public Welfare	-	-	-	-	-	-	442,472	-	-	442,472
Senior Citizens	-	-	-	-	-	-	-	93,080	-	93,080
Entertainment and Operation	1,616,569	-	-	-	-	-	-	-	-	1,616,569
Highway and Transportation Planning	-	-	193,037	-	-	-	-	-	-	193,037
Education	-	7,912,516	-	-	-	-	-	-	-	7,912,516
School Food Service	-	2,926,350	-	-	-	-	-	-	-	2,926,350
Miscellaneous	-	-	-	-	-	-	-	-	7,250	7,250
Capital Outlay	-	612,209	-	-	7,045	-	-	-	-	619,254
Total Expenditures	1,616,569	11,451,075	193,037	124,201	432,088	429,664	442,472	93,080	7,250	14,789,436
Excess (Deficiency) of Revenues Over (Under) Expenditures	(231,382)	(559,801)	(33,204)	35,396	(67,121)	(91,477)	719	5,458	685	(940,727)
Other Financing Sources (Uses):										
Transfers (Net)	233,514	783,515	33,263	(27,627)	67,121	52,020	-	-	-	1,141,806
Total Other Financing Sources (Uses)	233,514	783,515	33,263	(27,627)	67,121	52,020	0	0	0	1,141,806
Net Change in Fund Balances	2,132	223,714	59	7,769	-	(39,457)	719	5,458	685	201,079
Fund Balances, July 1, 2009	47,127	1,489,418	41,604	480,714	256	1,032,231	(7,173)	266,318	1,003	3,351,498
Purchase Method Inventory Adjustment	-	(7,981)	-	-	-	-	-	-	-	(7,981)
Prior Period Transfer of Funds	-	-	-	-	-	(405,900)	-	-	-	(405,900)
Fund Balances, July 1, 2009 (restated)	47,127	1,481,437	41,604	480,714	256	626,331	(7,173)	266,318	1,003	2,937,617
Fund Balances, June 30, 2010	\$ 49,259	1,705,151	41,663	488,483	256	586,874	(6,454)	271,776	1,688	3,138,696

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
SCHOOL FUNDS
June 30, 2010

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ -	-	885,224	451,853	1,337,077
Due from Other Funds	259	3	-	-	262
Due from State of Tennessee	1,321,897	224,982	203,852	-	1,750,731
Inventories	-	-	190,413	-	190,413
Total Assets	<u>\$ 1,322,156</u>	<u>224,985</u>	<u>1,279,489</u>	<u>451,853</u>	<u>3,278,483</u>
<u>LIABILITIES AND FUND BALANCES:</u>					
<u>Liabilities:</u>					
Accounts Payable	144,422	-	-	1,709	146,131
Accrued Payroll Expenses	363,600	22,896	24,482	-	410,978
Due to Other Funds	806,417	202,089	-	-	1,008,506
Unearned Revenue	7,717	-	-	-	7,717
Total Liabilities	<u>1,322,156</u>	<u>224,985</u>	<u>24,482</u>	<u>1,709</u>	<u>1,573,332</u>
<u>Fund Balances:</u>					
Reserved for Inventory	-	-	190,413	-	190,413
Unreserved:					
Designated for Special Projects	-	-	-	450,144	450,144
Designated for Compensated Absences	-	-	5,675	-	5,675
Undesignated	-	-	1,058,919	-	1,058,919
Total Fund Balances	<u>0</u>	<u>0</u>	<u>1,255,007</u>	<u>450,144</u>	<u>1,705,151</u>
Total Liabilities and Fund Balances	<u>\$ 1,322,156</u>	<u>224,985</u>	<u>1,279,489</u>	<u>451,853</u>	<u>3,278,483</u>

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, 2010

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
<u>Revenues:</u>					
Federal Government	\$ 7,123,651	51,647	2,053,167	-	9,228,465
State of Tennessee	-	550,238	33,232	-	583,470
Charges for Services	-	-	1,072,468	-	1,072,468
Investment Earnings	-	-	6,871	-	6,871
Total Revenues	7,123,651	601,885	3,165,738	0	10,891,274
<u>Expenditures:</u>					
Current:					
Education	6,612,831	659,485	-	640,200	7,912,516
School Food Service	-	-	2,926,350	-	2,926,350
Capital Outlay	495,103	-	117,106	-	612,209
Total Expenditures	7,107,934	659,485	3,043,456	640,200	11,451,075
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,717	(57,600)	122,282	(640,200)	(559,801)
<u>Other Financing Sources (Uses):</u>					
Transfers (Net)	(15,717)	57,600	-	741,632	783,515
Total Other Financing Sources (Uses)	(15,717)	57,600	0	741,632	783,515
Net Change in Fund Balances	0	0	122,282	101,432	223,714
Fund Balances, July 1, 2009	-	-	1,140,706	348,712	1,489,418
Purchase Method Inventory Adjustment	-	-	(7,981)	-	(7,981)
Fund Balances, July 1, 2009 (Restated)	0	0	1,132,725	348,712	1,481,437
Fund Balances, June 30, 2010	\$ 0	0	1,255,007	450,144	1,705,151

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
June 30, 2010

	Various Project Funds				Industrial Park Fund	Med Tech Park Fund	Total Capital Project Funds
	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund			
<u>ASSETS:</u>							
Cash on Deposit with State of Tennessee	\$ -	-	-	50,243	-	-	50,243
Cash Due from Central Depository	338,718	359,950	271,119	-	-	3,088,719	4,058,506
Accounts Receivable	-	-	-	567,091	-	-	567,091
Restricted Investments	-	-	17,169,583	-	-	-	17,169,583
Total Assets	338,718	359,950	17,440,702	617,334	0	3,088,719	21,845,423
<u>LIABILITIES AND FUND BALANCES:</u>							
<u>Liabilities:</u>							
Cash Due to Central Depository	-	-	-	562,575	1,444,650	-	2,007,225
Accounts Payable	38,189	27,487	396,784	152,271	299	8,350	623,380
Retainage Payable	-	-	5,842	56,762	-	-	62,604
Total Liabilities	38,189	27,487	402,626	771,608	1,444,949	8,350	2,693,209
<u>Fund Balances</u>							
Reserved for Specified Capital Projects	300,529	332,463	17,038,076	-	-	-	17,671,068
Unreserved:							
Designated for Specified Capital Outlays	-	-	-	-	-	3,080,369	3,080,369
Undesignated	-	-	-	(154,274)	(1,444,949)	-	(1,599,223)
Total Fund Balances	300,529	332,463	17,038,076	(154,274)	(1,444,949)	3,080,369	19,152,214
Total Liabilities and Fund Balances	\$ 338,718	359,950	17,440,702	617,334	0	3,088,719	21,845,423

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, 2010

	Various Project Funds						Total Capital Project Funds
	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund	Industrial Park Fund	Med Tech Park Fund	
Revenues:							
Taxes	\$ -	-	-	-	-	573,787	573,787
Federal Government	-	-	162,945	-	-	-	162,945
Investment Earnings	-	22	-	178	-	3,963	4,163
Revenue from Use of Property	-	-	-	-	900	-	900
Miscellaneous	718,340	34,231	-	871,637	-	-	1,624,208
Total Revenues	718,340	34,253	162,945	871,815	900	577,750	2,366,003
Expenditures:							
Capital Outlay	4,613,693	807,333	3,100,606	2,803,042	9,424	139,140	11,473,238
Debt Service:							
Principal Retirement	-	-	-	-	-	132,516	132,516
Interest and Fiscal Charges	-	-	-	-	-	102,474	102,474
Total Expenditures	4,613,693	807,333	3,100,606	2,803,042	9,424	374,130	11,708,228
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,895,353)	(773,080)	(2,937,661)	(1,931,227)	(8,524)	203,620	(9,342,225)

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, 2010

	Various Project Funds				Industrial Park Fund	Med Tech Park Fund	Total Capital Project Funds
	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund			
<u>Other Financing Sources (Uses):</u>							
Operating Transfers (Net)	807,958	760,342	576,974	21,499	-	-	2,166,773
Sale of Real Estate	-	-	-	-	9,485	-	9,485
Bond Issue Proceeds	2,776,250	-	18,652,983	3,235,864	-	-	24,665,097
Total Other Financing Sources (Uses)	3,584,208	760,342	19,229,957	3,257,363	9,485	0	26,841,355
Net Change in Fund Balances	(311,145)	(12,738)	16,292,296	1,326,136	961	203,620	17,499,130
Fund Balances, July 1, 2009	611,674	345,201	745,780	(1,480,410)	(1,445,910)	2,876,749	1,653,084
Fund Balances, June 30, 2010	\$ 300,529	332,463	17,038,076	(154,274)	(1,444,949)	3,080,369	19,152,214

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Revenue from Use of Property	\$ 1,498,000	1,498,000	1,336,586	(161,414)
Miscellaneous	65,000	65,000	48,601	(16,399)
Total Revenues	<u>1,563,000</u>	<u>1,563,000</u>	<u>1,385,187</u>	<u>(177,813)</u>
<u>Expenditures:</u>				
Civic Center Entertainment and Operation	1,746,601	1,714,601	1,616,569	98,032
Total Expenditures	<u>1,746,601</u>	<u>1,714,601</u>	<u>1,616,569</u>	<u>98,032</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(183,601)</u>	<u>(151,601)</u>	<u>(231,382)</u>	<u>(79,781)</u>
<u>Other Financing Sources (Uses):</u>				
Transfer In	175,000	143,000	233,514	90,514
Total Other Financing Sources (Uses)	<u>175,000</u>	<u>143,000</u>	<u>233,514</u>	<u>90,514</u>
Net Change in Fund Balances	(8,601)	(8,601)	2,132	10,733
Fund Balance, July 1, 2009	<u>47,127</u>	<u>47,127</u>	<u>47,127</u>	<u>-</u>
Fund Balance, June 30, 2010	<u>\$ 38,526</u>	<u>38,526</u>	<u>49,259</u>	<u>10,733</u>

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Federal Government	\$ 9,951,555	10,165,577	7,123,651	(3,041,926)
Total Revenues	9,951,555	10,165,577	7,123,651	(3,041,926)
<u>Expenditures:</u>				
Education	9,007,739	9,269,853	6,612,831	2,657,022
Capital Outlay	926,099	878,007	495,103	382,904
Total Expenditures	9,933,838	10,147,860	7,107,934	3,039,926
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,717	17,717	15,717	(2,000)
<u>Other Financing Sources (Uses):</u>				
Transfer In	-	-	2,000	2,000
Transfer Out	(17,717)	(17,717)	(17,717)	-
Total Other Financing Sources (Uses)	(17,717)	(17,717)	(15,717)	2,000
Net Change in Fund Balances	-	-	-	-
Fund Balance, July 1, 2009	-	-	-	-
Fund Balance, June 30, 2010	\$ 0	0	0	0

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL SCHOOL PROJECTS FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Federal Government	\$ 51,647	51,647	51,647	-
State of Tennessee	593,966	595,823	550,238	(45,585)
Total Revenues	645,613	647,470	601,885	(45,585)
<u>Expenditures:</u>				
Education	663,463	664,075	659,485	4,590
Total Expenditures	663,463	664,075	659,485	4,590
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,850)	(16,605)	(57,600)	(40,995)
<u>Other Financing Sources (Uses):</u>				
Transfer In	17,850	16,605	57,600	40,995
Total Other Financing Sources (Uses)	17,850	16,605	57,600	40,995
Net Change in Fund Balances	-	-	-	-
Fund Balance, July 1, 2009	-	-	-	-
Fund Balance, June 30, 2010	\$ 0	0	0	0

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Federal Government	\$ 1,919,000	1,919,000	2,053,167	134,167
State of Tennessee	-	-	33,232	33,232
Charges for Services	1,189,500	1,189,500	1,072,468	(117,032)
Investment Earnings	12,000	12,000	6,871	(5,129)
Total Revenues	<u>3,120,500</u>	<u>3,120,500</u>	<u>3,165,738</u>	<u>45,238</u>
<u>Expenditures:</u>				
School Food Service	3,037,230	3,037,230	2,926,350	110,880
Capital Outlay	83,270	83,270	117,106	(33,836)
Total Expenditures	<u>3,120,500</u>	<u>3,120,500</u>	<u>3,043,456</u>	<u>77,044</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>122,282</u>	<u>122,282</u>
Fund Balance, July 1, 2009	1,140,706	1,140,706	1,140,706	-
Purchase Method Inventory Adjustment	-	-	(7,981)	(7,981)
Fund Balance, July 1, 2009 (Restated)	<u>1,140,706</u>	<u>1,140,706</u>	<u>1,132,725</u>	<u>(7,981)</u>
Fund Balance, June 30, 2010	<u>\$ 1,140,706</u>	<u>1,140,706</u>	<u>1,255,007</u>	<u>114,301</u>

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Federal Government	\$ 320,000	320,000	153,370	(166,630)
State of Tennessee	11,000	11,000	6,463	(4,537)
Total Revenues	331,000	331,000	159,833	(171,167)
<u>Expenditures:</u>				
Highway and Transportation Planning	277,508	277,508	193,037	84,471
Total Expenditures	277,508	277,508	193,037	84,471
Excess (Deficiency) of Revenues Over (Under) Expenditures	53,492	53,492	(33,204)	(86,696)
<u>Other Financing Sources (Uses):</u>				
Transfer In	55,202	55,202	33,263	(21,939)
Capital Lease	3,840	3,840	-	(3,840)
Total Other Financing Sources (Uses)	59,042	59,042	33,263	(25,779)
Net Change in Fund Balances	112,534	112,534	59	(112,475)
Fund Balance July 1, 2009	41,604	41,604	41,604	-
Fund Balance, June 30, 2010	\$ 154,138	154,138	41,663	(112,475)

