

City of
Johnson City,
Tennessee

**Comprehensive Annual
Financial Report**

**For the Year Ended
June 30, 2011**

City of Johnson City, Tennessee

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2011



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, 2011

CITY OF JOHNSON CITY, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2011

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City of Johnson City Tennessee

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

Office of Finance Director

December 15, 2011

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, 2011 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 Johnson City Public Library is discretely presented in the financial statements to emphasize that it is legally separate from the City. The Johnson City Public Building Authority is presented as a blended component unit of the City. In addition, the State of Tennessee requires the Power Board to be included in the City's financial statements since the fund was formed under a private act.

Management's discussion and analysis (MD&A) immediately follows the independent 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, stormwater, and golf are provided under the proprietary fund concept.

Factors Affecting Financial Condition

Local Economy. Johnson City, along with Kingsport and Bristol, Tennessee and Virginia, make up the "Tri-Cities" area of Northeastern Tennessee. The area has an MSA population of 508,260 and continues to experience healthy population growth. Business and industry in Johnson City are diverse and include retail, utilities, financial, manufacturing, medical and other services. The City's economic base is still firmly rooted in institutional services. The three largest employers are Mountain States Health Alliance, East Tennessee State University and Citi Commerce Solutions. During fiscal year 2011 the City of Johnson City, in conjunction with neighboring municipalities and the business and education community, conducted the 8th Annual Economic Summit. The City's involvement in this partnership for economic progress demonstrates a continued commitment to working for a stronger local economy, improved quality of life, community pride, responsible city government and a more attractive community.

The City continues to experience lower unemployment than the State average. Consistent with the State increase, the Johnson City MSA experienced a .5% increase in the unemployment rate during the current fiscal period, ending the year at 9.4%. The year-end State average unemployment rate was 10.2%. A balance of property and sales taxes support the City's finances. Property taxes continued a pattern of healthy growth. Sales tax collections turned the corner with the first consistent growth since fiscal year 2007-08. This growth, combined with continued cost containment by City departments, has allowed the City to continue to cash fund capital equipment purchases, make cash contributions toward capital projects and operate with no increase in the property tax rate. The City's property tax rate continues to be the lowest of all the surrounding areas

Long-term financial planning. During fiscal year 2012, the City will reach the end of a multi-year school construction and renovation program totaling over \$73 million. In addition, construction of a new community center, water and sewer system improvements and upgrades at other City facilities, totaling nearly \$40 million will be complete. As these projects come to a close, the City continues to look forward with the local governing body's adoption of the 5-year Capital Improvement Program. Future projects include additional expansion and improvements at City schools, facilities and parks, as well as stormwater, water and sewer system and transportation improvements.

Financial management policies and practices. Fund balance in the General Fund (27% of total general fund expenditures and interfund transfers) falls within the policy guidelines set by the Board of Commissioners for budgetary and planning purposes (i.e., 16% of total general fund expenditures and interfund transfers). A planned build-up in this balance, during the years leading up to the current economic condition, has resulted in the City having the ability to maintain its high service level to the citizens, in spite of the distressed economy. Additionally, the City has been able to continue cash funding capital equipment and undertake a number of significant capital projects, in effect creating its own local economic stimulus.

Awards and Acknowledgements

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Johnson City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This was the City's tenth 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,

A handwritten signature in cursive script that reads "Janet Jennings".

Janet Jennings, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Johnson City
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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.



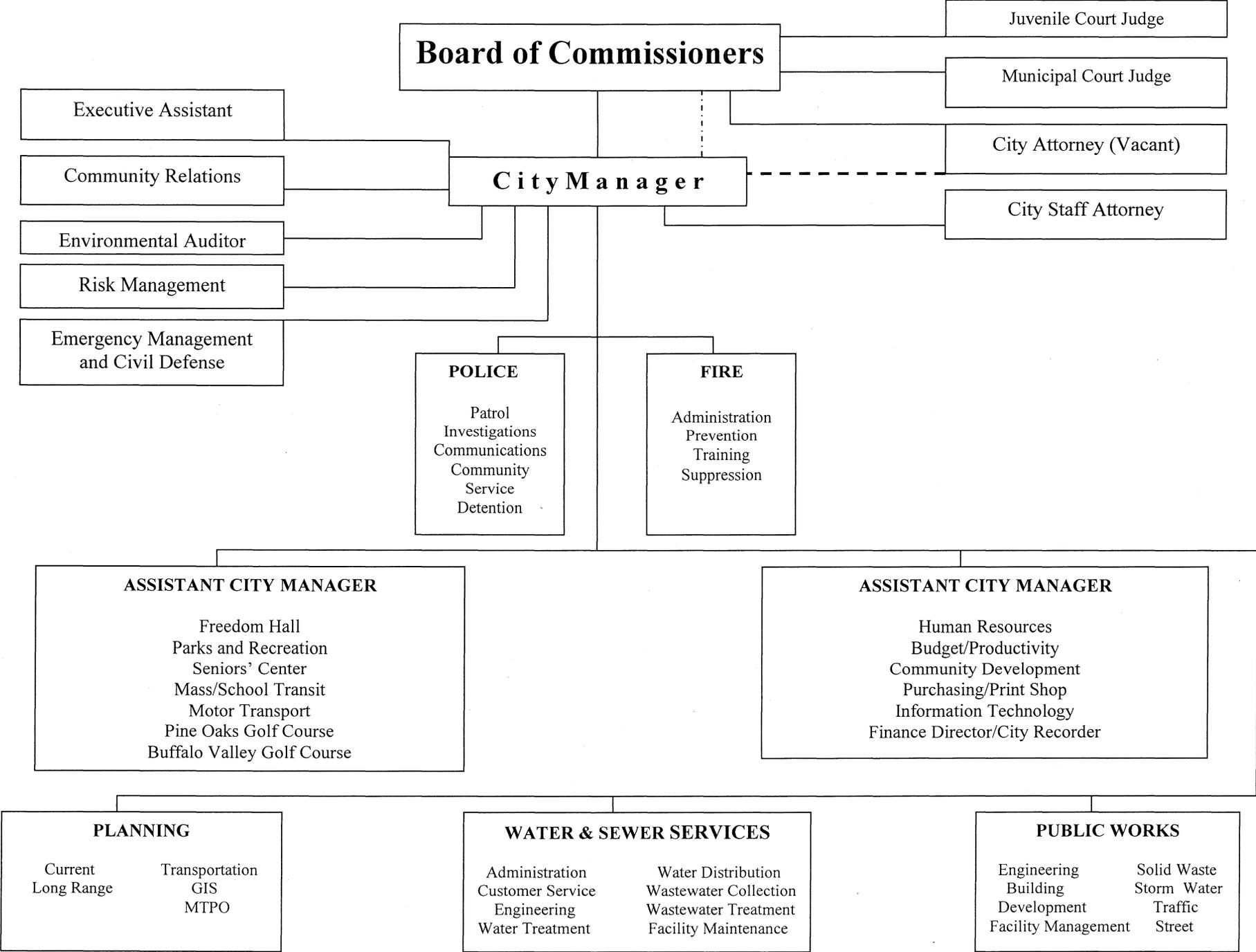
Linda C. Davison

President

Jeffrey R. Eno

Executive Director

CITIZENS OF JOHNSON CITY



CITY OF JOHNSON CITY, TENNESSEE
CITY OFFICIALS
June 30, 2011

Board of Commissioners:

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

City Judges:

Sharon Greene, Juvenile Judge
Stan Widener, City Judge

City Administration:

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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Johnson City Schools Site Based Fund, a nonmajor special revenue fund, which represents 1%, 2%, and 1%, respectively, of the assets, fund balance and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Johnson City Schools Site Based Fund, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to 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, 2011, 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.

As described in Note 1, the City of Johnson City, Tennessee has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, and the analysis of funding progress for defined benefit pension plans and post-employment healthcare plans on pages 133 through 134, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

December 15, 2011

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, 2011. 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 \$448,683 (*net assets*). Of this amount, \$372,208 is invested in capital assets (*net of related debt*) and \$200 is restricted for specific purposes.
- The City's total net assets increased by \$17,150 for the current period.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$54,822, a decrease of \$32,513 in comparison with the prior year. Of this amount, \$380 is nonspendable, \$39,783 is restricted, \$2,614 is committed for specific purposes, and \$6,636 is assigned. In addition, beginning fund balance decreased \$56 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 \$19,853, or 27% of total general fund expenditures including transfers out. This balance includes \$12,139 of restricted funds and \$2,299 committed for specific purposes.
- The City's total debt decreased by \$3,362 (1%) 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-two (22) individual governmental funds. Seventeen (17) 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 21 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 and 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 39 through 132 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor proprietary funds, are presented following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 135 through 162 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 \$448,683 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (83%) 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 128,762	153,811	83,621	94,980	212,383	248,791
Capital assets	266,628	229,910	351,340	331,059	617,968	560,969
Total assets	<u>395,390</u>	<u>383,721</u>	<u>434,961</u>	<u>426,039</u>	<u>830,351</u>	<u>809,760</u>
Long-term liabilities	144,140	139,827	149,160	156,343	293,300	296,170
Other liabilities	63,488	58,253	24,880	23,804	88,368	82,057
Total liabilities	<u>207,628</u>	<u>198,080</u>	<u>174,040</u>	<u>180,147</u>	<u>381,668</u>	<u>378,227</u>
Net assets:						
Invested in capital assets, net of related debt	152,945	129,429	219,263	207,564	372,208	336,993
Restricted	200	207	-	3,375	200	3,582
Unrestricted	34,617	56,005	41,658	34,953	76,275	90,958
Total net assets	<u>\$ 187,762</u>	<u>185,641</u>	<u>260,921</u>	<u>245,892</u>	<u>448,683</u>	<u>431,533</u>

The City's net assets include a significant investment in capital assets (83%), net of the related debt. A portion of the City's net assets (5%) 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 \$17,150 during the current fiscal year. About 12% of this increase (\$2,121) was from the governmental activities while the remaining 88% of the increase (\$15,029) was from the business-type activities.