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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Fines and Forfeitures	\$ 85,000	85,000	76,611	(8,389)
Miscellaneous	-	32,700	82,986	50,286
Total Revenues	<u>85,000</u>	<u>117,700</u>	<u>159,597</u>	<u>41,897</u>
<u>Expenditures:</u>				
Public Safety	<u>95,000</u>	<u>127,700</u>	<u>124,201</u>	<u>3,499</u>
Total Expenditures	<u>95,000</u>	<u>127,700</u>	<u>124,201</u>	<u>3,499</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,000)	(10,000)	35,396	45,396
<u>Other Financing Sources (Uses):</u>				
Transfer Out	<u>(14,860)</u>	<u>(28,535)</u>	<u>(27,627)</u>	<u>908</u>
Total Other Financing Sources (Uses)	<u>(14,860)</u>	<u>(28,535)</u>	<u>(27,627)</u>	<u>908</u>
Net Change in Fund Balances	(24,860)	(38,535)	7,769	46,304
Fund Balance, July 1, 2009	<u>480,714</u>	<u>480,714</u>	<u>480,714</u>	<u>-</u>
Fund Balance, June 30, 2010	<u>\$ 455,854</u>	<u>442,179</u>	<u>488,483</u>	<u>46,304</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
POLICE GRANT FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Federal Government	\$ 239,790	419,880	243,619	(176,261)
State of Tennessee	4,245	-	-	-
Local Governments	162,597	172,470	121,180	(51,290)
Miscellaneous	2,494	2,494	168	(2,326)
Total Revenues	409,126	594,844	364,967	(229,877)
<u>Expenditures:</u>				
Public Safety	498,986	687,549	425,043	262,506
Capital Outlay	-	-	7,045	(7,045)
Total Expenditures	498,986	687,549	432,088	255,461
Excess (Deficiency) of Revenues Over (Under) Expenditures	(89,860)	(92,705)	(67,121)	25,584
<u>Other Financing Sources (Uses):</u>				
Transfer In	89,860	92,705	67,121	(25,584)
Total Other Financing Sources (Uses)	89,860	92,705	67,121	(25,584)
Net Change in Fund Balances	-	-	-	-
Fund Balance, July 1, 2009	256	256	256	-
Fund Balance, June 30, 2010	\$ 256	256	256	0

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
POLICE TECHNOLOGY FUND
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Fines and Forfeitures	\$ -	-	338,187	338,187
Miscellaneous	60,000	60,000	-	(60,000)
Total Revenues	60,000	60,000	338,187	278,187
<u>Expenditures:</u>				
Public Safety	510,000	510,000	429,664	80,336
Total Expenditures	510,000	510,000	429,664	80,336
Excess (Deficiency) of Revenues Over (Under) Expenditures	(450,000)	(450,000)	(91,477)	358,523
<u>Other Financing Sources (Uses):</u>				
Transfer In	270,000	270,000	52,649	(217,351)
Transfer Out	-	-	(629)	(629)
Total Other Financing Sources (Uses)	270,000	270,000	52,020	(217,980)
Net Change in Fund Balances	(180,000)	(180,000)	(39,457)	140,543
Fund Balance, July 1, 2009	1,032,231	1,032,231	1,032,231	-
Prior Period Adjustment: Police Technology Transfer to General Fund	-	-	(405,900)	(405,900)
Fund Balance, July 1, 2009 (Restated)	1,032,231	1,032,231	626,331	(405,900)
Fund Balance, June 30, 2010	\$ 852,231	852,231	586,874	(265,357)

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Federal Government	\$ 491,306	491,306	352,531	(138,775)
State of Tennessee	1,025,649	1,025,649	89,413	(936,236)
Charges for Services	500	500	427	(73)
Miscellaneous	10,000	10,000	820	(9,180)
Total Revenues	1,527,455	1,527,455	443,191	(1,084,264)
<u>Expenditures:</u>				
Public Welfare	1,546,347	1,546,347	442,472	1,103,875
Total Expenditures	1,546,347	1,546,347	442,472	1,103,875
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,892)	(18,892)	719	19,611
Net Change in Fund Balances	(18,892)	(18,892)	719	19,611
Fund Balance, July 1, 2009	(7,173)	(7,173)	(7,173)	-
Fund Balance, June 30, 2010	\$ (26,065)	(26,065)	(6,454)	19,611

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, 2010

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
ASSETS:					
Current Assets:					
Cash in Bank	\$ 1,000	-	1,917	-	2,917
Cash Due from Central Depository	-	2,106,324	170,023	167,667	2,444,014
Accounts Receivable (Net)	-	42,338	13,370	83,917	139,625
Due from Federal Government	-	-	402,944	-	402,944
Due from State Government	-	-	170,875	-	170,875
Inventories	119,356	-	-	-	119,356
Prepaid Expenses	2,250	-	-	-	2,250
Total Current Assets	122,606	2,148,662	759,129	251,584	3,281,981
Noncurrent Assets:					
Capital Assets:					
Land	2,014,580	-	205,990	1,035,632	3,256,202
Buildings	758,351	179,207	2,020,369	305,456	3,263,383
Improvements Other than Buildings	868,891	-	204,581	-	1,073,472
Equipment and Vehicles	884,466	1,912,068	4,329,405	848,608	7,974,547
Less: Accumulated Depreciation	(1,890,310)	(732,775)	(2,643,590)	(180,695)	(5,447,370)
Construction in Progress	-	-	-	241,723	241,723
Net Capital Assets	2,635,978	1,358,500	4,116,755	2,250,724	10,361,957
Other Assets:					
Bond Issue Costs (Net)	11,694	-	-	-	11,694
Total Noncurrent Assets	2,647,672	1,358,500	4,116,755	2,250,724	10,373,651
Total Assets	2,770,278	3,507,162	4,875,884	2,502,308	13,655,632
LIABILITIES:					
Current Liabilities:					
Cash Due to Central Depository	1,983,629	-	-	-	1,983,629
Accounts Payable	54,111	91,024	43,767	76,350	265,252
Accrued Payroll Expenses	28,665	24,488	63,195	12,908	129,256
Accrued Expenses	10,061	-	-	-	10,061
Compensated Absences-Current Portion	24,547	24,009	44,748	9,338	102,642
Leases Payable - Current Portion	42,610	-	-	-	42,610
Bonds Payable - Current Portion	200,000	-	-	-	200,000
Total Current Liabilities	2,343,623	139,521	151,710	98,596	2,733,450
Noncurrent Liabilities:					
Deferred Revenue	37,667	-	-	-	37,667
Compensated Absences	6,525	6,382	11,895	2,482	27,284
Bonds Payable	1,155,000	-	-	-	1,155,000
Less: Deferred Debt Refunding	(44,236)	-	-	-	(44,236)
Special Commission Bonds	-	16,931	-	-	16,931
Total Noncurrent Liabilities	1,154,956	23,313	11,895	2,482	1,192,646
Total Liabilities	3,498,579	162,834	163,605	101,078	3,926,096
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	1,282,604	1,358,500	4,116,755	2,250,724	9,008,583
Unrestricted	(2,010,905)	1,985,828	595,524	150,506	720,953
Total Net Assets	\$ (728,301)	3,344,328	4,712,279	2,401,230	9,729,536

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, 2010

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
<u>Operating Revenues:</u>					
Charges for Services (Net)	\$ 920,119	2,330,873	327,232	1,972,487	5,550,711
Other Revenue	635	-	20,982	30,130	51,747
Total Operating Revenues	920,754	2,330,873	348,214	2,002,617	5,602,458
<u>Operating Expenses:</u>					
Administration	-	63,730	28,085	96,030	187,845
Personnel Services	732,021	672,337	1,980,141	362,115	3,746,614
Contractual Services	14,081	499,903	41,087	302,303	857,374
Materials and Supplies	48,880	62,608	234,892	72,844	419,224
Repairs and Maintenance	98,638	354,387	473,508	20,406	946,939
Items for Resale	36,922	-	-	-	36,922
Other Operating Expenses	108,945	3,501	99,431	54,305	266,182
Depreciation and Amortization	108,414	269,443	592,155	96,364	1,066,376
Total Operating Expenses	1,147,901	1,925,909	3,449,299	1,004,367	7,527,476
Operating Income (Loss)	(227,147)	404,964	(3,101,085)	998,250	(1,925,018)
<u>Non-Operating Revenues (Expenses):</u>					
Investment Income	-	4,376	-	172	4,548
Operating Grants	-	-	1,775,802	-	1,775,802
Interest Expenses and Commissions	(89,822)	-	-	-	(89,822)
Amortization - Bond Cost	(1,949)	-	-	-	(1,949)
Gain (Loss) on Sale of Capital Assets	-	(54,226)	30,140	-	(24,086)
Total Non-Operating Revenues (Expenses)	(91,771)	(49,850)	1,805,942	172	1,664,493
Income (Loss) Before Operating Transfers and Capital Contributions	(318,918)	355,114	(1,295,143)	998,422	(260,525)
<u>Transfers and Capital Contributions:</u>					
Transfers In	418,918	-	636,500	-	1,055,418
Transfers Out	-	(150,699)	-	-	(150,699)
Federal Capital Grant Revenue	-	-	2,184,074	-	2,184,074
State Capital Grant Revenue	-	-	215,088	-	215,088
Total Transfers and Capital Contributions	418,918	(150,699)	3,035,662	0	3,303,881
Change in Net Assets	100,000	204,415	1,740,519	998,422	3,043,356
Net Assets, July 1, 2009	(828,301)	3,139,913	2,971,760	1,402,808	6,686,180
Net Assets, June 30, 2010	\$ (728,301)	3,344,328	4,712,279	2,401,230	9,729,536

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
<u>Cash Flows from Operating Activities:</u>					
Receipts from Customers and Users	\$ 913,200	2,334,927	348,811	1,978,255	5,575,193
Payments to Employees	(733,272)	(666,332)	(2,003,429)	(354,267)	(3,757,300)
Payments to Suppliers	(170,248)	(606,946)	(652,088)	(405,371)	(1,834,653)
Payments for Interfund Services Used	(60,346)	(378,524)	(235,572)	(116,719)	(791,161)
Net Cash Provided by (Used for) Operating Activities	(50,666)	683,125	(2,542,278)	1,101,898	(807,921)
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers to Other Funds	-	(150,699)	-	-	(150,699)
Advances from Other Funds	418,918	-	636,500	-	1,055,418
Operating Grants Received	-	-	1,689,080	-	1,689,080
Net Cash Provided by (Used for) Noncapital Financing Activities	418,918	(150,699)	2,325,580	0	2,593,799
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Purchase of Capital Assets	(55,720)	(130,609)	(2,319,929)	(1,182,175)	(3,688,433)
Capital Grants Received	-	-	2,399,162	-	2,399,162
Principal Paid on Capital Debt	(190,000)	(350)	-	-	(190,350)
Principal Paid on Capital Lease	(40,448)	-	-	-	(40,448)
Interest Paid on Capital Debt	(77,258)	-	-	-	(77,258)
Sale of Capital Assets	-	53,622	30,140	-	83,762
Net Cash Provided by (Used for) Capital and Related Financing Activities	(363,426)	(77,337)	109,373	(1,182,175)	(1,513,565)
<u>Cash Flows from Investing Activities:</u>					
Interest and Related Income/Expenses and Investments	(4,910)	4,376	-	172	(362)
Net Cash Provided by (Used for) Investing Activities	(4,910)	4,376	0	172	(362)
Net Increase (Decrease) in Cash and Cash Equivalents	(84)	459,465	(107,325)	(80,105)	271,951
Cash and Cash Equivalents, July 1, 2009	1,084	1,646,859	279,265	247,772	2,174,980
Cash and Cash Equivalents, June 30, 2010	\$ 1,000	2,106,324	171,940	167,667	2,446,931
Classified as Current Assets	\$ 1,000	2,106,324	171,940	167,667	2,446,931
Totals	\$ 1,000	2,106,324	171,940	167,667	2,446,931

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
<u>Reconciliation of Operating Income (Loss) to Net</u>					
<u>Cash Provided by (Used for) Operating Activities:</u>					
Operating Income (Loss)	\$ (227,147)	404,964	(3,101,085)	998,250	(1,925,018)
Adjustments:					
Depreciation	108,414	269,443	592,155	96,365	1,066,377
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	-	4,054	597	(24,363)	(19,712)
(Increase) Decrease in Inventories	(10,839)	-	-	-	(10,839)
(Increase) Decrease in Prepaid Expenses	750	-	-	-	750
Increase (Decrease) in Accounts Payable and Accrued Expenses	86,961	(1,341)	(38,943)	23,798	70,475
Increase (Decrease) in Accrued Payroll Expenses	2,143	3,674	1,920	4,410	12,147
Increase (Decrease) in Compensated Absences	(3,394)	2,331	3,078	3,438	5,453
Increase (Decrease) in Deferred Revenue	(7,554)	-	-	-	(7,554)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (50,666)</u>	<u>683,125</u>	<u>(2,542,278)</u>	<u>1,101,898</u>	<u>(807,921)</u>

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 in Bank	\$ 1,000	-	1,917	-	2,917
Cash Due From Central Depository	-	2,106,324	170,023	167,667	2,444,014
	<u>\$ 1,000</u>	<u>2,106,324</u>	<u>171,940</u>	<u>167,667</u>	<u>2,446,931</u>

See Independent Auditors' Report.

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to another department or agency on a cost reimbursement basis.

Insurance Fund accounts for self-insured health and workers' compensation insurance.