The following is a summary of financial activities for the City during the 2011 fiscal year:

City of Johnson City's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 10,233	10,870	241,990	219,740	252,223	230,610
Operating grants & contributions	40,426	39,362	1,647	1,775	42,073	41,137
Capital grants & contributions	1,895	163	565	2,614	2,460	2,777
General revenues:						
Property taxes	38,778	38,250	-	-	38,778	38,250
Sales taxes	34,184	32,719	-	-	34,184	32,719
Other taxes & intergovernmental	8,386	7,456	-	-	8,386	7,456
Unrestricted investment earnings	1,203	685	759	540	1,962	1,225
Other	127	3,107	(158)	39	(31)	3,146
Total revenues	<u>135,232</u>	<u>132,612</u>	<u>244,803</u>	<u>224,708</u>	<u>380,035</u>	<u>357,320</u>

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Expenses:						
General government	10,694	16,250	-	-	10,694	16,250
Public safety	23,894	20,093	-	-	23,894	20,093
Public works	14,922	15,042	-	-	14,922	15,042
Public welfare	7,371	3,459	-	-	7,371	3,459
City services	2,223	2,924	-	-	2,223	2,924
Education	69,231	65,853	-	-	69,231	65,853
Interest on long-term debt	7,239	6,686	-	-	7,239	6,686
Water and sewer	-	-	24,165	21,602	24,165	21,602
City solid waste	-	-	8,336	8,018	8,336	8,018
Regional solid waste	-	-	2,006	1,926	2,006	1,926
Power board	-	-	185,044	163,284	185,044	163,284
Public building authority	-	-	2,007	2,015	2,007	2,015
Mass transit	-	-	3,431	3,449	3,431	3,449
Stormwater management	-	-	1,000	1,004	1,000	1,004
Golf courses	-	-	1,322	1,240	1,322	1,240
Total expenses	135,574	130,307	227,311	202,538	362,885	332,845
Increase in net assets before transfers	(342)	2,305	17,492	22,170	17,150	24,475
Transfers	2,463	2,242	(2,463)	(2,242)	-	-
Change in net assets	2,121	4,547	15,029	19,928	17,150	24,475
Net assets, beginning of period	185,641	181,094	245,892	225,964	431,533	407,058
Prior period adjustment	-	-	-	-	-	-
Net assets, end of period	<u>\$ 187,762</u>	<u>185,641</u>	<u>260,921</u>	<u>245,892</u>	<u>448,683</u>	<u>431,533</u>

Governmental activities. Governmental activities increased the City's net assets by \$2,121, thereby accounting for 12% of the total growth in the net assets of the City. This growth was primarily contributed by a surplus in the Insurance Fund. Additionally, information regarding this increase can be found in Note 2 on pages 53 through 54 of this report.

Business-type activities. Business-type activities increased the City's net assets by \$15,029 accounting for 88% 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 56% of the total growth in net assets for business-type activities.
- Water and Sewer Activities reported positive performance and contributed 33% 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.
- Stormwater management activities reported positive performance and provided 7% of the total net assets growth. These funds were invested in the capital expansion program.
- City and Regional solid waste activities contributed 5% of the net asset growth.

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, it is useful to review the various classifications of fund balance in measuring the City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$54,822, a current year decrease of \$32,513. Additionally, beginning fund balance decreased \$56 for adjustments to inventory accounted for under the purchase method. Included in ending fund balance are assets of \$380 which are nonspendable, indicating that they are either not in a spendable form or must be maintained intact. Restricted fund balance of \$39,783 includes amounts constrained for education (\$167), school debt service (\$1,415), specific capital projects (\$23,455), school food service (\$1,257), public safety (\$1,192), fund balance policy (\$11,772), and other services (\$525). Committed funds total \$315 for education and school food service and \$2,299 for compensated absences.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached \$19,853, including \$12,139 of restricted funds and \$2,299 committed for specific purposes. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 7% of total general fund expenditures and transfers out, while total fund balance represents 27% of that same amount. In conjunction with the 7% unassigned fund balance, it is important to consider that the restricted balance in fund balance includes 16% set aside to meet two (2) months of general fund expenditures, in accordance with the City's fund balance policy. The fund balance of the City's general fund increased by \$519 as a result of the transfer of funds from two (2) inactive capital project development funds.

The general-purpose school fund has a total fund balance of \$6,667, including \$44 of nonspendable assets, \$167 of restricted funds and \$309 committed for specific purposes. The net increase in fund balance was \$45. 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 \$1,415, all of which is restricted. The net increase was \$718. This increase is attributable to the restructuring of debt, which was done to more properly align debt service payments with the anticipated revenue stream.

The school capital project fund has a total fund balance of \$13,752, all of which is restricted. The net decrease in fund balance during the current year was \$24,487. This net decrease is primarily due to the expending of bond proceeds received in previous years.

Nonmajor (other) governmental funds have a fund balance of \$13,135, including \$336 of nonspendable assets, \$12,310 of restricted funds and \$6 committed for specific purposes. The net decrease in fund balance during the current year was \$9,308. This net decrease is primarily attributed to the expending of bond proceeds received in the previous year. Additionally, the beginning fund balances for nonmajor governmental funds were decreased \$56 for adjustments to inventory accounted for under the purchase method.

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

Unrestricted net assets of the Water and Sewer Fund, City Solid Waste Fund and Johnson City Power Board, at the end of the year, amounted to \$6,678, \$2,156 and \$30,089, respectively.

The Public Building Authority (PBA) is a blended component unit of the City and reported unrestricted net assets of \$655.

Nonmajor (other) proprietary funds reported unrestricted net assets of \$2,080. Total unrestricted net assets of proprietary funds amounted to \$41,658. Total growth in net assets for the proprietary funds amounted to \$15,029. 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 \$380 increase in expenditures appropriations and a \$270 decrease in net transfers appropriated, for a total net increase of \$110. The net increase consists of the following:

\$ 78	Public safety overtime, equipment, supplies and training (Fire and Police)
100	Additional fuel costs for student transportation
200	Public works snow removal costs
(166)	Debt service savings
(75)	Legal costs budgeted in general fund; funded in police grant fund
(27)	Other
<u>\$ 110</u>	

The increased budget for public safety was funded by additional donations, grants and other reimbursements. Primarily, the additional fuel and snow removal costs were offset by lower expenditures for debt service and legal services and better than anticipated revenue collections.

Differences, between the original budget and the final amended budget for the general purpose school fund, represent a \$481 increase in expenditures appropriations and a \$25 increase in transfers appropriated, for a total increase in appropriations of \$506. The net increase consists of the following:

\$ 481	Funding for increased personnel costs, materials, supplies, technology, staff development, communications and equipment
<u>25</u>	Transfers to educational facilities debt service fund
<u>\$ 506</u>	

This increase in spending was offset by additional local sales and property tax collections, as well as additional federal funds.

Final Amended Budget and Actual Amounts. Differences, between the final amended budget and actual results for the general fund, represent a \$1,480 decrease in expenditures and a \$1,024 decrease in net transfers, for a total decrease of \$2,504. This decrease consists of the following:

\$ 602	Purchase of railroad for construction of a recreation trail
(160)	Delayed capital spending for equipment
(756)	Net operating transfer from two (2) inactive capital project development funds
(879)	Reimbursement from capital project development fund
(305)	Increase in transfer from power board for annual payment in lieu of tax
222	Transfers required by golf fund, drug fund and police grants fund
(828)	Less than expected personnel-related expenditures and supplies due to delays in filling open positions and overall spending reductions (General Government)
(384)	Less than expected personnel-related expenditures, supplies and materials due to delays in filling open positions and overall spending reductions (Public Safety)
(16)	Other
<u>\$(2,504)</u>	

Since the budget to actual variance represents a reduction in required appropriations, no additional funding was necessary. Increases in revenue totaling \$971, when combined with the favorable expenditure performance, resulted in better performance by \$3,475. The final budget anticipated a deficit of \$2,956, while the actual surplus reported was \$519. Revenue experienced better than anticipated performance, with the most significant increases being realized in property tax and in-lieu payments (\$208), local and state sales tax (\$670), business tax (\$538) and other revenues (\$144). This strong performance was partially reduced by lower than budgeted revenues for municipal fines (\$589).

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, 2011, amounted to \$617,968 (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 equipment for public safety, public works, solid waste, water and sewer, golf, parks and recreation and information technology. Purchase of school buses, stormwater management property and equipment, and power board plant and equipment.
- Purchase of new voice-over-internet (VoIP) system
- Purchase of railroad for construction of a recreation trail
- Construction completed on new state-of-the art football stadium on Science Hill H.S. campus
- Construction completed on upgrade to Regional Wastewater Treatment Plant
- Renovation completed at Science Hill 8-9 campus
- Construction in progress on State of Franklin Bike Trail Phase II project
- Construction in progress on new community center
- Renovation project in progress on Freedom Hall Civic Center
- School Construction projects in progress on 10-12 campus renovations, new Science Hill 9th Grade Academy, multi-purpose facility, central energy plant and water detention facility
- Construction near completion at year-end on new Fairmont Elementary School
- Construction in progress on regional sewer capacity improvement project

City of Johnson City's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 20,460	19,717	15,668	15,411	36,128	35,128
Buildings and Improvements	161,100	152,278	51,503	50,637	212,603	202,915
Plant and Lines	-	-	380,584	324,243	380,584	324,243
Vehicles and Equipment	38,888	33,499	36,712	35,332	75,600	68,831
Infrastructure	161,144	158,208	-	-	161,144	158,208
Construction in Progress	58,809	31,741	19,989	55,121	78,798	86,862
Accumulated Depreciation	(173,773)	(165,533)	(153,116)	(149,685)	(326,889)	(315,218)
Total capital assets	\$ 266,628	229,910	351,340	331,059	617,968	560,969

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 \$285,135. All of this debt is backed by the full faith and credit of the government.

City of Johnson City's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Notes payable	\$ 623	893	1,295	1,315	1,918	2,208
General obligation bonds	139,345	135,306	80,469	84,028	219,814	219,334
Revenue bonds	-	-	62,765	66,665	62,765	66,665
Capital Leases	638	247	-	43	638	290
Total Long-Term Debt	\$ 140,606	136,446	144,529	152,051	285,135	288,497

The City's total debt decreased by \$3,362 (1%) during the current fiscal year, as a result of principal payments.

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

The City of Johnson City is subject to debt limitations imposed by its Charter. The total bonded indebtedness (excluding sales tax revenue debt) shall not exceed 10% of the assessed taxable value of property within the City. The current debt limitation for the City is in excess of the outstanding general obligation debt, with the amount of debt applicable to the debt limit at only 5.7%. Additional information on the City's long-term debt can be found in Note 4.F. on pages 70 through 99 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate (not seasonally adjusted) for the Johnson City statistical area is currently 9.4%, which is an increase of .5% from a year ago. This compares to the state's unemployment rate (not seasonally adjusted) of 9.8% as of June 30, 2011.
- Inflationary trends in the region are comparable to national indices.
- New construction permitted and inspected was up 3.8% from the previous year, at \$109 million.
- Growth in local sales tax collections is budgeted to approximate 2.3% in fiscal year 2012.

Short-term interest rates on the City's pooled cash account remained steady. The Federal Open Market Committee made no changes to the federal funds rate, which currently stands at 0-.25%. The City's financial institution currently credits interest on the pooled cash at a rate of .10%. All of these factors were considered in preparing the City of Johnson City's budget for fiscal year 2012.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,415. All appropriations lapse at year-end. The City of Johnson City has appropriated \$1,926 of this amount for capital spending in the fiscal year 2012 budget.

As the result of a cost rate study, water rates and sewer rates were adjusted 7.3% and 11.9%, respectively. Residential garbage collection rates were adjusted by 3.8% to 12.5%, depending on the type of service. Commercial collection rates were adjusted by 2.8% to 9.4%, depending on dumpster size.

Discretely Presented Component Unit

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

Requests for Information

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

CITY OF JOHNSON CITY, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Johnson City Public Library
<u>ASSETS:</u>				
Cash on Hand	\$ 10,924	22,417	33,341	500
Cash on Deposit with Paying Agent	5,560	260,804	266,364	-
Cash in Bank	19,177,916	15,896,444	35,074,360	276,835
Cash on Deposit with State of Tennessee	38,786	3,666,450	3,705,236	-
Cash Due from Central Depository	3,337,958	10,817,804	14,155,762	-
Investments	19,048,757	-	19,048,757	159,344
Accounts Receivable (Net)	2,255,881	11,408,180	13,664,061	3,188
Notes Receivable	35,220	118,929	154,149	-
Internal Balances	509,872	(509,872)	-	-
Taxes Receivable	30,288,686	-	30,288,686	-
Less: Estimated Uncollectible	(222,165)	-	(222,165)	-
Intergovernmental Receivables	20,677,294	616,259	21,293,553	-
Deposits	5,050	-	5,050	-
Inventories	635,012	5,279,315	5,914,327	-
Prepaid Expenses	138,147	126,559	264,706	-
Restricted Assets:				
Cash or Cash Equivalents	810,024	19,791,666	20,601,690	-
Investments	27,702,252	14,174,439	41,876,691	-
Other Assets:				
Bond Issue Costs (Net)	1,453,147	1,844,320	3,297,467	-
Customer Base (Net)	-	56,858	56,858	-
Prepaid Expenses	-	50,000	50,000	-
Fair Value of Interest Rate Swap	2,854,324	-	2,854,324	-
Capital Assets:				
Land	20,459,995	15,668,302	36,128,297	-
Book Collection	-	-	-	1,138,049
Buildings and Improvements	161,099,644	51,502,681	212,602,325	-
Plant in Service	-	380,583,534	380,583,534	-
Equipment and Vehicles	38,887,922	36,712,397	75,600,319	648,696
Infrastructure	161,144,578	-	161,144,578	-
Less: Accumulated Depreciation	(173,773,315)	(153,115,819)	(326,889,134)	(542,329)
Construction in Progress	58,808,863	19,989,145	78,798,008	-
Total Assets	395,390,332	434,960,812	830,351,144	1,684,283

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Johnson City Public Library
<u>LIABILITIES:</u>				
Cash Due to Central Depository	5,083,625	2,096,897	7,180,522	-
Accounts Payable	6,722,937	16,396,309	23,119,246	-
Accrued Payroll Expenses	3,963,035	1,014,086	4,977,121	36,457
Accrued Expenses	3,470,857	1,499,378	4,970,235	-
Deposits Payable	-	3,084,504	3,084,504	-
Deferred Revenue	-	38,341	38,341	119,433
Matured Bonds and Interest Payable	1,312,782	33,252	1,346,034	-
Retainages Payable	1,813,861	377,657	2,191,518	-
Unearned Revenue	38,231,108	-	38,231,108	-
Contractor Deposits	34,957	338,755	373,712	-
Compensated Absences:				
Due within one year	485,215	1,001,935	1,487,150	22,325
Due in more than one year	1,925,370	2,204,853	4,130,223	-
Noncurrent Liabilities:				
Due within one year	8,121,858	7,746,176	15,868,034	-
Due in more than one year	132,760,085	136,075,938	268,836,023	-
OPEB Liability	748,717	1,633,185	2,381,902	-
Termination Benefits	98,972	-	98,972	-
Deferred Inflow on Swap	2,854,324	-	2,854,324	-
Special Commission Bonds	-	11,756	11,756	-
Deferred Landfill Postclosure Cost:				
Due within one year	-	37,380	37,380	-
Due in more than one year	-	448,560	448,560	-
Customer Deposits	-	975	975	-
Total Liabilities	207,627,703	174,039,937	381,667,640	178,215
<u>NET ASSETS:</u>				
Invested in Capital Assets, Net of Related Debt	152,945,238	219,263,153	372,208,391	1,244,416
Restricted for:				
Restricted for Imagination Library	-	-	-	17,600
Restricted for School Trust-Nonexpendable	200,340	-	200,340	-
Unrestricted	34,617,051	41,657,722	76,274,773	244,052
Total Net Assets	\$ 187,762,629	260,920,875	448,683,504	1,506,068

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, 2011

Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS							
	PROGRAM REVENUES				Primary Government			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Johnson City Public Library
Primary Government:								
Governmental Activities:								
General Government	\$ 10,694,496	2,044,419	96,689	-	(8,553,388)	-	(8,553,388)	-
Public Safety	23,894,249	2,697,091	2,262,374	-	(18,934,784)	-	(18,934,784)	-
Public Works	14,922,121	5,822	176,250	1,233,692	(13,506,357)	-	(13,506,357)	-
Public Welfare	7,371,142	164,506	689,542	-	(6,517,094)	-	(6,517,094)	-
City Services	2,222,801	2,753,846	1,963,707	-	2,494,752	-	2,494,752	-
Education	69,230,829	2,567,520	35,237,467	661,800	(30,764,042)	-	(30,764,042)	-
Interest on Long-Term Debt	7,238,948	-	-	-	(7,238,948)	-	(7,238,948)	-
Total Governmental Activities	135,574,586	10,233,204	40,426,029	1,895,492	(83,019,861)	0	(83,019,861)	0
Business-type Activities:								
Water and Sewer	24,164,954	28,708,578	-	386,240	-	4,929,864	4,929,864	-
City Solid Waste	8,335,603	8,912,152	-	-	-	576,549	576,549	-
Regional Solid Waste	2,006,080	2,484,240	-	-	-	478,160	478,160	-
Johnson City Power Board	185,044,289	196,431,434	-	-	-	11,387,145	11,387,145	-
JC Public Building Authority	2,006,730	2,062,899	-	-	-	56,169	56,169	-
Mass Transit	3,431,139	432,978	1,646,942	178,036	-	(1,173,183)	(1,173,183)	-
Stormwater Management	999,687	2,103,651	-	-	-	1,103,964	1,103,964	-
Golf Courses	1,322,319	853,551	-	-	-	(468,768)	(468,768)	-
Total Business-type Activities	227,310,801	241,989,483	1,646,942	564,276	0	16,889,900	16,889,900	0
Total Primary Government	\$ 362,885,387	252,222,687	42,072,971	2,459,768	(83,019,861)	16,889,900	(66,129,961)	0

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS							
	PROGRAM REVENUES				Primary Government			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Johnson City Public Library
Component Unit:								
Johnson City Public Library	\$ 1,724,363	51,544	1,659,365	-	-	-	-	(13,454)
	<u>\$ 1,724,363</u>	<u>51,544</u>	<u>1,659,365</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(13,454)</u>
General Revenues:								
Property Taxes					38,777,516	-	38,777,516	-
Sales Taxes					34,184,073	-	34,184,073	-
Beer and Liquor Taxes					2,734,851	-	2,734,851	-
Business Taxes					2,322,623	-	2,322,623	-
Room Occupancy Taxes					1,036,348	-	1,036,348	-
Telephone and Cable Taxes					742,675	-	742,675	-
State of Tennessee Mixed Drink Taxes					539,949	-	539,949	-
Franchise Taxes					387,354	-	387,354	-
State Income Taxes					519,362	-	519,362	-
State of Tennessee Excise Taxes					103,254	-	103,254	-
Unrestricted Investment Earnings					1,203,024	759,353	1,962,377	840
Loss on Disposal of Capital Assets					-	(157,722)	(157,722)	-
Note Proceeds from Washington County					120,636	-	120,636	-
Other General Revenue					6,799	-	6,799	53,409
Transfers					2,463,274	(2,463,274)	-	-
Total General Revenues and Transfers					<u>85,141,738</u>	<u>(1,861,643)</u>	<u>83,280,095</u>	<u>54,249</u>
Change in Net Assets					2,121,877	15,028,257	17,150,134	40,795
Net Assets, Beginning					<u>185,640,752</u>	<u>245,892,618</u>	<u>431,533,370</u>	<u>1,465,273</u>
Net Assets, Ending					<u>\$ 187,762,629</u>	<u>260,920,875</u>	<u>448,683,504</u>	<u>1,506,068</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, 2011

	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	\$ -	-	-	-	995,368	1,895,834	2,891,202
Cash on Hand	9,045	-	-	-	-	1,879	10,924
Cash in Bank	17,489	4,913,764	-	771,886	8	1,724,979	7,428,126
Cash on Deposit with Paying Agent	5,560	-	-	-	-	-	5,560
Cash on Deposit with State of Tennessee	460	-	-	-	-	38,326	38,786
Investments	19,048,757	-	-	-	-	-	19,048,757
Taxes Receivable	30,288,686	-	-	-	-	-	30,288,686
Less: Estimated Uncollectible	(222,165)	-	-	-	-	-	(222,165)
Accounts Receivable (Net)	1,199,759	29,090	-	604,776	-	235,247	2,068,872
Notes Receivable	-	-	-	-	-	35,220	35,220
Due from Washington County	-	12,653,841	-	-	-	-	12,653,841
Due from State of Tennessee	2,192,613	734,776	-	-	-	1,565,680	4,493,069
Due from Other Funds	493,512	894,805	-	-	-	-	1,388,317
Due from Federal Government	-	-	-	-	218,937	304,108	523,045
Due from Local Governments	3,007,339	-	-	-	-	-	3,007,339
Postage Deposits	5,050	-	-	-	-	-	5,050
Inventories	-	44,061	-	-	-	135,248	179,309
Advances to Other Funds	295,000	-	-	-	-	-	295,000
Restricted Cash	-	-	3,026	38,566	522,108	246,324	810,024
Restricted Investments	-	-	-	-	17,057,247	10,645,005	27,702,252
Total Assets	\$ 56,341,105	19,270,337	3,026	1,415,228	18,793,668	16,827,850	112,651,214