Motor Transport Fund accounts for the maintenance and repair of the City's fleet of various motor vehicles.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2010

	<u>Insurance Fund</u>	<u>Motor Transport Fund</u>	<u>Total Internal Service Funds</u>
<u>ASSETS:</u>			
<u>Current Assets:</u>			
Cash in Bank	\$ 10,318,722	-	10,318,722
Cash Due from Central Depository	265,645	-	265,645
Accounts Receivable (Net)	-	36,561	36,561
Inventories	-	393,715	393,715
Total Current Assets	<u>10,584,367</u>	<u>430,276</u>	<u>11,014,643</u>
<u>Non-Current Assets:</u>			
<u>Capital Assets:</u>			
Equipment and Vehicles	-	652,047	652,047
Less: Accumulated Depreciation	-	(450,224)	(450,224)
Net Capital Assets	<u>0</u>	<u>201,823</u>	<u>201,823</u>
Total Assets	<u>10,584,367</u>	<u>632,099</u>	<u>11,216,466</u>
<u>LIABILITIES:</u>			
<u>Current Liabilities:</u>			
Cash Due to Central Depository	-	285,645	285,645
Accounts Payable	299,738	166,109	465,847
Accrued Payroll Expenses	6,060	65,045	71,105
Compensated Absences-Current Portion	-	49,368	49,368
Other Liabilities	3,941,461	-	3,941,461
Total Current Liabilities	<u>4,247,259</u>	<u>566,167</u>	<u>4,813,426</u>
<u>Non-Current Liabilities:</u>			
Compensated Absences	-	13,123	13,123
Total Non-Current Liabilities	<u>0</u>	<u>13,123</u>	<u>13,123</u>
Total Liabilities	<u>4,247,259</u>	<u>579,290</u>	<u>4,826,549</u>
<u>NET ASSETS:</u>			
Invested in Capital Assets, Net of Related Debt	-	201,823	201,823
Unrestricted	6,337,108	(149,014)	6,188,094
Total Net Assets	<u>\$ 6,337,108</u>	<u>52,809</u>	<u>6,389,917</u>

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, 2010

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
<u>Operating Revenues:</u>			
Charges for Services (Net)	\$ 16,775,085	5,800,986	22,576,071
Other Revenue	215,893	5,227	221,120
Total Operating Revenues	<u>16,990,978</u>	<u>5,806,213</u>	<u>22,797,191</u>
<u>Operating Expenses:</u>			
Personnel Services	170,736	1,973,242	2,143,978
Contractual Services	15,863,043	81,369	15,944,412
Materials and Supplies	-	31,099	31,099
Repairs and Maintenance	-	3,573,149	3,573,149
Other Operating Expenses	-	126,576	126,576
Depreciation and Amortization	-	20,778	20,778
Total Operating Expenses	<u>16,033,779</u>	<u>5,806,213</u>	<u>21,839,992</u>
Operating Income (Loss)	<u>957,199</u>	<u>0</u>	<u>957,199</u>
<u>Non-Operating Revenues (Expenses):</u>			
Investment Income	9,234	-	9,234
Total Non-Operating Revenues (Expenses)	<u>9,234</u>	<u>0</u>	<u>9,234</u>
Income (Loss) Before Operating Transfers	<u>966,433</u>	<u>0</u>	<u>966,433</u>
<u>Transfers:</u>			
Transfers In	250,000	-	250,000
Total Transfers	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Change in Net Assets	1,216,433	-	1,216,433
Net Assets, July 1, 2009	<u>5,120,675</u>	<u>52,809</u>	<u>5,173,484</u>
Net Assets, June 30, 2010	<u>\$ 6,337,108</u>	<u>52,809</u>	<u>6,389,917</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2010

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Receipts from Customers and Users	\$ 16,990,978	333,482	17,324,460
Receipts from Interfund Services Provided	-	5,479,856	5,479,856
Payments to Employees	(168,478)	(1,968,783)	(2,137,261)
Payments to Suppliers	(15,375,310)	(3,638,962)	(19,014,272)
Payments for Interfund Services Used	-	(38,316)	(38,316)
Net Cash Provided by (Used for) Operating Activities	<u>1,447,190</u>	<u>167,277</u>	<u>1,614,467</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Loans from Other Funds	250,000	-	250,000
Net Cash Provided by Noncapital Financing Activities	<u>250,000</u>	<u>0</u>	<u>250,000</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Purchase of Capital Assets	-	(167,277)	(167,277)
Net Cash Used for Capital and Related Financing Activities	<u>0</u>	<u>(167,277)</u>	<u>(167,277)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Received	9,234	-	9,234
Net Cash Provided by Investing Activities	<u>9,234</u>	<u>0</u>	<u>9,234</u>
Net Increase in Cash and Cash Equivalents	1,706,424	-	1,706,424
Cash and Cash Equivalents, July 1, 2009	8,877,943	-	8,877,943
Cash and Cash Equivalents, June 30, 2010	<u>\$ 10,584,367</u>	<u>0</u>	<u>10,584,367</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	\$ 957,199	-	957,199
Adjustments:			
Depreciation and Amortization	-	20,777	20,777
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	-	7,125	7,125
(Increase) Decrease in Inventories	-	25,262	25,262
Increase (Decrease) in Accounts Payable	232,422	(45,434)	186,988
Increase (Decrease) in Other Liabilities	255,311	155,088	410,399
Increase (Decrease) in Accrued Payroll Expenses	2,258	6,042	8,300
Increase (Decrease) in Compensated Absences	-	(1,583)	(1,583)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,447,190</u>	<u>167,277</u>	<u>1,614,467</u>
<u>Reconciliation of Cash and Cash Equivalents from Statement of Cash Flows</u>			
Cash in Bank	\$ 10,318,722	-	10,318,722
Cash Due from Central Depository	265,645	-	265,645
	<u>\$ 10,584,367</u>	<u>0</u>	<u>10,584,367</u>

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 SOURCE¹
June 30, 2010

<u>Governmental Funds Capital Assets:</u>	2010	2009
Land	\$ 19,716,743	17,819,404
Buildings and Improvements	152,278,459	147,846,651
Equipment and Vehicles	32,847,268	32,917,871
Infrastructure	158,207,798	149,331,415
Construction in Progress	31,740,711	20,808,063
Total Governmental Funds Capital Assets	\$ 394,790,979	368,723,404

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 226,785,518	215,734,284
General Purpose School Fund	2,670,861	2,620,516
Special Revenue Funds	131,265,227	127,231,989
Capital Project Funds	2,328,662	2,328,662
Construction in Progress	31,740,711	20,808,063
Total Governmental Funds Capital Assets	\$ 394,790,979	368,723,514

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

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹
June 30, 2010

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Equipment and Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
<u>General Government:</u>						
General Administration	\$ 7,437,332	14,108,806	1,165,576	-	-	22,711,714
Information Technology	-	-	1,075,117	-	-	1,075,117
Total General Government	<u>7,437,332</u>	<u>14,108,806</u>	<u>2,240,693</u>	<u>0</u>	<u>0</u>	<u>23,786,831</u>
<u>Education:</u>						
General Operations	7,491,794	119,010,940	2,670,861	-	18,881,365	148,054,960
Food Service	-	-	3,079,385	-	-	3,079,385
Student Transit	-	-	3,827,987	-	-	3,827,987
Total Education	<u>7,491,794</u>	<u>119,010,940</u>	<u>9,578,233</u>	<u>0</u>	<u>18,881,365</u>	<u>154,962,332</u>
<u>Public Welfare and Recreation</u>						
	<u>1,657,745</u>	<u>6,569,374</u>	<u>2,776,248</u>	<u>4,526,566</u>	<u>5,328,976</u>	<u>20,858,909</u>
<u>Public Works:</u>						
Public Services	1,356,905	224,860	6,971,126	153,681,232	2,636,255	164,870,378
Recycling	-	462,980	-	-	-	462,980
Total Public Works	<u>1,356,905</u>	<u>687,840</u>	<u>6,971,126</u>	<u>153,681,232</u>	<u>2,636,255</u>	<u>165,333,358</u>
<u>Public Safety:</u>						
Police	-	9,700	5,544,654	-	4,894,115	10,448,469
Fire	-	4,997,811	5,476,602	-	-	10,474,413
Civil Defense	-	-	226,218	-	-	226,218
Total Public Safety	<u>0</u>	<u>5,007,511</u>	<u>11,247,474</u>	<u>0</u>	<u>4,894,115</u>	<u>21,149,100</u>
<u>City Service:</u>						
Library	1,772,967	6,893,988	-	-	-	8,666,955
Community Development	-	-	10,494	-	-	10,494
Metropolitan Transportation Planning	-	-	23,000	-	-	23,000
Total City Service	<u>1,772,967</u>	<u>6,893,988</u>	<u>33,494</u>	<u>0</u>	<u>0</u>	<u>8,700,449</u>
<u>Total Governmental Funds</u>						
Capital Assets	<u>\$ 19,716,743</u>	<u>152,278,459</u>	<u>32,847,268</u>	<u>158,207,798</u>	<u>31,740,711</u>	<u>394,790,979</u>

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

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY¹
For the Fiscal Year Ended June 30, 2010

<u>Function and Activity</u>	Governmental Funds Capital Assets June 30, 2009	Additions	Deletions	Adjustments	Governmental Funds Capital Assets June 30, 2010
General Government:					
General Administration	\$ 23,854,482	209,311	(194,202)	(1,157,877)	22,711,714
Information Technology	1,449,347	9,880	(384,110)	-	1,075,117
Total General Government	<u>25,303,829</u>	<u>219,191</u>	<u>(578,312)</u>	<u>(1,157,877)</u>	<u>23,786,831</u>
Education:					
General Operations	132,994,446	15,069,040	(8,526)	-	148,054,960
Food Service	2,985,395	93,990	-	-	3,079,385
Student Transit	3,249,597	513,740	-	64,650	3,827,987
Total Education	<u>139,229,438</u>	<u>15,676,770</u>	<u>(8,526)</u>	<u>64,650</u>	<u>154,962,332</u>
Public Welfare and Recreation:					
Public Welfare and Recreation	16,680,655	4,191,911	(63,271)	49,614	20,858,909
Total Public Welfare	<u>16,680,655</u>	<u>4,191,911</u>	<u>(63,271)</u>	<u>49,614</u>	<u>20,858,909</u>
Public Works:					
Public Services	161,875,326	3,141,402	(64,145)	(82,205)	164,870,378
Recycling	462,980	-	-	-	462,980
Total Public Works	<u>162,338,306</u>	<u>3,141,402</u>	<u>(64,145)</u>	<u>(82,205)</u>	<u>165,333,358</u>
Public Safety:					
Police	7,203,847	3,826,275	(594,385)	12,732	10,448,469
Fire	9,032,196	351,269	(73,696)	1,164,644	10,474,413
Civil Defense	226,218	-	-	-	226,218
Total Public Safety	<u>16,462,261</u>	<u>4,177,544</u>	<u>(668,081)</u>	<u>1,177,376</u>	<u>21,149,100</u>
City Service:					
Library	8,666,955	-	-	-	8,666,955
Community Development	19,070	-	-	(8,576)	10,494
Metropolitan Transportation Planning	23,000	-	-	-	23,000
Total City Service	<u>8,709,025</u>	<u>-</u>	<u>0</u>	<u>(8,576)</u>	<u>8,700,449</u>
Total Governmental Funds					
Capital Assets	<u>\$ 368,723,514</u>	<u>27,406,818</u>	<u>(1,382,335)</u>	<u>42,982</u>	<u>394,790,979</u>

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

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Balance 6/30/2010
PRIMARY GOVERNMENT:						
General Fund:						
Direct Programs:						
97.067	U. S. Fire Administration Assistance #EMW-2008-FO-10539	Federal Emergency Management Agency	\$ -	320,910	294,898	26,012 **
<i>Sub-total Direct Programs</i>			0	320,910	294,898	26,012
Pass Through State of Tennessee:						
84.184	Safe Schools/Healthy Students Program	U.S. Dept. of Education Johnson City Schools	-	44,653	48,328	(3,675) *
97.004	MIEMPGC100F2010/DEFAU #EMOG-10	Federal Emergency Management Agency Tennessee Emergency Mangement Agency	-	48,443	48,443	-
<i>Sub-total Pass Through State of Tennessee</i>			0	93,096	96,771	(3,675)
Pass Through Other Organizations:						
93.044	Title III-B, III-D, & III-E JOCITY-2008-HOOT-09	U.S. Dept. of Health and Human Services First TN Dev. District (from State of TN)	(593)	593	-	-
93.044	Title III-B, III-D, & III-E JOCITY-2009-HOOT-10	U.S. Dept. of Health and Human Services First TN Dev. District (from State of TN)	-	21,726	26,835	(5,109) *
<i>Sub-total Pass Through Other Organizations</i>			(593)	22,319	26,835	(5,109)
Total General Fund			(593)	436,325	418,504	17,228
Transportation Planning Fund:						
Pass Through State of Tennessee:						
20.514	Project TN-90-X012 - Planning/Research Sec. 5303 - GG0612306	U.S. Department of Transportation TN Dept. of Transportation	(5,365)	19,190	41,740	(27,915) *
20.205	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	U.S. Department of Transportation TN Dept. of Transportation	(3,896)	8,353	6,463	(2,006) *
20.205	Highway Planning and Construction Z-05-024246	U.S. Department of Transportation TN Dept. of Transportation	(36,356)	116,916	111,630	(31,070) *
Total Transportation Planning Fund			(45,617)	144,459	159,833	(60,991)

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Balance 6/30/2010
PRIMARY GOVERNMENT (CONTINUED):						
Police Grants Fund:						
<i>Direct Programs:</i>						
16.738	ARRA - Byrne JAG V Recovery Act #2009-SB-B9-2486	U.S. Dept of Justice	-	153,920	64,384	89,536 **
16.738	Byrne JAG II - JC/Wash Co Law Enfor #2006-DJ-BX-0740	U.S. Dept of Justice	443	-	443	-
16.738	Byrne JAG III - JC/Wash Co Law Enfor #2007-F1253-TN-DJ	U.S. Dept of Justice	10,784	11	-	10,795 **
16.738	Byrne JAG IV - JC/Wash Co Law Enfor #2008-DJ-BX-0365	U.S. Dept of Justice	5,835	6	44	5,797 **
16.595	Central City Community Weed and Seed #2007-WS-Q7-0270	U.S. Dept of Justice	(57,955)	151,027	122,682	(29,610) *
<i>Sub-total Direct Programs</i>			<u>(40,893)</u>	<u>304,964</u>	<u>187,553</u>	<u>76,518</u>
<i>Pass Through State of Tennessee:</i>						
16.580	Byrne - Comprehensive Crime Initiative #Z-99-088453-00	U.S. Dept. of Justice TN Dept. of Finance & Admin.	(9,937)	37,268	37,611	(10,280) *
<i>Sub-total Pass Through State of Tennessee</i>			<u>(9,937)</u>	<u>37,268</u>	<u>37,611</u>	<u>(10,280)</u>
<i>Pass Through Local Agency:</i>						
84.184	Safe Schools/Healthy Students Program	U. S. Dept. of Education Johnson City Schools	(26,280)	89,099	85,884	(23,065) *
84.126	Project Safe Neighborhood/ Interdiction Plus/C-09-0199	U. S. Attorney's Office City of Knoxville	(127)	30,000	29,873	-
84.186	Project Safe Neighborhood/ Community Antiviolence/C-09-0195	U. S. Attorney's Office City of Knoxville	(607)	6,031	5,424	-
<i>Sub-total Pass Through Local Agency</i>			<u>(27,014)</u>	<u>125,130</u>	<u>121,181</u>	<u>(23,065)</u>
Total Police Grants Fund			<u>(77,844)</u>	<u>467,362</u>	<u>346,345</u>	<u>43,173</u>

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Balance 6/30/2010
<u>PRIMARY GOVERNMENT (CONTINUED):</u>						
<u>Community Development Fund:</u>						
<i>Direct Programs:</i>						
14.218	Community Development Block Grant B-MC-47-0008	U.S. Dept. of Housing & Urban Dev.	(209,050)	281,393	221,064	(148,721) *
14.218	Community Development ARRA Grant-R B-MC-47-0008	U.S. Dept. of Housing & Urban Dev.	-	131,467	131,467	-
Total Community Development Fund			<i>Sub-total Direct Programs</i>	<u>412,860</u>	<u>352,531</u>	<u>(148,721)</u> *
<u>Mass Transit Fund:</u>						
<i>Direct Programs:</i>						
20.516	Job Access - Operating TN-37-X058	U.S. Department of Transportation	(38,378)	38,378	33,187	(33,187) *
20.507	Project #TN-90-X264 and #TN-90-X276 Operating	U.S. Department of Transportation	(292,278)	292,278	304,743	(304,743) *
20.507	Project #TN-90-X216, #TN-90-X251, #TN-90-X264, #TN-90-X276, #TN-90-X233 - Capital	U.S. Department of Transportation	(32,185)	32,185	65,014	(65,014) *
20.507	ARRA Grant # TN-96-X007-Capital	U.S. Department of Transportation	-	1,133,933	1,133,933	-
Total Mass Transit Fund			<i>Sub-total Direct Programs</i>	<u>1,496,774</u>	<u>1,536,877</u>	<u>(402,944)</u> *
<u>Water/Sewer Funds</u>						
<i>Direct Programs:</i>						
10.781	Water System Improvements Greggtown Road ARRA Grant #TN-91-13	U.S. Department of Agriculture Rural Development	-	-	47,760	(47,760) *
10.781	Water System Improvements Greggtown Road ARRA Loan #TN-91-13	U.S. Department of Agriculture Rural Development	-	435,000	435,000	-
Total Water/Sewer Funds			<i>Sub-total Direct Programs</i>	<u>435,000</u>	<u>482,760</u>	<u>(47,760)</u> *

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Balance 6/30/2010
PRIMARY GOVERNMENT (CONTINUED):						
Capital Projects - Infrastructure Fund:						
<i>Pass Through State of Tennessee</i>						
20.205	Pedestrian and Bicycle Facilities: Multi-use trail along SOF Rd, SR-67 to Buffalo St #ARRA/STP-EN-9107(9) ARRA Grant Enhancement Grant	U.S. Department of Transportation Tennessee Department of Transportation	-	176,955	400,000	(223,045) *
			-	-	733	(733) *
20.205	Safe Routes to Schools - Cherokee Elem #110671.00	U.S. Department of Transportation Tennessee Department of Transportation	-	-	23,850	(23,850) *
20.205	Upgrade and install traffic signals #111350.00	U.S. Department of Transportation Tennessee Department of Transportation	-	-	116,263	(116,263) *
20.205	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	U.S. Department of Transportation TN Dept. of Transportation	-	113,899	317,100	(203,201) *
Total Capital Projects - Infrastructure Fund			<i>Sub-total Pass Through State of Tennessee</i>	<u>0</u>	<u>290,854</u>	<u>857,946</u>
					<u>(567,092)</u>	
School Federal Projects Fund:						
<i>Pass Through State of Tennessee:</i>						
84.002	Adult Basic Education Z-07-033707-00	Department of Labor and Workforce Development	(34,150)	252,000	240,390	(22,540) *
17.260	Dislocated Workers	Department of Labor and Workforce Development	-	19,561	19,890	(329) *
Total Adult Basic Education			<u>(34,150)</u>	<u>271,561</u>	<u>260,280</u>	<u>(22,869)</u>
84.048	Carl Perkins	U.S. Department of Education	(10,001)	103,718	132,804	(39,087) *
84.213C	Even Start Literacy	U.S. Department of Education	(13,555)	68,679	115,167	(60,043) *
84.027	IDEA, Project	U.S. Department of Education	(241,357)	1,475,821	1,360,674	(126,210) *
84.391	IDEA, ARRA, H39A090095	U.S. Department of Education	-	595,841	751,931	(156,090) *
Total IDEA			<u>(241,357)</u>	<u>2,071,662</u>	<u>2,112,605</u>	<u>(282,300)</u>
84.027	Preschool Incentive, Project	U.S. Department of Education	(2,679)	35,154	25,245	7,230 **
84.392	Preschool ARRA, H391A090052	U.S. Department of Education	-	5,756	11,346	(5,590) *
Total Preschool			<u>(2,679)</u>	<u>40,910</u>	<u>36,591</u>	<u>1,640</u>

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Balance 6/30/2010
PRIMARY GOVERNMENT (CONTINUED):						
School Federal Projects Fund (Continued):						
<i>Pass Through State of Tennessee:</i>						
84.010	Title I, Project	U.S. Department of Education	(95,728)	1,578,380	1,657,643	(174,991) *
84.389	Title I, ARRA 2009-2010	U.S. Department of Education	-	312,342	396,363	(84,021) *
	Total Title I		<u>(95,728)</u>	<u>1,890,722</u>	<u>2,054,006</u>	<u>(259,012)</u>
84.318X	Title II, Part D	U.S. Department of Education	(170)	10,087	9,429	488 **
84.386	Title II, Part D ARRA, S238A090042	U.S. Department of Education	-	35,972	35,972	-
84.367A	Title II, Part A	U.S. Department of Education	(46,496)	418,218	371,722	-
	Total Title II		<u>(46,666)</u>	<u>464,277</u>	<u>417,123</u>	<u>488</u>
84.365A	Title III, ESL	U.S. Department of Education	(17,292)	42,698	39,134	(13,728) *
84.186A	Title V, Safe & Drug Free Schools & Communities	U.S. Department of Education	(2,491)	17,321	27,720	(12,890) *
84.186B	Title V, Youth Violence	U.S. Department of Education	(35,581)	89,736	90,000	(35,845) *
	Total Title V		<u>(38,072)</u>	<u>107,057</u>	<u>117,720</u>	<u>(48,735)</u>
84.215	TN's First Frontier Teaching American History	U.S. Department of Education	(12,757)	12,757	-	-
84.196	TITLE X, Part C, McKinney Homeless Grant	U.S. Department of Education	(5,525)	19,388	37,792	(23,929) *
84.196	TITLE X, Part C, ARRA	U.S. Department of Education	-	34,574	40,027	(5,453) *
	Total Title X		<u>(5,525)</u>	<u>53,962</u>	<u>77,819</u>	<u>(29,382)</u>
84.287C	21st Century Community Learning Center	U.S. Department of Education	(89,296)	227,250	198,846	(60,892) *
94.004	Learn and Serve	Corporation for National and Community	(1,137)	1,137	-	-
84.184L	Heroes Element 1,2,3	U.S. Department of Education	(44,400)	352,626	586,088	(277,862) *
84.184L	Heroes Element 4,5	US Department of Education	(44,651)	671,010	848,756	(222,397) *
	Total Heroes Program		<u>(89,051)</u>	<u>1,023,636</u>	<u>1,434,844</u>	<u>(500,259)</u>
84.394	Basic Education ARRA Funds	TN State Department of Education	-	1,318,000	1,318,000	-
Total School Federal Project			<u>(697,266)</u>	<u>7,698,026</u>	<u>8,314,939</u>	<u>(1,314,179)</u>
			<i>Sub-total Pass Through State of Tennessee</i>			

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Balance 6/30/2010
PRIMARY GOVERNMENT (CONTINUED):						
Special School Projects Fund:						
<i>Pass Through State of Tennessee:</i>						
83.397	Safe Schools ARRA	Tennessee Department of Education	-	17,000	17,000	-
83.397	Coordinated School Health ARRA	Tennessee Department of Education	(34,057)	100,872	99,606	(32,791) *
Total Special School Projects Fund			<u>(34,057)</u>	<u>117,872</u>	<u>116,606</u>	<u>(32,791)</u>
School Food Service:						
<i>Pass Through State of Tennessee:</i>						
10.533	National School Breakfast Program	U.S. Department of Agriculture	-	302,297	315,627	(13,330) *
10.555	National School Lunch Program	U.S. Department of Agriculture	-	1,305,870	1,330,539	(24,669) *
10.500	National School Snack Program	U.S. Department of Agriculture	-	36,186	36,186	-
10.582	Fresh Fruits and Vegetables	U.S. Department of Agriculture	-	43,336	43,336	-
10.579	Child Nutrition - ARRA Equipment	U.S. Department of Agriculture	-	6,019	6,019	-
<i>Sub-total Pass Through State of Tennessee</i>			<u>0</u>	<u>1,693,708</u>	<u>1,731,707</u>	<u>(37,999)</u>
<i>Pass Through Northeast Tennessee Cooperative:</i>						
10.550	USDA: Commodity Supplemental Feeding - Commodities Match	Tennessee Department of Agriculture	-	33,232	33,232	-
	Feeding - Commodities Distributed	Tennessee Department of Agriculture	-	321,460	321,460	-
<i>Sub-total Pass Through Northeast Tennessee Cooperative</i>			<u>0</u>	<u>354,692</u>	<u>354,692</u>	<u>-</u>
Total School Food Service			<u>0</u>	<u>2,048,400</u>	<u>2,086,399</u>	<u>(37,999)</u>
TOTAL FEDERAL GRANTS-PRIMARY GOVERNMENT			<u>\$ (1,427,268)</u>	<u>\$ 13,547,932</u>	<u>\$ 14,672,740</u>	<u>\$ (2,552,076)</u>

NOTE A: BASIS OF PRESENTATION

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

NOTE B: FOOD DISTRIBUTION

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

* 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, 2010

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2010
<u>PRIMARY GOVERNMENT:</u>							
<u>General Fund:</u>							
<u>Direct Programs:</u>							
N/A	State Boarding of Prisoners	Tennessee Dept. of Correction	\$ (231,627)	1,371,850	1,415,246	12,469	(262,554) *
<i>Sub-total Direct Programs</i>			<u>(231,627)</u>	<u>1,371,850</u>	<u>1,415,246</u>	<u>12,469</u>	<u>(262,554)</u>
<u>Pass Through Other Organizations:</u>							
N/A	Juvenile Court State Supplement Z-06-020439-00	TN Commission on Children & Youth Washington County, TN	(4,500)	4,500	-	-	-
N/A	Senior Center Operations JOCITY-2009-HOOT-10	TN Commission on Aging First TN Development District	-	18,333	20,000	-	(1,667) *
<i>Sub-total Pass Through Other Organizations</i>			<u>(4,500)</u>	<u>22,833</u>	<u>20,000</u>	<u>0</u>	<u>(1,667)</u>
Total General Fund			<u>(236,127)</u>	<u>1,394,683</u>	<u>1,435,246</u>	<u>12,469</u>	<u>(264,221)</u>
<u>Police Grant Fund:</u>							
<u>Direct Programs:</u>							
20.601	Comprehensive Alcohol Risk Reduction #Z-09-214620-00	TN Dept. of Transportation Governor's Highway Safety Office	(3,584)	10,530	6,946	-	-
20.601	Safer Johnson City Streets II CARR #Z-10-220445-00	TN Dept. of Transportation Governor's Highway Safety Office	-	1,857	11,510	-	(9,653) *
N/A	Community Enhancement Grant	Tennessee Dept. of State	-	4,975	4,975	-	-
Total Police Grants Fund			<u>(3,584)</u>	<u>17,362</u>	<u>23,431</u>	<u>0</u>	<u>(9,653)</u>
<u>Community Development Fund:</u>							
<u>Direct Programs:</u>							
N/A	Emergency Shelter Grant Z-05-020660-01	TN Dept. of Human Services	(73,408)	102,737	89,413	-	(60,084) *
Total Community Development Fund			<u>(73,408)</u>	<u>102,737</u>	<u>89,413</u>	<u>0</u>	<u>(60,084)</u>