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	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	\$ 4,036,696	-	3,026	-	-	817,925	4,857,647
Accounts Payable	1,156,371	110,265	-	-	3,553,423	1,235,792	6,055,851
Accrued Payroll Expenditures	981,657	2,598,021	-	-	-	304,034	3,883,712
Accrued Expenditures	1,610	-	-	-	-	960	2,570
Retainages Payable	-	-	-	-	1,488,606	325,255	1,813,861
Due to Other Funds	178,440	100,200	-	-	-	894,805	1,173,445
Contractor Deposits	34,957	-	-	-	-	-	34,957
Matured Bonds and Interest Payable	5,560	-	-	-	-	-	5,560
Deferred Revenue	1,770,436	-	-	-	-	-	1,770,436
Unearned Revenue	28,321,917	9,795,236	-	-	-	113,955	38,231,108
Total Liabilities	36,487,644	12,603,722	3,026	0	5,042,029	3,692,726	57,829,147
<u>Fund Balances:</u>							
Nonspendable	-	44,061	-	-	-	335,588	379,649
Restricted	12,138,874	166,809	-	1,415,228	13,751,639	12,310,298	39,782,848
Committed	2,298,866	309,531	-	-	-	5,675	2,614,072
Assigned	-	6,146,214	-	-	-	489,591	6,635,805
Unassigned	5,415,721	-	-	-	-	(6,028)	5,409,693
Total Fund Balances	19,853,461	6,666,615	0	1,415,228	13,751,639	13,135,124	54,822,067
Total Liabilities and Fund Balances	\$ 56,341,105	19,270,337	3,026	1,415,228	18,793,668	16,827,850	112,651,214

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, 2011

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

Total Fund Balances of Governmental Funds	\$ 54,822,067
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	266,452,010
Prepays are expensed when disbursed and are not recognized based upon economic benefit or recorded as assets in the governmental funds.	112,998
Bond issue costs are expensed when disbursed in the governmental funds and are amortized over the life of the bonds in the governmental activities.	1,453,147
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.	1,471,209
Other revenues which are earned but not available to finance current period expenditures and are reported as deferred revenue at the fund level.	299,227
OPEB and termination benefits represent liabilities of the City that are not recorded at the fund level.	(847,689)
Compensated absences are not considered due and payable in governmental funds until an employee has terminated service. Therefore, these amounts are presented as restricted fund balance.	(2,349,771)
Accrued interest on the notes and bonds payable represents a liability of the City that is generally not recorded at the fund level.	(1,307,222)
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.	(140,881,943)
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.	<u>8,538,596</u>
Net Assets of Governmental Activities	<u>\$ 187,762,629</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, 2011

	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	\$ 53,988,571	20,522,410	-	1,948,851	-	-	76,459,832
Licenses and Permits	790,124	1,361	-	-	-	-	791,485
Intergovernmental Revenue	9,083,628	25,128,658	-	-	782,436	12,315,453	47,310,175
Charges for Services	875,949	1,177,845	-	-	-	998,344	3,052,138
Fines and Forfeitures	2,148,594	-	-	-	-	459,306	2,607,900
Revenue from Use of Property	1,054,790	-	-	-	-	1,395,570	2,450,360
Investment Earnings	311,323	79,716	405,114	8,975	294,682	92,186	1,191,996
Miscellaneous	849,936	171,923	-	-	163,401	358,407	1,543,667
Total Revenues	69,102,915	47,081,913	405,114	1,957,826	1,240,519	15,619,266	135,407,553
<u>Expenditures:</u>							
<u>Current:</u>							
General Government	11,368,365	-	-	-	-	-	11,368,365
Public Safety	22,452,606	-	-	-	-	1,036,148	23,488,754
Public Works	11,008,160	-	-	-	-	-	11,008,160
Public Welfare	6,117,409	-	-	-	-	582,020	6,699,429
City Services	-	-	-	-	-	2,019,303	2,019,303
Education	-	53,164,991	-	-	-	11,039,846	64,204,837
Miscellaneous	-	-	-	-	-	6,500	6,500
<u>Capital Outlay</u>							
General Government	11,972	-	-	-	-	9,966,325	9,978,297
Public Works	259,332	-	-	-	-	1,303,634	1,562,966
City Services	-	-	-	-	-	753,260	753,260
Education	-	62,548	-	-	34,911,018	361,148	35,334,714
<u>Debt Service:</u>							
Principal Retirement	-	-	6,332,024	644,846	-	-	6,976,870
Interest and Fiscal Charges	-	-	4,236,330	3,493,012	-	-	7,729,342
Total Expenditures	51,217,844	53,227,539	10,568,354	4,137,858	34,911,018	27,068,184	181,130,797
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,885,071	(6,145,626)	(10,163,240)	(2,180,032)	(33,670,499)	(11,448,918)	(45,723,244)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):							
Transfers from Other Funds	5,350,130	8,235,921	10,068,240	1,073,277	1,023,756	3,147,495	28,898,819
Transfers to Other Funds	(22,803,218)	(2,045,516)	-	-	-	(2,039,239)	(26,887,973)
Capital Lease	-	-	-	-	-	704,688	704,688
Sale of Real Estate and Other Equipment	86,619	-	-	-	-	(24,803)	61,816
Bond Issue Proceeds	-	-	-	-	8,160,000	353,279	8,513,279
Bond Refunding Payments	-	-	(2,685,000)	(30,885,712)	-	-	(33,570,712)
Bond Proceeds-Refunding	-	-	2,780,000	32,710,000	-	-	35,490,000
Total Other Financing Sources (Uses)	(17,366,469)	6,190,405	10,163,240	2,897,565	9,183,756	2,141,420	13,209,917
Net Change in Fund Balances	518,602	44,779	0	717,533	(24,486,743)	(9,307,498)	(32,513,327)
Fund Balances, July 1, 2010	19,334,859	6,621,836	-	697,695	38,238,382	22,497,788	87,390,560
Purchase Method Inventory Adjustment	-	-	-	-	-	(55,166)	(55,166)
Fund Balances, July 1, 2010 (Restated)	19,334,859	6,621,836	0	697,695	38,238,382	22,442,622	87,335,394
Fund Balances, June 30, 2011	\$ 19,853,461	6,666,615	0	1,415,228	13,751,639	13,135,124	54,822,067

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, 2011

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

Net Change in Fund Balances of Governmental Funds	\$ (32,513,327)
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.	37,360,545
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.	(616,535)
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 premiums and discounts when debt is issued. These amounts and deferred refundings are amortized in the statement of activities. This is the amount by which repayments exceeded proceeds and changes in premiums, discounts and refundings.	(3,987,570)
Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	327,442
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.	(55,166)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(184,968)
Liability for OPEB and termination benefits are not reported in the governmental funds.	(435,921)
Premiums paid for insurance from the governmental funds are expensed as paid. A portion of the payments are prepaid insurance.	(19,602)
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.	(9,863)
Expenses for compensated absences do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	108,163
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.	<u>2,148,679</u>
Change in Net Assets of Governmental Activities	<u>\$ 2,121,877</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
<u>Taxes:</u>				
Property Tax (Net of Discounts)	\$ 27,615,000	27,615,000	27,574,966	(40,034)
Property Tax - Penalty and Interest	335,000	335,000	407,515	72,515
Other Fees - Taxes	-	-	1,932	1,932
Received in Lieu of Taxes	1,326,966	1,326,966	1,500,706	173,740
Local Sales Tax	17,136,000	17,136,000	17,587,990	451,990
Business Tax	1,500,000	1,500,000	2,038,444	538,444
Business Tax - Penalty and Interest	17,500	17,500	5,488	(12,012)
Local Beer Tax	2,100,000	2,100,000	2,112,818	12,818
Local Liquor Tax	545,000	545,000	592,335	47,335
Hotel/Motel Tax	1,000,000	1,000,000	1,036,348	36,348
Franchise Tax	475,000	475,000	387,354	(87,646)
Telephone Commissions/Cable	810,000	810,000	742,675	(67,325)
Total Taxes	52,860,466	52,860,466	53,988,571	1,128,105
<u>Licenses and Permits:</u>				
Building Permits	405,000	405,000	466,652	61,652
Electrical Permits and Electrician Certificates	50,000	50,000	58,674	8,674
Plumbing Permits and Plumbers Certificates	43,000	43,000	47,587	4,587
Natural Gas Permits	7,500	7,500	8,636	1,136
Zoning Permits and Fees	14,000	14,000	9,655	(4,345)
Mechanical Permits	31,900	31,900	37,641	5,741
Sign Permits	19,000	19,000	13,362	(5,638)
Plan Review Permits	20,000	20,000	38,840	18,840
Beverage and Private Club Permits	98,000	98,000	107,650	9,650
Other Fees and Licenses	5,000	5,000	1,427	(3,573)
Total Licenses and Permits	693,400	693,400	790,124	96,724
<u>Intergovernmental Revenues:</u>				
<u>State of Tennessee:</u>				
Boarding of Prisoners	1,375,000	1,375,000	1,539,338	164,338
Sales Tax	3,588,000	3,588,000	3,806,055	218,055
Income Tax	425,000	425,000	594,184	169,184
Beer Tax	31,000	31,000	29,698	(1,302)
Mixed Drink Tax	570,000	570,000	539,949	(30,051)
State Street Aid	1,493,000	1,493,000	1,550,471	57,471
Highway Maintenance	297,700	297,700	291,058	(6,642)
Street and Transit	123,000	123,000	122,178	(822)
Excise Taxes	186,000	186,000	78,993	(107,007)
Civil Defense	42,000	42,000	7,057	(34,943)

(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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues (Continued):</u>				
<u>Intergovernmental Revenues (Continued):</u>				
<u>State of Tennessee (Continued):</u>				
Fire Supplement	72,000	72,000	68,400	(3,600)
Police Supplement	84,600	84,600	84,000	(600)
First TN-VA Development				
District Senior Citizens Grant	67,000	67,000	58,221	(8,779)
Telecommunications	7,000	7,000	4,099	(2,901)
Other	-	-	1,126	1,126
Total State of Tennessee	8,361,300	8,361,300	8,774,827	413,527
<u>Washington County:</u>				
Public Safety	209,058	209,058	209,058	-
Senior Citizens	50,000	50,000	50,000	-
Juvenile Court	4,500	4,500	4,500	-
Total Washington County	263,558	263,558	263,558	-
Federal Emergency Management	-	20,971	45,243	24,272
Total Intergovernmental Revenues	8,624,858	8,645,829	9,083,628	437,799
<u>Charges for Services:</u>				
School Bus Charters	113,000	113,000	109,395	(3,605)
Clerk Fees	20,000	20,000	975	(19,025)
Accident Reports	20,000	20,000	18,894	(1,106)
Sidewalk Assessments/Curb Cuts	4,000	4,000	704	(3,296)
Special Work Charges	35,000	35,000	-	(35,000)
Administrative Fees from Other Funds	735,029	735,029	735,029	-
Miscellaneous Services	2,800	3,200	10,952	7,752
Total Charges for Services	929,829	930,229	875,949	(54,280)
<u>Fines and Forfeitures:</u>				
Municipal Courts - Fines and Court Costs	2,737,500	2,737,500	2,148,594	(588,906)
Total Fines and Forfeitures	2,737,500	2,737,500	2,148,594	(588,906)
<u>Revenue From Use of Property:</u>				
Rents from Buildings and Equipment	235,850	235,850	317,055	81,205
Parks and Recreation	363,650	363,650	436,167	72,517
Print Shop Charges	73,000	73,000	51,157	(21,843)
Computer Services (MIS)	237,350	237,350	250,411	13,061
Total Revenue From Use of Property	909,850	909,850	1,054,790	144,940