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2010

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2010
<u>PRIMARY GOVERNMENT (CONTINUED):</u>							
<u>Mass Transit:</u>							
<u>Direct Programs:</u>							
N/A	Job Access - Operating GG-07-12842, GG-06-12594	Tennessee Department of Transportation	(19,188)	19,189	18,007	-	(18,006) *
N/A	Project- Operating Z-08-21340; Z-09-213797	Tennessee Department of Transportation	(102,994)	102,995	108,855	-	(108,854) *
N/A	Project - Capital GG-06-12083; GG-07-12961; GG-07-23861; GG-08-23860; GG-07-12923; GG-09-26229	Tennessee Department of Transportation	(2,073)	2,072	44,013	-	(44,014) *
Total Mass Transit Fund			<i>Sub-total Direct Programs</i>				
			<u>(124,255)</u>	<u>124,256</u>	<u>170,875</u>	<u>0</u>	<u>(170,874)</u>
<u>Water & Sewer Fund:</u>							
<u>Direct Programs:</u>							
N/A	Water System Improvements American Water Heater Company	U.S. Department of Economic and Community Development	(45,781)	45,781	-	-	-
N/A	Water System Improvements Greggtown Road GG-09-29872-00	U.S. Department of Economic and Community Development	-	167,800	167,800	-	-
Total Water & Sewer Fund			<i>Sub-total Direct Programs</i>				
			<u>(45,781)</u>	<u>213,581</u>	<u>167,800</u>	<u>0</u>	<u>-</u>
<u>Special School Projects Fund:</u>							
<u>Pass Through State of Tennessee:</u>							
N/A	Lottery Pre-K	Tennessee Department of Education	(71,553)	270,170	299,952	-	(101,335) *
93.645	Family Resources	Tennessee Department of Education	(8,979)	30,755	33,300	-	(11,524) *
N/A	Lottery for Education: Afterschool Pgm	Tennessee Department of Education	(20,827)	76,868	98,682	-	(42,641) *
84.126	Vocational Rehab	U.S. Department of Education	(4,458)	16,511	16,842	-	(4,789) *
N/A	Safe Schools	Tennessee Department of Education	(8,828)	6,971	1,856	-	(3,713) *

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2010

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2010
<u>PRIMARY GOVERNMENT (CONTINUED):</u>							
<u>Special School Projects Fund (Continued):</u>							
<u>Pass Through State of Tennessee (Continued):</u>							
N/A	Enforcing Underage Drinking	Corporation for National and Community Service	(17,728)	24,185	34,647	-	(28,190) *
N/A	Basic Education Funds	Tennessee State Department of Education	-	22,420,000	22,420,000	-	-
Total Special School Projects Fund			(132,373)	22,845,460	22,905,279	-	(192,192)
TOTAL STATE GRANTS-PRIMARY GOVERNMENT			(615,528)	24,698,079	24,792,044	12,469	(697,024)
<u>COMPONENT UNITS</u>							
<u>Johnson City Public Library:</u>							
<u>Direct Programs:</u>							
N/A	LSTA Grant	State of Tennessee	-	18,275	-	-	18,275 **
Total Johnson City Public Library			0	18,275	0	0	18,275
<u>Johnson City Development Authority</u>							
<u>Direct Programs:</u>							
N/A	Main Street Innovation Grant	State of Tennessee	-	15,000	25,000	-	(10,000) *
Total Johnson City Development Authority			0	15,000	25,000	0	(10,000)
TOTAL STATE GRANTS-COMPONENT UNITS			0	33,275	25,000	0	8,275
TOTAL STATE GRANTS			\$ (615,528)	24,731,354	24,817,044	12,469	(688,749)

* Receivable ** Unused Revenue

See Independent Auditors' Report.

STATISTICAL SECTION

This part of the City of Johnson City, TN comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Contents:	<u>Page</u>
<u>Financial Trends</u>	
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	182
<u>Revenue Capacity</u>	
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	190
<u>Debt Capacity</u>	
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	194
<u>Demographic and Economic Information</u>	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	200
<u>Operating Information</u>	
<i>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.</i>	203
<u>Other Statistical Schedules</u>	
<i>These statistical schedules present information that is required to be presented by the State of Tennessee as supplementary information.</i>	206
<u>Sources:</u> Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.	

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

	Fiscal Year				
	2002	2003	2004	2005	2006
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
Restricted	5,802,936	6,423,195	1,339,792	1,235,783	1,108,571
Unrestricted	8,812,085	12,932,492	27,064,737	38,368,429	51,502,610
Total Governmental Activities Net Assets	<u>\$ 80,444,007</u>	<u>88,990,449</u>	<u>96,471,365</u>	<u>108,639,274</u>	<u>120,091,320</u>
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
Restricted	3,789,232	1,546,874	595,205	501,521	660,326
Unrestricted	8,694,385	7,817,725	9,307,410	8,347,415	14,036,942
Total Business-Type Activities Net Assets	<u>\$ 143,210,240</u>	<u>153,056,078</u>	<u>160,927,561</u>	<u>173,211,634</u>	<u>185,035,622</u>
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
Restricted	9,592,168	7,970,069	1,934,997	1,737,304	1,768,897
Unrestricted	17,506,470	20,750,217	36,372,147	46,715,844	66,815,848
Total Primary Government Net Assets	<u>\$ 223,654,247</u>	<u>242,046,527</u>	<u>257,398,926</u>	<u>281,850,908</u>	<u>305,126,942</u>
	2007	2008	2009	2010	
Governmental Activities	67,467,865	93,255,452	112,115,146	129,428,685	
Invested in Capital Assets, Net of Related Debt	6,625,729	-	-	206,878	
Restricted	57,777,385	75,895,859	68,979,090	56,005,189	
Unrestricted	131,870,979	169,151,311	181,094,236	185,640,752	
Total Governmental Activities Net Assets	<u>131,870,979</u>	<u>169,151,311</u>	<u>181,094,236</u>	<u>185,640,752</u>	
Business-Type Activities	181,475,490	187,286,301	208,312,172	207,564,184	
Invested in Capital Assets, Net of Related Debt	483,449	482,776	1,785,757	3,375,467	
Restricted	14,101,598	20,336,221	15,865,673	34,952,967	
Unrestricted	196,060,537	208,105,298	225,963,602	245,892,618	
Total Business-Type Activities Net Assets	<u>181,475,490</u>	<u>187,286,301</u>	<u>208,312,172</u>	<u>207,564,184</u>	
Primary Government	248,943,355	280,541,753	320,427,318	336,992,869	
Invested in Capital Assets, Net of Related Debt	7,109,178	482,776	1,785,757	3,582,345	
Restricted	71,878,983	96,232,080	84,844,763	90,958,156	
Unrestricted	327,931,516	377,256,609	407,057,838	431,533,370	
Total Primary Government Net Assets	<u>248,943,355</u>	<u>280,541,753</u>	<u>320,427,318</u>	<u>336,992,869</u>	

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							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental Activities:								
General Government	\$ 10,381,350	\$ 7,249,216	\$ 7,518,525	\$ 7,102,418	\$ 10,246,706	\$ 12,982,708	\$ 13,517,750	\$ 16,250,413
Public Safety	17,322,254	17,676,316	18,254,020	19,537,869	20,196,334	23,050,291	23,320,230	20,093,411
Public Works	10,666,838	11,581,458	10,648,651	11,740,047	11,954,349	11,759,714	14,699,318	15,041,881
Public Welfare	5,640,206	5,485,982	6,211,203	6,309,383	6,551,969	5,455,063	7,305,539	3,459,067
City Services	1,361,193	2,090,545	1,818,017	1,789,975	2,105,771	2,262,984	3,078,092	2,923,687
Education	45,705,523	48,542,847	51,957,017	54,448,620	57,396,706	61,434,692	63,517,290	65,853,223
Interest on Long-Term Debt	5,208,576	4,713,367	4,760,654	3,040,993	7,140,164	4,144,293	5,767,393	6,685,700
Total Governmental Activities Expenses	\$ 96,285,940	\$ 97,339,731	\$ 101,168,087	\$ 103,969,305	\$ 115,591,999	\$ 121,089,745	\$ 131,205,612	\$ 130,307,382
Business-Type Activities:								
Water and Sewer	\$ 15,871,722	\$ 16,885,803	\$ 17,309,426	\$ 18,616,496	\$ 21,053,584	\$ 21,710,919	\$ 22,830,928	\$ 21,601,917
City Solid Waste	6,603,231	6,737,417	6,654,113	7,040,115	7,294,552	7,813,531	8,060,129	8,017,980
Regional Solid Waste	1,208,387	1,272,173	1,410,536	1,615,196	1,658,724	1,818,585	1,871,460	1,925,909
Johnson City Power Board	112,540,287	118,868,370	119,754,592	133,197,667	143,319,219	153,413,844	178,834,070	163,283,389
Public Building Authority	3,437,385	3,295,700	2,376,597	2,294,949	2,107,230	1,805,760	1,984,687	2,015,126
Mass Transit	1,757,068	1,934,480	1,901,831	2,193,038	2,489,530	2,842,568	3,021,432	3,449,299
Stormwater Management	-	-	-	-	144,542	495,011	773,631	1,004,367
Golf Courses	1,247,855	1,217,833	1,231,510	1,393,946	1,472,066	1,462,210	1,330,540	1,239,672
Total Business-Type Activities Expenses	\$ 142,665,935	\$ 150,211,776	\$ 150,638,605	\$ 166,351,407	\$ 179,539,447	\$ 191,362,428	\$ 218,706,877	\$ 202,537,659
Total Primary Government Expenses	\$ 238,951,875	\$ 247,551,507	\$ 251,806,692	\$ 270,320,712	\$ 295,131,446	\$ 312,452,173	\$ 349,912,489	\$ 332,845,041

(Continued)

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Program Revenues								
Governmental Activities:								
Charges for Services:								
Public Safety	\$ 2,699,122	\$ 1,351,314	\$ 1,470,777	\$ 1,577,697	\$ 1,507,099	\$ 1,586,621	\$ 2,011,006	\$ 1,960,333
City Services	1,147,694	2,419,198	2,105,424	2,113,662	2,445,477	2,441,483	3,578,736	2,700,531
Education	2,415,390	2,262,888	2,445,031	2,708,056	3,038,039	2,752,587	2,844,579	2,671,448
Other Activities	1,698,033	1,224,777	1,232,901	2,469,235	2,332,593	2,829,651	3,430,184	3,537,310
Operating Grants and Contributions	24,646,466	26,225,494	30,133,808	30,516,925	33,419,313	35,525,329	36,812,901	39,362,241
Capital Grants and Contributions	4,702,519	2,277,006	626,238	164,833	-	31,055	-	162,945
Total Governmental Activities Program Revenues	37,309,224	35,760,677	38,014,179	39,550,408	42,742,521	45,166,726	48,677,406	50,394,808
Business-Type Activities:								
Charges for Services:								
Water and Sewer	\$ 19,631,344	\$ 19,690,045	\$ 20,288,469	\$ 21,772,092	\$ 23,133,709	\$ 23,543,970	\$ 25,057,671	\$ 26,264,591
City Solid Waste	7,468,291	7,897,479	7,917,942	8,257,612	8,622,823	9,100,844	8,902,029	8,418,244
Johnson City Power Board	118,634,679	124,669,151	128,314,735	141,680,530	150,526,423	161,195,320	193,154,773	177,398,118
Other Activities	5,444,811	5,621,249	5,194,686	5,277,396	5,499,351	6,653,378	7,238,218	7,658,923
Operating Grants and Contributions	1,417,259	1,142,869	995,661	1,103,458	1,249,319	1,509,571	1,702,482	1,775,802
Capital Grants and Contributions	1,306,351	1,090,342	1,717,925	818,212	397,599	797,607	724,175	2,614,722
Total Business-Type Activities Program Revenues	153,902,735	160,111,135	164,429,418	178,909,300	189,429,224	202,800,690	236,779,348	224,130,400
Total Primary Government Program Revenues	\$ 191,211,959	\$ 195,871,812	\$ 202,443,597	\$ 218,459,708	\$ 232,171,745	\$ 247,967,416	\$ 285,456,754	\$ 274,525,208
Net (Expense)/Revenue								
Governmental Activities	\$ (58,976,716)	\$ (61,579,054)	\$ (63,153,908)	\$ (64,418,897)	\$ (72,849,478)	\$ (75,923,019)	\$ (82,528,206)	\$ (79,912,574)
Business-Type Activities	11,236,800	9,899,359	13,790,813	12,557,893	9,889,777	11,438,262	18,072,471	21,592,741
Total Primary Government Net (Expense)	\$ (47,739,916)	\$ (51,679,695)	\$ (49,363,095)	\$ (51,861,004)	\$ (62,959,701)	\$ (64,484,757)	\$ (64,455,735)	\$ (58,319,833)