(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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Investment Earnings:</u>				
Investment Income	250,000	250,000	311,323	61,323
Total Investment Earnings	250,000	250,000	311,323	61,323
<u>Miscellaneous:</u>				
Refunds and Reimbursements	376,500	402,150	276,029	(126,121)
Senior Citizens	68,400	68,400	76,628	8,228
Donations	113,700	118,583	41,721	(76,862)
Damages	-	8,075	14,389	6,314
Sale of Methane Gas	225,000	225,000	167,872	(57,128)
Miscellaneous	258,500	282,238	273,297	(8,941)
Total Miscellaneous	1,042,100	1,104,446	849,936	(254,510)
Total Revenues	68,048,003	68,131,720	69,102,915	971,195
<u>Expenditures:</u>				
<u>General Government:</u>				
Economic Development	103,293	103,293	106,444	(3,151)
City Commission	91,495	91,495	62,819	28,676
City Court	670,347	670,347	459,017	211,330
Staff Attorney	319,090	319,090	241,230	77,860
Juvenile Court	726,036	726,036	697,646	28,390
City Manager	368,081	368,081	364,349	3,732
Management Services	390,263	390,263	393,660	(3,397)
Community Relations Office	265,033	265,033	238,859	26,174
Community Economic Coordinator	40,723	40,723	40,583	140
Purchasing	148,604	148,604	145,623	2,981
Human Resources	366,525	367,785	352,267	15,518
Planning	460,087	474,087	444,316	29,771
Miscellaneous Appropriations	557,500	532,500	401,894	130,606
Risk Management	472,699	472,699	362,443	110,256
Geographic Information Systems	180,782	180,782	129,602	51,180
Management Information Systems	1,168,955	1,168,955	1,001,577	167,378
Central Print Shop	98,882	98,882	92,080	6,802
Special Appropriations	4,197,382	4,197,382	4,247,382	(50,000)
Finance Administration	178,112	178,112	177,515	597
Accounting	760,295	760,295	768,852	(8,557)
Collections	530,580	530,580	512,605	17,975
Records Management	58,740	58,740	58,361	379
General Elections	65,000	65,000	69,241	(4,241)
Capital Outlay	-	-	11,972	(11,972)
Total General Government	12,218,504	12,208,764	11,380,337	828,427

(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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Expenditures (Continued):</u>				
<u>Public Safety:</u>				
Student Transportation	1,857,848	1,957,848	1,929,711	28,137
Police Department	12,049,246	12,081,033	11,880,437	200,596
Fire Department	8,540,446	8,585,093	8,421,878	163,215
Civil Defense	210,173	212,169	220,580	(8,411)
Total Public Safety	22,657,713	22,836,143	22,452,606	383,537
<u>Public Works:</u>				
Administration	303,349	303,349	302,771	578
Streets	5,194,938	5,366,703	5,339,996	26,707
Engineering	756,154	756,645	749,433	7,212
Inspection	841,295	841,295	743,185	98,110
Traffic Control	2,468,325	2,476,400	2,451,779	24,621
Sidewalks	154,450	174,119	158,855	15,264
Mowing	263,950	263,950	319,853	(55,903)
General Facilities	440,099	440,099	474,878	(34,779)
Municipal Building	277,173	277,173	290,589	(13,416)
Keystone	126,813	126,813	130,527	(3,714)
Facilities Center	12,400	12,400	46,294	(33,894)
Capital Outlay	235,000	235,000	259,332	(24,332)
Total Public Works	11,073,946	11,273,946	11,267,492	6,454
<u>Public Welfare:</u>				
Public Building Authority	1,338,801	1,338,801	1,338,801	-
Parks and Recreation	3,963,675	3,975,399	3,952,269	23,130
Senior Citizens	854,533	854,533	826,339	28,194
Total Public Welfare	6,157,009	6,168,733	6,117,409	51,324
<u>Debt Service:</u>				
Bond - Principal	112,232	112,232	-	112,232
Bond - Interest	97,768	97,768	-	97,768
Total Debt Service	210,000	210,000	0	210,000
Total Expenditures	52,317,172	52,697,586	51,217,844	1,479,742

(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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,730,831	15,434,134	17,885,071	2,450,937
Other Financing Sources (Uses):				
Transfer to Drug Fund	-	-	(98,586)	(98,586)
Transfer to General Purpose School Fund	(8,188,675)	(8,188,675)	(8,188,675)	-
Transfer to Insurance Fund	(375,000)	(375,000)	(452,428)	(77,428)
Transfer to Mass Transit	(636,500)	(636,500)	(636,500)	-
Transfer to Freedom Hall	(175,000)	(175,000)	(246,681)	(71,681)
Transfer from Police Grants	-	-	256	256
Transfer from Police Technology	-	-	10,496	10,496
Transfer to Capital Projects	(2,300,000)	(2,300,000)	(2,750,261)	(450,261)
Transfer to Special School Projects	(13,950)	(13,950)	(13,950)	-
Transfer to School Federal Projects	(2,000)	(2,000)	(2,000)	-
Transfer to Police Grants	(75,000)	-	(23,796)	(23,796)
Transfer to Debt Service	(9,760,618)	(9,594,157)	(9,784,659)	(190,502)
Transfers to Other Funds	(22,000)	(22,000)	-	22,000
Transfer from Capital Projects	-	29,224	1,672,644	1,643,420
Transfer from Proprietary Funds	3,362,000	3,362,000	3,666,734	304,734
Transfer to Proprietary Funds	(469,000)	(469,000)	(568,768)	(99,768)
Transfer to MTPO	(55,502)	(55,502)	(36,914)	18,588
Sale of Real Estate and Other Equipment	50,000	50,000	86,619	36,619
Total Other Financing Sources (Uses)	(18,661,245)	(18,390,560)	(17,366,469)	1,024,091
Net Change in Fund Balance	(2,930,414)	(2,956,426)	518,602	3,475,028
Fund Balance, July 1, 2010	19,334,859	19,334,859	19,334,859	-
Fund Balance, June 30, 2011	\$ 16,404,445	16,378,433	19,853,461	3,475,028

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, 2011

	<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	\$ 10,279,741	10,579,741	10,841,177	261,436
County Property Tax	8,973,802	9,096,662	9,151,702	55,040
Interest and Penalty	70,000	70,000	95,612	25,612
Business Tax	265,000	265,000	278,691	13,691
In Lieu - Local Utilities	132,000	132,000	155,228	23,228
Total Taxes	<u>19,720,543</u>	<u>20,143,403</u>	<u>20,522,410</u>	<u>379,007</u>
<u>Licenses and Permits:</u>				
Marriage Licenses	1,500	1,500	1,361	(139)
Total Licenses and Permits	<u>1,500</u>	<u>1,500</u>	<u>1,361</u>	<u>(139)</u>
<u>Intergovernmental Revenues:</u>				
<u>State of Tennessee:</u>				
Basic Education Program	24,166,000	24,166,000	24,298,000	132,000
Career Ladder Program	505,000	476,000	500,371	24,371
Bank Excise Tax	46,000	46,000	20,781	(25,219)
Mixed Drink Tax	1,000	1,000	2,583	1,583
Telecommunication Tax	7,500	7,500	3,479	(4,021)
Other State of Tennessee Funds	20,000	20,000	34,409	14,409
Total State of Tennessee	<u>24,745,500</u>	<u>24,716,500</u>	<u>24,859,623</u>	<u>143,123</u>
<u>Federal:</u>				
ROTC Reimbursement	50,000	50,000	56,238	6,238
Other Federal Funds	-	212,798	212,797	(1)
Total Federal	<u>50,000</u>	<u>262,798</u>	<u>269,035</u>	<u>6,237</u>
Total Intergovernmental Revenues	<u>24,795,500</u>	<u>24,979,298</u>	<u>25,128,658</u>	<u>149,360</u>
<u>Charges for Services:</u>				
School Tuition	430,000	350,000	263,444	(86,556)
Educare Revenue	850,000	850,000	789,775	(60,225)
Other Charges	105,000	130,000	124,626	(5,374)
Total Charges for Services	<u>1,385,000</u>	<u>1,330,000</u>	<u>1,177,845</u>	<u>(152,155)</u>
<u>Investment Earnings:</u>				
Investment Income	78,600	78,600	79,716	1,116
Total Investment Earnings	<u>78,600</u>	<u>78,600</u>	<u>79,716</u>	<u>1,116</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, 2011