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets								
<u>Governmental Activities:</u>								
Taxes:								
Property Taxes	\$ 29,408,782	\$ 30,057,774	\$ 32,741,230	\$ 33,591,476	\$ 34,543,483	\$ 36,458,981	\$ 36,519,412	\$ 38,250,017
Sales Taxes	27,419,503	28,721,469	30,095,052	32,012,124	33,525,842	34,904,671	33,539,491	32,718,394
Other Taxes	6,777,017	6,477,387	6,867,324	7,510,307	7,802,498	8,474,886	8,244,855	7,455,763
Unrestricted Investment Earnings	371,760	270,478	737,108	1,858,159	2,775,619	2,560,328	1,305,131	685,114
Miscellaneous	1,802,171	1,530,007	1,366,945	174,525	5,889,333	29,340,255	12,780,319	3,107,369
Transfers	2,013,728	2,148,158	2,278,248	2,098,500	1,565,076	2,203,230	2,081,923	2,242,433
Total Governmental Activities	<u>\$ 67,792,961</u>	<u>\$ 69,205,273</u>	<u>\$ 74,085,907</u>	<u>\$ 77,245,091</u>	<u>\$ 86,101,851</u>	<u>\$ 113,942,351</u>	<u>\$ 94,471,131</u>	<u>\$ 84,459,090</u>
<u>Business-Type Activities:</u>								
Unrestricted Investment Earnings	\$ 373,899	\$ 245,100	\$ 332,770	\$ 1,167,313	\$ 2,770,991	\$ 2,350,892	\$ 1,857,877	\$ 539,657
Miscellaneous	382,479	-	438,738	197,282	(5,428)	458,838	9,879	39,051
Transfers	(2,013,728)	(2,148,158)	(2,278,248)	(2,098,500)	(1,565,076)	(2,203,230)	(2,081,923)	(2,242,433)
Total Business-Type Activities	<u>\$ (1,257,350)</u>	<u>\$ (1,903,058)</u>	<u>\$ (1,506,740)</u>	<u>\$ (733,905)</u>	<u>\$ 1,200,487</u>	<u>\$ 606,500</u>	<u>\$ (214,167)</u>	<u>\$ (1,663,725)</u>
Total Primary Government	<u>\$ 66,535,611</u>	<u>\$ 67,302,215</u>	<u>\$ 72,579,167</u>	<u>\$ 76,511,186</u>	<u>\$ 87,302,338</u>	<u>\$ 114,548,851</u>	<u>\$ 94,256,964</u>	<u>\$ 82,795,365</u>
Change in Net Assets								
Governmental Activities	\$ 8,816,245	\$ 7,626,219	\$ 10,931,999	\$ 12,826,194	\$ 13,252,373	\$ 38,019,332	\$ 11,942,925	\$ 4,546,516
Business-Type Activities	9,979,450	7,996,301	12,284,073	11,823,988	11,090,264	12,044,762	17,858,304	19,929,016
Total Primary Government	<u>\$ 18,795,695</u>	<u>\$ 15,622,520</u>	<u>\$ 23,216,072</u>	<u>\$ 24,650,182</u>	<u>\$ 24,342,637</u>	<u>\$ 50,064,094</u>	<u>\$ 29,801,229</u>	<u>\$ 24,475,532</u>

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.

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
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
2009	35,131,195	1,388,217	29,811,023	3,728,468	1,774,822	2,060,432	520,586	979,246	526,233	940,182	1,443,354	78,303,758
2010	36,735,032	1,514,985	29,117,826	3,600,568	1,484,814	2,083,741	567,854	1,015,619	426,259	728,350	1,149,126	78,424,174

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				
	2001	2002	2003	2004	2005
General Fund					
Reserved	\$ 419,344	\$ 506,239	\$ 715,889	\$ 2,239,857	\$ 2,739,904
Unreserved	2,024,867	5,343,621	5,949,014	8,585,184	11,085,672
Total General Fund	<u>\$ 2,444,211</u>	<u>\$ 5,849,860</u>	<u>\$ 6,664,903</u>	<u>\$10,825,041</u>	<u>\$ 13,825,576</u>
All Other Governmental Funds					
Reserved	\$ 1,681,294	\$ 1,968,692	\$ 2,049,980	\$ 2,405,370	\$ 2,926,613
Unreserved, reported in:					
Special Revenue Funds	1,581,365	4,585,218	6,391,322	6,838,620	7,359,144
Capital Project Funds	7,905,828	3,992,758	3,812,255	2,950,645	8,858,602
Total all Other Governmental Funds	<u>\$ 11,168,487</u>	<u>\$ 10,546,668</u>	<u>\$ 12,253,557</u>	<u>\$12,194,635</u>	<u>\$ 19,144,359</u>
	2006	2007	2008	2009	2010
General Fund					
Reserved	\$ 3,139,975	\$ 1,465,885	\$ 2,703,817	\$ 2,691,246	\$ 906,223
Unreserved	14,209,712	19,171,689	20,491,781	17,490,060	18,428,636
Total General Fund	<u>\$ 17,349,687</u>	<u>\$ 20,637,574</u>	<u>\$ 23,195,598</u>	<u>\$20,181,306</u>	<u>\$ 19,334,859</u>
All Other Governmental Funds					
Reserved	\$ 3,279,288	\$ 3,421,588	\$ 3,955,386	\$ 3,602,289	\$ 58,322,351
Unreserved, reported in:					
Special Revenue Funds	7,100,574	6,914,743	6,324,458	5,769,456	8,252,204
Capital Project Funds	17,156,764	15,718,186	35,826,059	44,068,263	1,481,146
Total all Other Governmental Funds	<u>\$ 27,536,626</u>	<u>\$ 26,054,517</u>	<u>\$ 46,105,903</u>	<u>\$53,440,008</u>	<u>\$ 68,055,701</u>

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:										
Taxes	56,225,972	58,643,682	58,660,691	61,331,670	65,078,164	68,016,783	69,998,114	73,777,660	73,551,309	73,459,729
Licenses and Permits	720,622	817,347	693,800	907,393	988,999	1,141,199	1,063,241	1,014,440	908,596	681,554
Intergovernmental	36,011,746	30,817,336	31,661,321	32,455,612	35,091,817	37,522,888	44,326,252	70,373,307	53,773,849	47,356,233
Charges for Services	2,890,217	3,214,386	3,246,883	3,160,152	3,299,506	3,474,166	3,493,097	3,528,793	3,643,785	3,137,998
Fines and Forfeitures	798,680	1,137,169	1,310,573	1,321,820	1,443,058	1,550,283	1,398,894	1,491,732	1,426,561	1,856,265
Use of Property	2,352,988	1,623,901	1,710,307	2,662,326	2,290,344	2,019,665	2,384,145	2,410,381	3,290,690	2,354,250
Investment Earnings	242,262	507,299	371,760	251,925	632,101	1,541,663	2,292,312	2,187,458	1,230,320	675,880
Miscellaneous	1,752,995	1,079,005	1,017,049	875,424	701,751	1,211,931	1,307,966	1,716,494	2,700,532	3,036,946
Total Revenues	100,995,482	97,840,125	98,672,384	102,966,322	109,525,740	116,478,578	126,264,021	156,500,265	140,525,642	132,558,855
Expenditures:										
General Government	10,017,967	10,863,994	9,940,946	9,436,485	9,593,656	9,848,863	10,411,369	11,085,668	11,160,930	10,843,876
Public Safety	17,263,941	16,451,487	16,900,884	17,371,848	17,924,968	19,207,764	19,942,643	22,670,820	22,861,216	23,190,812
Public Works	6,587,092	6,127,143	7,801,801	8,059,691	7,518,536	8,006,327	9,090,597	10,090,160	10,888,843	11,211,427
Public Welfare	5,561,905	5,790,202	5,387,930	5,215,580	5,894,087	6,048,271	6,257,074	6,390,206	6,764,906	6,397,595
City Services	2,267,819	1,015,110	1,107,267	1,893,464	1,618,348	1,574,399	1,946,010	2,040,465	2,968,013	1,904,186
Education	41,411,565	40,734,322	43,342,763	45,358,328	48,675,282	51,032,222	54,888,885	58,097,916	60,418,934	61,472,941
Miscellaneous	91,743	287,353	17,436	63,273	18,423	-	19,000	-	21,645	7,250
Capital Outlay	14,551,960	6,249,147	3,096,956	3,557,667	7,505,676	6,450,204	10,734,831	13,732,994	26,201,893	27,297,556
Debt Service:										
Principal	6,695,416	7,185,853	7,550,040	7,146,592	7,386,039	7,447,570	7,101,614	6,763,728	4,656,946	6,231,931
Interest and Fiscal Fees	6,397,812	5,819,175	5,244,117	4,713,367	4,598,310	5,611,096	9,245,927	5,158,406	5,570,605	6,022,162
Other Charges	330,819	9,410	-	-	266,066	304,043	-	-	-	-
Total Expenditures	111,178,039	100,533,196	100,390,140	102,816,295	110,999,391	115,530,759	129,637,950	136,030,363	151,513,931	154,579,736
Excess of revenues over (under) expenditures	(10,182,557)	(2,693,071)	(1,717,756)	150,027	(1,473,651)	947,819	(3,373,929)	20,469,902	(10,988,289)	(22,020,881)

(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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Other Financing Sources (Uses):										
Transfers (Net)	(1,497,235)	1,868,307	2,013,728	2,148,158	2,254,158	2,087,000	1,280,965	1,923,228	1,818,432	1,992,433
Loss on Investments	-	-	-	-	-	-	-	-	-	-
Notes Issued	-	-	-	-	-	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	11,460,900	6,230,000	29,085,001	6,750,000	66,520,000	33,634,584
Refunding Bond Payments	-	-	-	-	(11,380,809)	(5,890,000)	(25,574,441)	(6,675,000)	(68,925,000)	-
Bond Issued	27,100,000	921,038	2,090,751	-	8,249,610	7,000,000	-	-	12,242,223	-
Refunding Bonds Premium	-	-	-	-	58,861	15,425	-	-	1,873,661	122,613
Insurance Recovery	-	-	-	-	71,623	-	-	-	-	-
Sale of Property	10,525	412,631	416,597	66,467	317,641	1,490,276	432,995	143,145	1,186,158	48,478
Capital Leases	-	-	-	403,802	-	-	-	-	495,161	-
Total Other Financing Sources (Uses)	25,613,290	3,201,976	4,521,076	2,618,427	11,031,984	10,932,701	5,224,520	2,141,373	15,210,635	35,798,108
Net Change in Fund Balances	15,430,733	508,905	2,803,320	2,768,454	9,558,333	11,880,520	1,850,591	22,611,275	4,222,346	13,777,227
Debt Service as a Percentage of Noncapital Expenditures	13.9%	13.8%	13.2%	11.9%	11.9%	12.5%	14.0%	9.7%	8.2%	9.6%

Note: Amounts from prior years have been reclassified between categories from the original presentation in the relevant year CAFR to conform to the presentation of the current year CAFR.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30	Tax Year	Real Property				Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
		Residential & Farm Property	Industrial & Commercial Property	Personal Property	Public Utility				
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	2.15	3,406,701,422	31.14%
2005	2004	586,366,747	512,287,398	115,283,797	48,675,887	1,262,613,829	1.93	4,011,552,024	31.47%
2006	2005	608,631,775	519,232,096	113,193,113	44,989,552	1,286,046,536	1.93	4,097,250,413	31.39%
2007	2006	638,630,400	527,884,240	101,364,219	42,025,565	1,309,904,424	1.93	4,243,334,375	30.87%
2008	2007	675,793,350	555,791,560	111,531,042	41,392,490	1,384,508,442	1.93	4,574,379,041	30.27%
2009	2008	693,472,459	569,623,983	101,474,853	38,786,092	1,403,357,387	1.93	4,605,069,088	30.47%
2010	2009	898,386,225	742,133,240	114,998,839	51,607,428	1,807,125,732	1.93	5,832,193,811	30.99%

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)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Johnson City Direct Rates	1.87	2.15	2.15	2.15	1.93	1.93	1.93	1.93	1.93	1.93
Washington County Direct Rates										
General	0.66	0.66	0.68	0.68	0.63	0.63	0.63	0.82	0.83	0.64
Upkeep (Highway)	0.16	0.16	0.16	0.16	0.14	0.14	0.14	0.19	0.19	0.15
General Purpose School	0.76	0.76	0.76	0.76	0.82	0.82	0.82	0.82	0.88	0.70
Debt Service	0.30	0.30	0.27	0.27	0.23	0.23	0.36	0.47	0.50	0.39
Solid Waste/Sanitation	0.05	0.05	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.04
Total Direct Rate	<u>1.93</u>	<u>1.93</u>	<u>1.93</u>	<u>1.93</u>	<u>1.87</u>	<u>1.87</u>	<u>2.00</u>	<u>2.35</u>	<u>2.45</u>	<u>1.91</u>
Carter County Direct Rates										
General	0.71	0.68	0.72	0.72	0.85	0.85	0.73	0.73	0.75	0.80
Highway/Public Works	0.08	0.08	0.08	0.08	0.10	0.10	0.10	0.10	0.10	0.10
General Purpose Schools	1.42	1.24	1.24	1.24	1.25	1.25	0.96	0.96	0.96	0.96
General Debt Service	0.25	0.22	0.18	0.18	0.36	0.36	0.31	0.31	0.41	0.42
Total Direct Rate	<u>2.46</u>	<u>2.22</u>	<u>2.22</u>	<u>2.22</u>	<u>2.56</u>	<u>2.56</u>	<u>2.10</u>	<u>2.10</u>	<u>2.22</u>	<u>2.28</u>
Sullivan County Rates	2.63	2.35	2.35	2.36	2.67	2.53	2.53	2.53	2.53	2.13

See Independent Auditors' Report.