	<u>Budgeted Amounts</u>		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Miscellaneous Revenues:</u>				
Refunds and Reimbursements	95,000	95,000	93,491	(1,509)
Other Local Revenue	108,000	108,000	78,432	(29,568)
Total Miscellaneous Revenues	<u>203,000</u>	<u>203,000</u>	<u>171,923</u>	<u>(31,077)</u>
 Total Revenues	 <u>46,184,143</u>	 <u>46,735,801</u>	 <u>47,081,913</u>	 <u>346,112</u>
 <u>Expenditures:</u>				
<u>Instruction:</u>				
Regular Education	30,791,691	30,538,293	29,793,587	744,706
Special Education	4,093,894	4,114,544	3,998,759	115,785
Vocational Education	1,460,194	1,570,744	1,548,573	22,171
Adult Education	82,457	1,933	-	1,933
Preschool	152,999	179,999	134,348	45,651
Total Instruction	<u>36,581,235</u>	<u>36,405,513</u>	<u>35,475,267</u>	<u>930,246</u>
 <u>Support Services:</u>				
Health Services	197,815	197,815	197,052	763
Student Support	1,423,378	1,425,024	1,390,478	34,546
Regular Education	2,395,149	2,529,549	2,357,858	171,691
Alternative Instructional	846,730	846,730	757,268	89,462
Special Education	239,683	219,033	218,680	353
Vocational Education	202,985	204,485	203,816	669
Adult Education	22,031	52,031	4,345	47,686
Board of Education	498,780	508,780	500,159	8,621
Office of Director of Schools	513,879	513,879	512,114	1,765
Office of Principal	3,678,400	3,731,900	3,653,705	78,195
Fiscal Services	383,639	558,639	553,555	5,084
Operation of Plant	4,760,283	4,804,283	4,629,023	175,260
Maintenance of Plant	1,458,813	1,488,813	1,475,730	13,083
Transportation Expense	2,034,448	2,034,448	96,068	1,938,380
Other Support	755,511	802,061	751,772	50,289
Community Services	850,000	850,000	715,342	134,658
Other Capital Outlay	66,975	217,875	62,548	155,327
Total Support Services	<u>20,328,499</u>	<u>20,985,345</u>	<u>18,079,513</u>	<u>2,905,832</u>
 Total Expenditures	 <u>56,909,734</u>	 <u>57,390,858</u>	 <u>53,554,780</u>	 <u>3,836,078</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>(10,725,591)</u>	 <u>(10,655,057)</u>	 <u>(6,472,867)</u>	 <u>4,182,190</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, 2011

	<u>Budgeted Amounts</u>		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Other Financing Sources (Uses):</u>				
Transfer from General Fund	10,046,523	10,046,523	8,188,675	(1,857,848)
Transfer to Educational Facilities Debt Service	(1,312,920)	(1,337,920)	(1,356,858)	(18,938)
Transfer to Special School Project	(12,538)	(12,538)	(7,578)	4,960
Transfer from School Federal Projects	43,785	43,785	47,246	3,461
Transfer to School Site Based Fund	-	-	(681,080)	(681,080)
Total Other Financing Sources (Uses)	<u>8,764,850</u>	<u>8,739,850</u>	<u>6,190,405</u>	<u>(2,549,445)</u>
Net Change in Fund Balance	(1,960,741)	(1,915,207)	(282,462)	1,632,745
Fund Balance, July 1, 2010	<u>6,557,768</u>	<u>6,557,768</u>	<u>6,557,768</u>	-
Fund Balance, June 30, 2011	<u>\$ 4,597,027</u>	<u>4,642,561</u>	<u>6,275,306</u>	<u>1,632,745</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, 2011

	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	100	19,300	-	2,917	22,417	-
Cash in Bank	380,408	-	15,256,990	259,046	-	15,896,444	11,749,790
Cash on Deposit with Paying Agent	260,804	-	-	-	-	260,804	-
Cash on Deposit with State of Tennessee	2,680,810	-	-	985,640	-	3,666,450	-
Cash Due from Central Depository	4,337,488	2,647,974	-	-	3,832,342	10,817,804	446,756
Accounts Receivable (Net)	1,292,794	468,974	9,488,381	6,569	151,462	11,408,180	187,009
Notes Receivable	-	-	118,929	-	-	118,929	-
Due from Federal Government	-	-	-	-	460,326	460,326	-
Due from State of Tennessee	-	-	-	-	155,933	155,933	-
Due from Other Funds	-	-	501,900	-	-	501,900	-
Inventories	1,465,968	-	3,724,514	-	88,833	5,279,315	455,703
Prepaid Expenses	-	-	124,309	-	2,250	126,559	25,149
Total Current Assets	10,418,372	3,117,048	29,234,323	1,251,255	4,694,063	48,715,061	12,864,407
Noncurrent Assets:							
Capital Assets:							
Land	3,070,491	2,100,747	4,883,883	2,281,070	3,332,111	15,668,302	-
Buildings	336,973	599,183	27,912,931	18,294,173	4,359,421	51,502,681	-
Plant in Service	194,438,162	-	186,145,372	-	-	380,583,534	-
Equipment and Vehicles	8,527,596	8,047,832	10,435,818	1,909,874	7,791,277	36,712,397	617,148
Less: Accumulated Depreciation	(73,391,013)	(5,056,143)	(61,504,761)	(6,935,055)	(6,228,847)	(153,115,819)	(441,471)
Construction In Progress	10,422,119	-	8,978,725	35,766	552,535	19,989,145	-
Net Capital Assets	143,404,328	5,691,619	176,851,968	15,585,828	9,806,497	351,340,240	175,677
Restricted Assets:							
Cash or Cash Equivalents	40,083	87	19,751,496	-	-	19,791,666	-
Investments	12,853,976	-	1,320,463	-	-	14,174,439	-
Total Restricted Assets	12,894,059	87	21,071,959	0	0	33,966,105	0

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	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)	828,916	23,604	810,454	171,601	9,745	1,844,320	-
Customer Base (Net)	56,858	-	-	-	-	56,858	-
Prepaid Expenses	-	-	50,000	-	-	50,000	-
Total Other Assets	885,774	23,604	860,454	171,601	9,745	1,951,178	0
Total Non-Current Assets	157,184,161	5,715,310	198,784,381	15,757,429	9,816,242	387,257,523	175,677
Total Assets	167,602,533	8,832,358	228,018,704	17,008,684	14,510,305	435,972,584	13,040,084
LIABILITIES:							
Current Liabilities:							
Cash Due to Central Depository	-	-	-	-	2,096,897	2,096,897	225,978
Accounts Payable	2,802,104	262,962	12,887,894	209,676	233,673	16,396,309	667,086
Accrued Payroll Expenses	377,486	104,012	407,617	-	124,971	1,014,086	79,323
Accrued Expenses	401,945	27,200	853,262	208,212	8,759	1,499,378	3,468,287
Notes and Bonds Payable - Current Portion	3,839,986	441,190	2,530,000	725,000	210,000	7,746,176	-
Due to Other Funds	223,260	-	-	493,512	-	716,772	-
Retainages Payable	370,345	-	-	-	7,312	377,657	-
Compensated Absences - Current Portion	333,919	70,566	485,215	-	112,235	1,001,935	48,043
Deposits Payable	-	-	3,084,504	-	-	3,084,504	-
Deferred Revenue	3,341	-	-	-	35,000	38,341	-
Contractor Deposits	338,755	-	-	-	-	338,755	-
Deferred Landfill Postclosure Cost - Current Portion	-	37,380	-	-	-	37,380	-
Matured Bonds and Interest Payable	33,252	-	-	-	-	33,252	-
Total Current Liabilities	8,724,393	943,310	20,248,492	1,636,400	2,828,847	34,381,442	4,488,717

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	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	88,763	18,758	2,067,497	-	29,835	2,204,853	12,771
OPEB Liability	-	-	1,633,185	-	-	1,633,185	-
Advances from Other Funds	-	-	-	295,000	-	295,000	-
Notes and Bonds Payable	69,455,835	2,142,010	51,775,000	12,465,000	945,000	136,782,845	-
Plus: Bond Premiums and Discounts (Net)	319,215	52,816	67,637	25,793	-	465,461	-
Less: Deferred Debt Refunding	(632,875)	(38,572)	-	(464,814)	(36,107)	(1,172,368)	-
Special Commission Bonds	-	-	-	-	11,756	11,756	-
Deferred Landfill Postclosure Cost	-	448,560	-	-	-	448,560	-
Customer Deposits	-	975	-	-	-	975	-
Total Non-Current Liabilities	69,230,938	2,624,547	55,543,319	12,320,979	950,484	140,670,267	12,771
Total Liabilities	77,955,331	3,567,857	75,791,811	13,957,379	3,779,331	175,051,709	4,501,488
<u>NET ASSETS:</u>							
Invested in Capital Assets, Net of Related Debt	82,969,314	3,108,419	122,138,095	2,395,828	8,651,497	219,263,153	175,677
Unrestricted	6,677,888	2,156,082	30,088,798	655,477	2,079,477	41,657,722	8,362,919
Total Net Assets	\$ 89,647,202	5,264,501	152,226,893	3,051,305	10,730,974	260,920,875	8,538,596

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

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
Operating Revenues:							
Charges for Services (Net)	\$ 28,573,731	8,892,771	192,796,325	1,551,453	5,802,118	237,616,398	23,978,768
Other Revenue	134,847	19,381	3,635,109	511,446	72,302	4,373,085	274,386
Total Operating Revenues	28,708,578	8,912,152	196,431,434	2,062,899	5,874,420	241,989,483	24,253,154
Operating Expenses:							
Administration	398,796	171,680	-	-	164,553	735,029	-
Personnel Services	7,967,441	2,446,013	-	-	3,817,652	14,231,106	2,153,781
Contractual Services	1,346,481	2,700,157	-	8,365	731,257	4,786,260	15,864,922
Materials and Supplies	1,212,839	178,803	-	3,211	380,546	1,775,399	26,819
Repairs and Maintenance	2,493,828	1,717,949	7,347,748	60,251	1,088,147	12,707,923	4,374,670
Items for Resale	-	-	-	-	40,406	40,406	-
Other Operating Expenses	4,136,548	212,785	168,830,240	732,144	327,370	174,239,087	121,593
Depreciation and Amortization	4,477,649	768,329	6,293,937	496,965	1,131,673	13,168,553	26,146
Total Operating Expenses	22,033,582	8,195,716	182,471,925	1,300,936	7,681,604	221,683,763	22,567,931
Operating Income (Loss)	6,674,996	716,436	13,959,509	761,963	(1,807,184)	20,305,720	1,685,223
Nonoperating Revenue (Expenses):							
Investment Income	454,117	3,028	296,663	2,331	3,214	759,353	11,028
Operating Grants	-	-	-	-	1,646,942	1,646,942	-
Interest Expenses and Commissions	(2,067,531)	(135,166)	(2,538,562)	(649,315)	(75,672)	(5,466,246)	-
Amortization-Bond Cost	(63,841)	(4,721)	(33,802)	(56,479)	(1,949)	(160,792)	-
Gain (Loss) on Sale of Capital Assets	2,302	(162,021)	-	-	1,997	(157,722)	-
Total Nonoperating Revenues (Expenses)	(1,674,953)	(298,880)	(2,275,701)	(703,463)	1,574,532	(3,378,465)	11,028