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

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
United Telephone SE Inc	\$ 21,890,278	1	1.2%	\$ 22,756,435	1	2.3%
American Water Heater Company	9,283,575	2	0.5%	6,263,432	7	0.6%
Atmos Energy Corporation	9,231,777	3	0.5%	6,651,462	5	0.7%
Johnson City Crossing LLC	8,681,360	4	0.5%	6,524,680	6	0.7%
The Haven at Knob Creek	8,187,520	5	0.5%	-	-	0.0%
Robert Bosch Corporation	7,632,977	6	0.4%	10,430,709	2	1.1%
Pritchett Family	7,287,440	7	0.4%	4,839,000	8	0.5%
Sofha Real Estate	6,459,000	8	0.4%	-	-	0.0%
AT&T Mobility	6,212,474	9	0.3%	-	-	0.0%
Sams Real Estate	6,088,600	10	0.3%	-	-	0.0%
Johnson City Venture LLC	-	-	0.0%	9,790,960	3	1.0%
Siemens Industrial	-	-	0.0%	8,975,730	4	0.9%
Johnson City United LP	-	-	0.0%	3,890,680	9	0.4%
Burlington Industries	-	-	0.0%	3,653,176	10	0.4%
Totals	\$ 90,955,001		5.0%	\$ 83,776,264		8.4%

Total Taxable Assessed Value:

FYE 2010 (Tax Year 2009)	1,807,125,732
FYE 2001 (Tax Year 2000)	993,279,633

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30	Tax Levy for Fiscal Year	Subsequent Adjustments to Levy	Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Uncollected Delinquent Taxes
				Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy	
2001	18,558,384	(44,575)	18,513,809	17,756,760	95.91%	743,079	18,499,839	99.92%	13,970
2002	21,117,931	874,982	21,992,913	21,108,710	95.98%	869,626	21,978,336	99.93%	14,577
2003	22,071,665	215,049	22,286,714	21,613,078	96.98%	657,587	22,270,665	99.93%	16,049
2004	22,723,186	37,367	22,760,553	22,019,690	96.74%	666,284	22,685,974	99.67%	74,579
2005	24,282,470	(49,021)	24,233,449	23,694,840	97.78%	487,888	24,182,728	99.79%	50,721
2006	23,967,796	392,286	24,360,082	23,677,242	97.20%	622,243	24,299,485	99.75%	60,597
2007	25,245,152	199,823	25,444,975	24,718,999	97.15%	670,868	25,389,867	99.78%	55,108
2008	26,684,753	(51,078)	26,633,675	25,856,042	97.08%	678,673	26,534,715	99.63%	98,960
2009	26,298,062	748,932	27,046,994	25,979,435	96.05%	716,559	25,979,435	96.05%	351,000
2010	27,883,067	(96,404)	27,786,663	26,606,701	95.75%	-	26,606,701	95.75%	1,179,962

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Lease	General Obligation Bonds	Revenue Bonds	Notes Payable			
2001	134,077,206	1,965,667	-	47,452,907	63,110,997	23,900	246,630,677	18.40%	4,389
2002	128,094,467	1,683,591	-	46,162,236	58,589,000	-	234,529,294	16.69%	4,079
2003	120,825,645	1,402,373	-	44,125,074	54,436,000	448,936	221,238,028	15.42%	3,836
2004	113,974,350	1,107,076	296,744	41,980,980	50,813,000	823,787	208,995,937	14.07%	3,599
2005	114,752,367	1,517,241	201,735	39,624,138	47,220,000	939,804	204,255,285	13.14%	3,456
2006	114,641,644	1,229,264	102,875	68,641,159	43,560,000	929,286	229,104,228	14.15%	3,797
2007	109,503,087	927,757	-	68,828,203	49,195,000	1,076,167	229,530,214	14.03%	3,763
2008	102,112,462	613,189	-	66,994,395	73,900,000	1,028,253	244,648,299	14.04%	3,947
2009	107,812,843	284,000	368,450	64,400,485	70,390,000	978,095	244,233,873	13.49%	3,888
2010	135,306,495	893,000	246,570	84,028,416	66,665,000	1,357,242	288,496,723	16.40%	4,727

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
2001	134,077,206	(1,371,745)	132,705,461	4.20%	2,362
2002	172,372,830	(1,287,353)	171,085,477	5.27%	2,975
2003	163,570,830	(1,212,470)	162,358,360	4.88%	2,815
2004	155,110,831	(1,141,370)	153,969,461	4.52%	2,651
2005	154,061,803	(1,036,938)	153,024,865	3.81%	2,589
2006	183,282,803	(905,407)	182,377,396	4.45%	3,023
2007	178,331,290	(1,109,636)	177,221,654	4.18%	2,906
2008	169,106,857	(795,124)	168,311,733	3.68%	2,715
2009	172,213,328	41,914	172,255,242	3.74%	2,742
2010	219,334,911	(697,695)	218,637,216	3.75%	3,583

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, 2010
(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Carter County	\$ 35,800,000	2.00%	716,000
Sullivan County	63,173,114	0.04%	25,269
Washington County	<u>147,015,000</u>	62.00%	<u>91,149,300</u>
<i>Subtotal, Overlapping Debt</i>	245,988,114		91,890,569
City of Johnson City Direct Debt	<u>135,306,495</u>	100.00%	<u>135,306,495</u>
Total Direct and Overlapping Debt	<u><u>\$381,294,609</u></u>		<u><u>227,197,064</u></u>

Sources:

- City of Johnson City Finance Department
- County Governments

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Johnson City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

See Independent Auditors' Report.

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	99,327,963	102,866,236	104,659,591	106,090,307	126,261,383	128,604,654	130,990,442	138,450,844	140,335,739	180,712,573
Total Net Debt Applicable to Limit	92,264,403	86,976,664	80,397,842	74,396,547	76,189,564	77,278,841	72,297,357	66,363,920	74,181,737	100,935,075
Legal Debt Margin	<u>7,063,560</u>	<u>15,889,572</u>	<u>24,261,749</u>	<u>31,693,760</u>	<u>50,071,819</u>	<u>51,325,813</u>	<u>58,693,085</u>	<u>72,086,924</u>	<u>66,154,002</u>	<u>79,777,498</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	92.89%	84.55%	76.82%	70.13%	60.34%	60.09%	55.19%	47.93%	52.86%	55.85%

Legal Debt Margin Calculation for Fiscal Year 2010	
Total Taxable Assessed Value	\$ 1,807,125,732
Debt Limit (10% of Taxable Assessed Value)	180,712,573
Debt Applicable to Limit:	
General Obligation Debt	135,306,495
Less: Sales Tax Revenue Bonds	<u>(34,371,420)</u>
Total Net Debt Applicable to Limit	<u>100,935,075</u>
Legal Debt Margin	<u>\$ 79,777,498</u>

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

See Independent Auditors' Report.

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

Fiscal Year	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Water and Sewer Revenue Bonds:							
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
2009	25,057,671	20,944,823	4,112,848	2,035,000	626,270	2,661,270	1.55
2010	26,264,591	20,095,508	6,169,083	1,390,000	537,420	1,927,420	3.20
City Solid Waste Revenue Bonds:							
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
2009	8,902,029	7,862,839	1,039,190	190,000	11,020	201,020	5.17
2010	8,418,244	7,862,538	555,706	-	-	-	-
Regional Solid Waste Revenue Bonds:							
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
2009	2,313,041	1,871,460	441,581	N/A	N/A	N/A	N/A
2010	2,330,873	1,925,909	404,964	N/A	N/A	N/A	N/A
Golf Course Revenue Bonds:							
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
2009	1,029,325	1,216,370	(187,045)	N/A	N/A	N/A	N/A
2010	920,754	1,147,901	(227,147)	N/A	N/A	N/A	N/A

(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:							
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
2009	193,154,773	176,106,527	17,048,246	1,285,000	2,498,869	3,783,869	4.51
2010	177,398,118	160,626,894	16,771,224	2,335,000	2,645,403	4,980,403	3.37

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)

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita</u> <u>Personal</u> <u>Income¹</u>	<u>Median</u> <u>Age</u>	<u>Education</u> <u>Level in</u> <u>Years of</u> <u>Formal</u> <u>Schooling</u>	<u>School</u> <u>Enrollment</u>	<u>Unemployment</u> <u>Rate</u>
2001	56,194	1,340,732,646	23,859	36.9	13.44	6,655	4.7%
2002	57,501	1,405,266,939	24,439	36.9	13.44	6,805	5.3%
2003	57,671	1,435,200,506	24,886	36.9	13.44	6,778	5.1%
2004	58,078	1,485,809,474	25,583	36.9	13.44	6,778	5.0%
2005	59,099	1,554,244,601	26,299	36.9	13.44	6,766	5.6%
2006	60,333	1,618,553,391	26,827	39.7	13.44	6,998	4.9%
2007	60,990	1,636,178,730	26,827	39.2	13.44	7,052	4.2%
2008	61,990	1,742,848,850	28,115	39.2	13.44	7,180	6.6%
2009	62,811	1,810,338,642	28,822	39.2	13.44	7,275	9.9%
2010	61,028	1,758,949,016	28,822	39.2	13.44	7,239	8.9%

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
- U. S. Census Bureau

¹Data presented is for Washington County, TN

*projected

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

<u>Employer</u>	<u>2010</u>			<u>2003*</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Mountain States Health Alliance	3,541	1	6.3%	3,541	1	6.3%
East Tennessee State University	2,330	2	4.2%	2,012	2	3.6%
CITI Commerce Solution	1,950	3	3.5%	1,817	3	3.3%
James H. Quillen VA Medical Center	1,592	4	2.9%	1,259	4	2.3%
Advanced Call Center Technologies	1,400	5	2.5%	-		0.0%
Washington County School System	1,200	6	2.2%	1,150	6	2.1%
American Heater Company	1,170	7	2.1%	1,200	5	2.2%
City of Johnson City	853	8	1.5%	824	8	1.5%
Johnson City School Systems	832	9	1.5%	920	7	1.6%
AT & T Mobility	650	10	1.2%	805	9	1.4%
Siemens Energy & Automation, Inc.	N/A	-	-	730	10	1.3%
	<u>15,518</u>		<u>27.6%</u>	<u>14,258</u>		<u>25.6%</u>

Total Washington County Employment:	
FYE 2010	55,810
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)

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government	143	135	125	120	116	91	94	96	96	75
Public Safety	319	310	295	294	294	310	297	294	280	274
Public Works	92	86	91	90	89	90	94	90	92	99
Public Welfare	90	85	74	74	74	74	75	68	60	55
City Services	42	34	36	34	34	34	36	34	34	48
Education	850	857	860	827	829	832	832	846	900	897
Water and Sewer	160	139	142	145	146	150	153	147	145	154
Solid Waste	62	56	49	47	45	46	47	47	47	48
Storm Water Mgmt	-	-	-	-	-	-	-	7	7	7
Mass Transit	59	64	59	57	55	49	49	49	50	49
Golf Courses	19	12	13	12	12	10	8	8	8	8
	<u>1,836</u>	<u>1,778</u>	<u>1,744</u>	<u>1,700</u>	<u>1,694</u>	<u>1,686</u>	<u>1,685</u>	<u>1,686</u>	<u>1,719</u>	<u>1,714</u>

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	2004	2005	2006	Fiscal Year 2007	2008	2009	2010
Public Safety:							
Student Transportation:							
Miles	398,550	388,700	399,255	403,328	443,526	459,448	448,090
Passengers	891,123	878,450	961,496	991,432	993,748	1,015,715	1,075,845
Police:							
Physical Arrests	5,433	7,126	7,457	6,764	7,365	6,641	6,144
Parking Citations	N/A	3,678	3,195	3,020	2,493	2,202	2,574
Traffic Citations	14,986	19,538	23,092	21,829	26,602	23,624	24,700
Camera Enforcement Citations	-	-	-	-	-	-	753
Fire:							
Calls Answered	3,190	3,006	2,912	3,543	3,378	3,123	7,599
Inspections	1,225	1,788	1,802	1,980	1,581	1,844	1,844
Public Works:							
Potholes Repaired	N/A	695	211	53	103	404	812
Streets Swept (linear miles)	1,450	2,264	2,484	2,500	2,500	5,963	5,963
Traffic Signals Repaired/Replaced	N/A	372	371	241	245	235	250
Snow & Ice Control Treatment (lane miles)	N/A	3,000	2,200	2,800	2,226	3,450	7,700
Public Welfare:							
Parks and Recreation:							
Pool Admissions	N/A	50,584	51,710	51,789	46,988	51,428	59,242
Youth Basketball Participants	1,260	1,234	1,128	912	1,057	724	682
Youth Soccer Participants	1,955	1,906	1,895	1,691	1,846	1,714	1,466
Youth Softball & Tee-ball Participants	524	516	487	383	436	370	298
Tennis Instruction Participants	194	200	216	210	284	266	266
Adult Basketball Teams	54	44	30	29	26	25	26
Adult Softball Teams	132	131	81	127	143	118	139
Senior Citizens:							
Programs/Events Attendance	159,256	161,094	142,054	141,508	146,989	136,000	114,000
City Services:							
Freedom Hall:							
Events	N/A	69	61	60	58	54	52
Water and Sewer:							
Average Daily Consumption (Water)	14.21 mgd	14.40 mgd	14.34 mgd	14.91 mgd	14.8 mgd	14.7 mgd	14.77 mgd
Maximum Daily Capacity (Water)	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd
Water Taps	848	783	792	802	606	458	408
Sewer Taps	580	618	628	596	349	276	192
Solid Waste:							
Refuse Collected (Tons)	95,895	95,002	95,372	95,849	98,766	93,364	88,253
Recyclables Sold (Tons)	4,401	4,395	4,456	4,519	4,932	4,779	5,408
Mulch Sold as Boiler Fuel (Tons)	12,533	13,365	10,004	13,414	11,068	12,054	15,576
Leaves Collected (Tons)	3,326	3,447	3,643	3,602	3,072	3,850	3,661
Mass Transit:							
Passenger Miles	1,387,312	1,460,394	1,681,266	1,470,000	1,662,747	2,204,905	2,270,321
Golf Courses:							
18-Hole Rounds Played	48,415	55,000	47,775	47,349	51,668	49,652	44,834

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	2009	2010
Public Safety:							
Student Transportation:							
Buses	51	54	52	52	53	54	54
Police:							
Stations	1	1	1	1	1	1	1
Patrol Units	154	163	166	170	162	191	187
Motorcycle Units	3	3	3	3	3	3	3
Fire:							
Stations	8	8	8	8	9	9	9
Fire Trucks/Rescue Units	27	26	27	15	15	21	22
Public Works:							
Streets (Miles)	483.1	488.9	496.89	505.01	505.01	505.64	505.64
Traffic Signals	84	85	86	91	91	92	92
Public Welfare:							
Parks and Recreation:							
Park Sites	19	19	19	19	19	19	19
Park Acreage	1,081	1,081	1,081	1,081	1,081	1,081	1,081
Swimming Pools	2	2	2	2	2	2	2
Tennis Courts	17	17	17	17	17	17	17
Community/Recreation Centers	4	4	4	4	4	4	4
Senior Citizens:							
Senior Centers	1	1	1	1	1	1	1
School System:							
Elementary Schools	8	8	8	8	8	8	8
Secondary Schools	2	2	2	2	2	2	2
Water and Sewer:							
Water Mains (Miles)	840.7	854.5	871.3	960	900	901	910
Fire Hydrants	2,622	2,639	2,828	3,108	3,109	3,259	3,290
Sanitary Sewers (Miles)	474.3	474.8	505.3	525	536	551	539
Manholes	10,743	10,766	11,452	11,525	12,088	12,611	12,411
Solid Waste:							
Collection Trucks	46	48	51	51	52	55	47
Golf Courses	2	2	2	2	2	2	2
Mass Transit:							
Buses/Trolleys/Vans	33	35	43	43	39	40	37

Source: Various City Departments

Note:

- Capital Asset Indicators are not available for the general government function.
- Does not include leased property.