(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, 2011

	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	5,000,043	417,556	11,683,808	58,500	(232,652)	16,927,255	1,696,251
<u>Transfers and Capital Contributions:</u>							
Transfers In	78,728	122,821	-	-	1,205,268	1,406,817	452,428
Transfers Out	(473,000)	(54,143)	(3,193,734)	-	(149,214)	(3,870,091)	-
Federal Capital Grant Revenue	386,240	-	-	-	160,357	546,597	-
State Capital Grant Revenue	-	-	-	-	17,679	17,679	-
Total Transfers and Capital Contributions	(8,032)	68,678	(3,193,734)	0	1,234,090	(1,898,998)	452,428
Change in Net Assets	4,992,011	486,234	8,490,074	58,500	1,001,438	15,028,257	2,148,679
Net Assets, July 1, 2010	84,655,191	4,778,267	143,736,819	2,992,805	9,729,536	245,892,618	6,389,917
Net Assets, June 30, 2011	<u>\$ 89,647,202</u>	<u>5,264,501</u>	<u>152,226,893</u>	<u>3,051,305</u>	<u>10,730,974</u>	<u>260,920,875</u>	<u>8,538,596</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, 2011

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
Cash Flows from Operating Activities:							
Receipts from Customers and Users	\$ 27,657,932	8,754,853	193,827,213	717,529	5,859,916	236,817,443	17,848,405
Receipts from Interfund Services Provided	942,695	87,589	5,782,130	1,338,801	-	8,151,215	6,254,300
Payments to Employees	(7,889,818)	(2,431,183)	(7,885,237)	-	(3,837,152)	(22,043,390)	(2,147,240)
Payments from (for) Contractor Deposits	(130,388)	-	213,823	-	-	83,435	-
Payments to Suppliers	(3,362,656)	(3,263,630)	(165,336,591)	(675,620)	(1,710,583)	(174,349,080)	(20,760,898)
Payments for Interfund Services Used	(5,012,996)	(1,952,482)	(972,532)	-	(875,240)	(8,813,250)	(45,844)
Net Cash Provided by (Used for) Operating Activities	12,204,769	1,195,147	25,628,806	1,380,710	(563,059)	39,846,373	1,148,723
Cash Flows from Noncapital Financing Activities:							
Transfers to Other Funds	(473,000)	(54,143)	(3,193,734)	-	(149,214)	(3,870,091)	-
Advances from Other Funds	78,728	122,821	-	-	1,205,268	1,406,817	-
Operating Grants Received	-	-	-	-	1,543,606	1,543,606	-
Loans from Other Funds	-	-	-	(72,500)	-	(72,500)	452,428
Net Cash Provided by (Used for) Noncapital Financing Activities	(394,272)	68,678	(3,193,734)	(72,500)	2,599,660	(992,168)	452,428
Cash Flows from Capital and Related Financing Activities:							
Purchase of Capital Assets	(11,727,728)	(502,261)	(19,550,639)	(91,965)	(591,478)	(32,464,071)	-
Construction Retainage	(947,406)	-	-	-	-	(947,406)	-
Capital Grants Received	386,240	-	-	-	238,931	625,171	-
Principal Paid on Capital Debt	(3,722,847)	(421,180)	(2,435,000)	(700,000)	(205,175)	(7,484,202)	-
Principal Paid on Capital Lease	-	-	-	-	(42,610)	(42,610)	-
Interest Paid on Capital Debt	(3,716,956)	(141,803)	(2,556,540)	(641,259)	(65,986)	(7,122,544)	-
Sale of Capital Assets	14,566	21,175	-	-	17,263	53,004	-
Proceeds from Notes Receivable	-	-	26,776	-	-	26,776	-
Net Cash Used for Capital and Related Financing Activities	(19,714,131)	(1,044,069)	(24,515,403)	(1,433,224)	(649,055)	(47,355,882)	0

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

	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 Investing Activities:</u>							
Interest and Related Income/Expenses on Investments	7,282,069	3,028	296,663	2,331	782	7,584,873	11,028
Sale of Investments	-	-	8,827,039	-	-	8,827,039	-
Net Cash Provided by (Used for) Investing Activities	7,282,069	3,028	9,123,702	2,331	782	16,411,912	11,028
Net Increase (Decrease) in Cash and Cash Equivalents	(621,565)	222,784	7,043,371	(122,683)	1,388,328	7,910,235	1,612,179
Cash and Cash Equivalents, July 1, 2010	8,321,258	2,425,377	27,984,415	1,367,369	2,446,931	42,545,350	10,584,367
Cash and Cash Equivalents, June 30, 2011	<u>\$ 7,699,693</u>	<u>2,648,161</u>	<u>35,027,786</u>	<u>1,244,686</u>	<u>3,835,259</u>	<u>50,455,585</u>	<u>12,196,546</u>
Classified as:							
Current Assets	\$ 7,659,610	2,648,074	15,276,290	1,244,686	3,835,259	30,663,919	12,196,546
Restricted Assets	40,083	87	19,751,496	-	-	19,791,666	-
Totals	<u>\$ 7,699,693</u>	<u>2,648,161</u>	<u>35,027,786</u>	<u>1,244,686</u>	<u>3,835,259</u>	<u>50,455,585</u>	<u>12,196,546</u>
<u>Reconciliation of Operating Income (Loss) to Net</u>							
<u>Cash Provided by (Used for) Operating Activities:</u>							
Operating Income (Loss)	\$ 6,674,996	716,436	13,959,509	761,963	(1,807,184)	20,305,720	1,685,223
Adjustments:							
Depreciation	4,454,905	768,329	6,752,037	496,965	1,131,673	13,603,909	26,146
Amortization of Customer Base	22,744	-	-	-	-	22,744	-
Landfill Postclosure Cost	-	(37,380)	-	-	-	(37,380)	-
Changes in the Allowance for Uncollectible Receivables	101,267	-	268,376	-	-	369,643	-
Changes in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	(232,000)	(69,710)	3,177,908	(6,569)	(11,836)	2,857,793	(150,448)
(Increase) Decrease in Inventories	(205,946)	-	104,639	-	30,523	(70,784)	(61,988)
(Increase) Decrease in Customer Base	22,744	-	-	-	-	22,744	-
(Increase) Decrease in Prepaid Expenses	-	-	93,500	-	-	93,500	(25,149)
Increase (Decrease) in Accounts Payable and Accrued Expenses	1,415,195	(198,233)	461,048	128,351	88,573	1,894,934	(331,602)
Increase (Decrease) in Accrued Payroll Expenses	53,863	-	36,061	-	(4,285)	85,639	8,218
Increase (Decrease) in Compensated Absences	23,760	(6,780)	139,560	-	12,144	168,684	(1,677)
Increase (Decrease) in Customer Deposits	(130,388)	-	213,823	-	-	83,435	-
Increase (Decrease) in Other Payables	3,591	22,485	422,345	-	-	448,421	-
Increase (Decrease) in Deferred Revenue	38	-	-	-	(2,667)	(2,629)	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 12,204,769</u>	<u>1,195,147</u>	<u>25,628,806</u>	<u>1,380,710</u>	<u>(563,059)</u>	<u>39,846,373</u>	<u>1,148,723</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>Reconciliation of Cash and Cash Equivalents to Statement of Cash Flows:</u>							
Cash on Hand	\$ 100	100	19,300	-	2,917	22,417	-
Cash in Bank	380,408	-	15,256,990	259,046	-	15,896,444	11,749,790
Cash on Deposit with Paying Agent	260,804	-	-	-	-	260,804	-
Cash on Deposit with State of Tennessee	2,680,810	-	-	985,640	-	3,666,450	-
Restricted Cash	40,083	87	19,751,496	-	-	19,791,666	-
Cash Due From Central Depository	4,337,488	2,647,974	-	-	3,832,342	10,817,804	446,756
	<u>\$ 7,699,693</u>	<u>2,648,161</u>	<u>35,027,786</u>	<u>1,244,686</u>	<u>3,835,259</u>	<u>50,455,585</u>	<u>12,196,546</u>

Non-Cash Capital and Related Financing Activities:

Water and Sewer:

- Amortization of Deferred Bond Refunding totaling \$63,841 was included with Interest Expense on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.
- Interest paid on capital debt includes \$1,404,462 that was capitalized.
- Changes in the fair value of investments not reported as cash equivalents have been excluded from this statement.

City Solid Waste:

- Amortization of 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 \$56,479 was included with Interest Expense on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

Johnson City Power Board:

- Total depreciation expense was \$6,752,037 for the year ended June 30, 2011. \$458,100 has been reflected in "other operating expenses" as required by the Tennessee Valley Authority leaving \$6,293,937 in depreciation expense on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.
- Changes in the fair value of investments not reported as cash equivalents have been excluded from this statement.

Other Nonmajor Funds:

- Amortization of Deferred Bond Refunding totaling \$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
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 Unit

Johnson City Public Building Authority (PBA) - The Johnson City Public Building Authority's Board of Directors is appointed by the City of Johnson City Commission. The PBA is organized to engage in activities necessary to implement functions or projects delegated to 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, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Reporting entity (continued)

Discretely Presented Component Unit

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

See Note 5.I Component Unit Evaluation

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, 2011

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, 2011

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 fundraising for the Senior Citizens Center.

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 *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.

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

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

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.

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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.

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

1. *Deposits and investments (continued)*

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.

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

2. *Receivables and payables (continued)*

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 nonspendable fund balance in the fund financial statements.

All inventories of proprietary funds are valued at cost utilizing the weighted average or FIFO method and are expensed when consumed rather than when purchased.

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

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 bond issues, escrow for construction contractors established to fund retainages of outstanding construction projects upon their completion, and savings accounts for tax equivalent payments, capital improvements, and unexpected expenses. Restricted investments include securities held for larger claims of a self-insurance program.

5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

5. *Capital assets (continued)*

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Significant interest and related fees incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Total interest and related fees incurred by the Water and Sewer Fund during the current fiscal year were \$3,716,956. During the fiscal year ended June 30, 2011, \$1,404,462 of interest and related fees were capitalized in connection capital improvements and additions.

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

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

Assets of the Johnson City Power Board are depreciated over the useful lives per guidelines of the Federal Energy Regulatory Commission. When property is retired or otherwise disposed of, its average cost, together with its cost of removal less salvage, is charged to accumulated depreciation; no gain or loss is recognized as per federal energy regulations. The useful lives range from 3 years to 50 years. The Power Board's total depreciation expense for the year ended June 30, 2011 was \$6,752,037 of which \$458,100 was charged to Other Operating Expenses.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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.

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

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

6. *Compensated absences (continued)*

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

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

8. *Fund equity*

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

It is the City's policy to use any restricted fund balances before using other spendable fund types.