Data not available prior to 2004.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF INTERFUND TRANSFERS
For the Fiscal Year Ended June 30, 2010

	Special Revenue Funds									
	General Fund	General Purpose School	Transportation Planning	Police Grant Fund	Police Technology Fund	Freedom Hall	School Federal Projects	Special School Projects	School Site Based Fund	Debt Service Funds
Transfers In:										
Transfers Out:										
General Fund	\$ -	7,788,675	33,263	50,324	52,649	233,514	2,000	16,605	-	8,199,295
Special Revenue Funds:										
General Purpose										
School Fund	-	-	-	-	-	-	-	40,995	741,632	1,014,592
Drug Fund	10,830	-	-	16,797	-	-	-	-	-	-
Police Tech Fund	629	-	-	-	-	-	-	-	-	-
School Federal Projects	-	17,717	-	-	-	-	-	-	-	-
Capital Projects:										
Parks	15,425	-	-	-	-	-	-	-	-	-
Facilities	-	-	-	-	-	-	-	-	-	-
Equipment	188,134	-	-	-	-	-	-	-	-	-
Schools	-	-	-	-	-	-	-	-	-	-
Enterprise Funds:										
Johnson City Power Board	2,861,842	-	-	-	-	-	-	-	-	-
Water and Sewer	430,000	-	-	-	-	-	-	-	-	-
Regional Solid Waste	-	-	-	-	-	-	-	-	-	-
City Solid Waste	-	-	-	-	-	-	-	-	-	-
Totals	\$ 3,506,860	7,806,392	33,263	67,121	52,649	233,514	2,000	57,600	741,632	9,213,887

	Capital Projects Funds				Enterprise Funds			Internal Service Fund	
	Parks	Equipment	Infrastructure	Public Facilities	City Water and Sewer	Solid Waste	Golf Fund	Mass Transit	Insurance Fund
Transfers In:									
Transfers Out:									
General Fund	\$ 745,000	961,092	-	653,655	-	-	418,918	636,500	250,000
Special Revenue Funds:									
General Purpose									
School Fund	-	-	-	-	-	-	-	-	-
Drug Fund	-	-	-	-	-	-	-	-	-
Police Tech Fund	-	-	-	-	-	-	-	-	-
School Federal Projects	-	-	-	-	-	-	-	-	-
Capital Projects:									
Parks	-	-	-	14,969	-	-	-	-	-
Facilities	45,736	35,000	21,499	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-
Schools	-	-	-	4,575	-	-	-	-	-
Enterprise Funds:									
Johnson City Power Board	-	-	-	-	-	-	-	-	-
Water and Sewer	-	-	-	6,009	-	-	-	-	-
Regional Solid Waste	-	-	-	-	24,259	126,440	-	-	-
City Solid Waste	-	-	-	-	52,176	-	-	-	-
Totals	\$ 790,736	996,092	21,499	679,208	76,435	126,440	418,918	636,500	250,000

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2010
(Unaudited)

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	47,004,022	13,872,985	60,877,007
2012	14,801,008	12,173,051	26,974,059
2013	15,446,041	11,765,895	27,211,936
2014	15,202,171	10,017,837	25,220,008
2015	21,578,171	9,414,287	30,992,458
2016	15,362,172	8,553,407	23,915,579
2017	13,209,171	7,908,189	21,117,360
2018	12,960,171	7,353,593	20,313,764
2019	12,275,171	6,800,469	19,075,640
2020	12,340,171	6,262,027	18,602,198
2021	11,368,172	5,733,867	17,102,039
2022	11,793,171	5,228,072	17,021,243
2023	10,921,171	4,725,232	15,646,403
2024	8,288,171	4,284,197	12,572,368
2025	7,858,171	3,912,421	11,770,592
2026	7,189,293	3,554,394	10,743,687
2027	6,386,002	3,108,410	9,494,412
2028	6,663,000	2,778,270	9,441,270
2029	6,951,000	2,448,032	9,399,032
2030	6,230,000	2,096,932	8,326,932
2031	6,535,000	1,783,970	8,318,970
2032	4,595,000	1,453,031	6,048,031
2033	3,960,000	1,218,770	5,178,770
2034	2,180,000	1,009,870	3,189,870
2035	2,280,000	884,520	3,164,520
2036	2,385,000	753,420	3,138,420
2037	2,485,000	615,090	3,100,090
2038	2,585,000	470,960	3,055,960
2039	2,700,000	321,030	3,021,030
2040	2,835,000	164,430	2,999,430
Less: Amount not drawn	(10,366,509)	-	(10,366,509)
	<u>\$ 285,999,911</u>	<u>140,666,658</u>	<u>426,666,569</u>

The total reflected on the statement of net assets has been reduced by net deferred debt refunding costs, premiums and discounts of \$31,413.00.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS -
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2010
(Unaudited)

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	289,200	60,105	349,305
2012	292,920	56,090	349,010
2013	195,834	51,853	247,687
2014	196,705	50,997	247,702
2015	22,614	50,104	72,718
2016	23,480	49,222	72,702
2017	24,548	48,203	72,751
2018	25,581	47,188	72,769
2019	26,656	46,129	72,785
2020	27,695	45,070	72,765
2021	28,934	43,628	72,562
2022	30,155	42,427	72,582
2023	31,423	41,636	73,059
2024	32,681	40,378	73,059
2025	34,131	38,928	73,059
2026	35,569	37,425	72,994
2027	37,071	35,922	72,993
2028	38,581	34,412	72,993
2029	40,277	32,715	72,992
2030	41,983	31,009	72,992
2031	43,761	29,395	73,156
2032	45,570	27,586	73,156
2033	47,555	25,601	73,156
2034	49,577	23,578	73,155
2035	51,685	21,470	73,155
2036	53,843	19,512	73,355
2037	56,174	17,181	73,355
2038	58,569	14,786	73,355
2039	61,072	12,284	73,356
2040	63,659	9,696	73,355
2041	59,243	6,662	65,905
2042	37,138	4,699	41,837
2043	21,885	3,648	25,533
2044	17,597	2,407	20,004
2045	18,184	1,820	20,004
2046	18,784	1,220	20,004
2047	19,404	600	20,004
2048	7,894	63	7,957
	<u>\$ 2,207,632</u>	<u>1,105,649</u>	<u>3,313,281</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES

June 30, 2010

(Unaudited)

Tax Year	Uncollected Delinquent Taxes June 30, 2010
2009	\$ 1,179,962
2008	351,000
2007	98,960
2006	55,108
2005	60,597
2004	50,721
2003	74,579
2002	16,049
2001	14,577
2000	13,970
Total	\$ 1,915,522

Uncollected Delinquent Taxes Filed in Chancery Court:

As of April 1, 2010, the above delinquent taxes for 2000 through 2008 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, 2010
(Unaudited)

<u>Water Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Base	3.69	7.38
0 - 20,000 Gallons Used	2.86 / 1,000 gal.	5.72 / 1,000 gal.
20,001 - 190,000 Gallons Used	2.29 / 1,000 gal.	4.58 / 1,000 gal.
190,000 - 490,000 Gallons Used	2.06 / 1,000 gal.	4.12 / 1,000 gal.
Over 490,000 Gallons Used	1.86 / 1,000 gal.	3.72 / 1,000 gal.
<u>Sewer Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Base	3.85	7.70
0 - 20,000 Gallons Used	3.87 / 1,000 gal.	7.74 / 1,000 gal.
20,001 - 190,000 Gallons Used	3.87 / 1,000 gal.	7.74 / 1,000 gal.
190,000 - 490,000 Gallons Used	3.87 / 1,000 gal.	7.74 / 1,000 gal.
Over 490,000 Gallons Used	3.68 / 1,000 gal.	7.35 / 1,000 gal.
<u>Residential Collection Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
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.
<u>Commercial Collection Rates:</u>	<u>Inside City¹</u>	<u>Outside City²</u>
4 yard ³	\$60.00 / mon.	\$102.50 / mon.
6 yard ³	\$75.00 / mon.	\$117.50 / mon.
8 yard ³	\$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.
<u>Number of Customers:</u>	<u>Inside City</u>	<u>Outside City</u>
Water	25,031	15,791
Sewer	23,122	3,773
Solid Waste ⁴	21,089	9,565
<u>Unaccounted for Water:</u>	<u>Gallons</u>	<u>% of Total Gallons</u>
Pumped gallons of water	5,378,594,000	100.00%
Accounted for gallons of water	3,500,211,761	65.08%
Unaccounted for (lost) gallons of water	<u>1,878,382,239</u>	<u>34.92%</u>

Sources:

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

¹Does not include dumpster which can be purchased or rented @\$30/mon.

²Includes dumpster which is furnished.

³Rates based on one collection per week.

⁴Does not include garbage pulls, front loader or container rentals.

See Independent Auditors' Report.

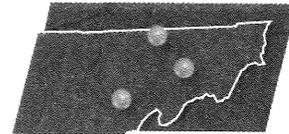
CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
June 30, 2010
(Unaudited)

(All amounts in gallons)

Water Treated and Purchased:		
Water Pumped (potable)	5,378,594,000	
Water Purchased	-	
Total Water Treated and Purchased		5,378,594,000
 Accounted for Water:		
Water Sold	3,336,749,000	
Metered for Consumption	-	
Fire Departments Usage	16,455,750	
Flushing	143,459,300	
Tank Cleaning/Filling	3,385,611	
Street Cleaning	162,100	
Bulk Sales	-	
Water Bill Adjustments	-	
Total Accounted for Water		3,500,211,761
 Unaccounted for Water		 1,878,382,239
 Percentage Unaccounted for Water		 34.923%
 Cost per 1,000 gallons of water		 \$0.3729
 Cost of Unaccounted for Water		 700,523.87

Note: The unmetered water percentage does not include leakage or meter accuracy adjustments as previously accounted for in the **AWWA M36 manual** accounting method. The yearly unmetered water would be 16.8% if the AWWA M36 manual accounting method was allowed.

See Independent Auditors' Report.



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 17, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Johnson City Schools Site Based Fund and the Johnson City Development Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

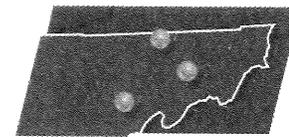
We noted certain other matters that we reported to management of the City, in a separate letter dated December 17, 2010.

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

Blackburn, Childers and Steagall, PLLC

BLACKBURN, CHILDERS & STEAGALL, PLC

December 17, 2010



American Institute of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Johnson City, Tennessee's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

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

December 17, 2010

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2010

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. There is one significant deficiency relating to the audit of the financial statements, however it is not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There are no significant deficiencies relating to the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs that are required to be disclosed in accordance with section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were as follows:

<u>Program</u>	<u>CFDA Number</u>
IDEA, U.S. Department of Education	84.027
IDEA ARRA, U.S. Department of Education	84.391
Preschool Incentive, U.S. Department of Education	84.173
Preschool Incentive ARRA, U.S. Department of Education	84.392
Title I, U.S. Department of Education	84.010
Title I ARRA, U.S. Department of Education	84.389
Title II, Part D, U.S. Department of Education	84.318X
Title II, Part D ARRA, U.S. Department of Education	84.386
Title X, Part C, U.S. Department of Education	84.196
ARRA Education Stabilization	84.397
ARRA Safe Schools and Coordinated Health	84.394
ARRA Grant, U.S. Department of Transportation	20.205
ARRA Byrne JAG V, U.S. Department of Justice	16.738
Federal Transportation Administration	20.507
Community Development Block Grant	14.218
National School Breakfast Program	10.533
National School Lunch Program	10.555
ARRA Water System Improvements, U.S. Department of Agriculture	10.781

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2010

Section I - Summary of Auditors' Results (continued)

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

Section II - Financial Statement Findings

Current Year Findings:

10-01 Significant Deficiency: Police Records

Condition: Processes utilized by the records department do not provide for adequate separation of duties, reconciliations, and monitoring.

Criteria: Cash collection functions should be adequately separated from the ability to make adjustments. Balances should also be reconciled on a regular basis.

Effect: The controls are not adequate to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Recommendation: Risks related to the cash collections should be carefully analyzed and mitigated through compensating controls.

Management Comments: The City will implement processes and procedures to mitigate risks related to the records department and collections.

Prior Year Findings Implemented:

None

Section III - Federal Award Findings and Questioned Costs

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