9. *Reclassifications*

Certain reclassifications have been made to the June 30, 2010 financial statements in order for them to conform to the June 30, 2011 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, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

11. Concentration

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

12. Accounting Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the Special Revenue, Capital Projects, Debt Service, and Permanent Fund types. The City has implemented provisions of this statement in the financial statements of this report for their governmental funds.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

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

The governmental funds 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 \$266,452,010 difference are as follows:

Governmental funds capital assets	\$ 440,401,002
Less: Accumulated depreciation	(173,773,315)
Less: Internal service funds, net capital assets	<u>(175,677)</u>
Net adjustment to increase <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 266,452,010</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 \$(140,881,943) difference are as follows:

Bonds payable (net of deferred refunding)	\$ (139,620,643)
Notes payable	(623,000)
Capital lease	<u>(638,300)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (140,881,943)</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 \$26,146 relating to internal service funds. The details of this \$37,360,545 difference are as follows:

Capital outlay	\$ 47,635,088
Depreciation expense	(10,274,543)
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>\$ 37,360,545</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 \$(616,535) difference are as follows:

Loss on disposal of capital assets	\$ (554,719)
Less: Sales proceeds	(61,816)
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>(616,535)</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 \$(184,968) difference are as follows:

Deferred property taxes as of June 30, 2011	\$ 1,471,209
Deferred property taxes as of June 30, 2010	(1,581,355)
Deferred other taxes as of June 30, 2011	299,227
Deferred other taxes as of June 30, 2010	(374,049)
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>(184,968)</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 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 \$(3,987,570) difference are as follows:

Principal repayments	\$ 6,976,870
Refunding Payments	33,570,712
Proceeds from Bonds and Leases	(9,217,967)
Proceeds from Refunding	(35,490,000)
Premiums, Discounts, and Deferred Refunding	<u>172,815</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>(3,987,570)</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

Annual budgets for the General Fund, certain Special Revenue Funds (Freedom Hall Civic Center, School Federal Projects, Special School Projects, School Food Service, Transportation Planning, Drug 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, 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 assigned to fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. Encumbrances are reported as Assigned Fund Balance on the Balance Sheet.

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 Balances – Governmental Funds Balances	\$ 6,666,615
Less: Encumbrances	<u>(391,309)</u>
Fund Balance-Statement of Revenues, Expenditures, Expenditures, and Changes in Fund Balances – Budget and Actual	<u>\$ 6,275,306</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2011, expenditures exceeded appropriations in the listed departments within the following governmental funds:

	<u>Over spent Amount</u>
School Capital Project Fund:	
Capital Outlay Expenditures	\$ 1,111,018
Debt Service Fund:	
Debt Service Expenditures	288,288
Educational Facilities Debt Service Fund:	
Debt Service Expenditures	1,237,858

C. Deficit fund equity

The following funds had deficit net assets/fund balance at June 30, 2011:

Special Revenue Funds:	
Community Development Fund	\$ (6,028)
Enterprise Funds:	
Golf Course Fund	(628,301)

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 at a rate of \$100,000 per year in accordance with a plan approved by the State of Tennessee.

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

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

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 \$33,341 of cash on hand which has been included in cash and cash equivalents. The City's carrying amount of deposits was \$62,234,110 and the bank balance was \$64,843,698. Of the City's bank balance, \$64,712,215 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, \$41,885 represents cash in trust accounts which are insured by the FDIC.

In addition to the above deposits, the City has \$3,705,236 on deposit with the State of Tennessee, which is held in the Local Government Investment Pool at June 30, 2011.

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

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, 2011

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

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

Investments (continued)

At June 30, 2011, the City's investments were as follows:

	<u>Primary Government</u>	
	Reported Amount	Fair Value
Investment Type:		
Certificates of Deposit-Investments	\$ 250,000	250,000
Cash with Investment Firm	214,401	214,401
Federated Money Market Obligations	683,544	683,544
Total Bond Fund Investments	60,461,047	60,461,047
Total Investments	\$ 61,608,992	61,608,992
Classified as:		
Investments	\$ 19,048,757	
Restricted Investments	42,560,235	
Total Investments	\$ 61,608,992	

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

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

Investments (continued)

The bond fund investments had the following credit risk structure as of June 30, 2011:

Investment Type:	<u>Moody's Credit Rating</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Municipal Securities			
Blount County PBA	AA2	\$22,890,749	38%
Michigan State Bonds	A2	1,249,393	2%
Mississippi State Bonds	AAA	1,222,979	2%
Illinois State Bonds	A2	1,006,130	2%
Connecticut State Bonds	AA1	2,000,750	3%
Wisconsin State Bonds	AA2	1,316,629	2%
Kentucky State Bonds	AA2	256,720	0%
Total Municipal Securities		<u>29,943,350</u>	
Fixed Rate Agency Securities			
Fannie Mae	AAA	7,926,615	13%
Federal Farm Credit	AAA	6,420,455	11%
Federal Home Loan Bank	AAA	7,197,028	12%
Federal Home Loan Mortgage Company	AAA	50,319	0%
Federal National Mortgage Association	AAA	250,292	0%
Freddie Mac	AAA	1,016,240	2%
Total Fixed Rate Agency Securities		<u>22,860,949</u>	
Treasury Securities			
U.S. Treasury Bill	Unrated	<u>7,656,748</u>	13%
Total Bond Fund Investments		<u><u>\$60,461,047</u></u>	

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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, Tennessee (the "Authority"), at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series D-9-A.

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

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.746% and receives a variable equal to the Securities Industry and Financial Markets Association Index (the "SIFMA"). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$29.085 million. At no time will the notional amount of the interest rate swap agreement exceed the outstanding principal amount on the associated hedged bonds. The related swap agreement matures on June 1, 2021. As of June 30, 2011, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed Payment to Counterparty	Fixed	3.746%
Variable Payment from Counterparty		-0.090%
Net Interest Rate Swap Payments		<u>3.656%</u>
Variable-Rate Bond Coupon Payments		<u>1.476%</u>
Synthetic Interest Rate on Bonds		<u><u>5.132%</u></u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

Interest Rate Risk (continued):

Fair value. As of June 30, 2011, the swap had a negative fair value of (\$2,854,324). 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, 2011, 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, 2011, 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 swap agreement contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

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

Interest Rate Risk (continued):

Swap payments and associated debt. As of June 30, 2011, 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	
	Principal	Interest	Swap Payment	Total
2012	\$ 400,000	407,728	1,009,970	1,817,698
2013	425,000	401,824	995,346	1,822,170
2014	2,700,000	395,551	979,808	4,075,359
2015	3,000,000	355,701	881,096	4,236,797
2016	3,350,000	311,423	771,416	4,432,839
2017-2021	17,750,000	712,140	1,764,020	20,226,160
	<u>\$27,625,000</u>	<u>2,584,367</u>	<u>6,401,656</u>	<u>36,611,023</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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	\$ 30,288,686	-	-	-	-	30,288,686
Accounts	1,199,759	29,090	604,776	-	235,247	2,068,872
Notes	-	-	-	-	35,220	35,220
Intergovernmental	5,199,952	13,388,617	-	218,937	1,869,788	20,677,294
Gross receivables	36,688,397	13,417,707	604,776	218,937	2,140,255	53,070,072
Less: Allowances for Uncollectibles	(222,165)	-	-	-	-	(222,165)
Net total receivables	\$ 36,466,232	13,417,707	604,776	218,937	2,140,255	52,847,907

	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds	Total Proprietary Funds
Receivables						
Accounts	\$ 2,619,703	776,938	10,439,892	204,552	286,092	14,327,177
Notes	-	-	118,929	-	-	118,929
Intergovernmental	-	-	-	-	616,259	616,259
Gross receivables	2,619,703	776,938	10,558,821	204,552	902,351	15,062,365
Less: Allowances for Uncollectibles	(1,326,909)	(307,964)	(951,511)	(197,983)	(134,630)	(2,918,997)
Net total receivables	\$ 1,292,794	468,974	9,607,310	6,569	767,721	12,143,368

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

B. **Receivables (continued)**

	Total Governmental Funds	Total Proprietary Funds	Internal Service Funds	Total Primary Government
Receivables				
Taxes	\$ 30,288,686	-	-	30,288,686
Accounts	2,068,872	14,327,177	187,009	16,583,058
Notes	35,220	118,929	-	154,149
Intergovernmental	20,677,294	616,259	-	21,293,553
Gross receivables	<u>53,070,072</u>	<u>15,062,365</u>	<u>187,009</u>	<u>68,319,446</u>
Less: Allowances for Uncollectibles	(222,165)	(2,918,997)	-	(3,141,162)
Net total receivables	<u>\$ 52,847,907</u>	<u>12,143,368</u>	<u>187,009</u>	<u>65,178,284</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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	\$ (150)
	Water and Sewer Services	237,892
	City Solid Waste Services	56,116
	Public Building Authority	167,869
		<u>\$ 461,727</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)	\$ -	28,321,917
Delinquent property taxes receivable (General Fund)	1,471,209	-
Other taxes receivable (General Fund)	299,227	-
Property taxes receivable (General Purpose School Fund)	-	9,795,236
Taxes receivable (School Federal and Special Projects)	-	12,928
Grant drawdowns prior to meeting all eligibility requirements (Transportation Planning, Police Grant and Community Development)	-	101,027
Total deferred / unearned revenue for governmental funds	<u>\$ 1,770,436</u>	<u>38,231,108</u>

Property taxes which are delinquent at year end are earned but not available. The tax year 2011 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, 2011

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Primary Government			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 19,716,743	779,000	(35,748)	20,459,995
Construction in Progress	31,740,710	45,526,126	(18,457,973)	58,808,863
Total Capital Assets, Not Being Depreciated	<u>51,457,453</u>	<u>46,305,126</u>	<u>(18,493,721)</u>	<u>79,268,858</u>
Capital Assets, Being Depreciated:				
Buildings	152,278,459	9,742,711	(921,526)	161,099,644
Equipment and Vehicles	33,499,315	7,284,501	(1,895,894)	38,887,922
Infrastructure	158,207,798	2,936,780	-	161,144,578
Total Capital Assets, Being Depreciated	<u>343,985,572</u>	<u>19,963,992</u>	<u>(2,817,420)</u>	<u>361,132,144</u>
Accumulated Depreciation:				
Buildings	(75,075,212)	(4,262,642)	519,839	(78,818,015)
Equipment and Vehicles	(23,172,774)	(2,382,431)	1,540,736	(24,014,469)
Infrastructure	(67,285,215)	(3,655,616)	-	(70,940,831)
Total Accumulated Depreciation	<u>(165,533,201)</u>	<u>(10,300,689)</u>	<u>2,060,575</u>	<u>(173,773,315)</u>
Total Capital Assets, Being Depreciated, Net	<u>178,452,371</u>	<u>9,663,303</u>	<u>(756,845)</u>	<u>187,358,829</u>
Governmental Activities Capital Assets, Net	<u>\$ 229,909,824</u>	<u>55,968,429</u>	<u>(19,250,566)</u>	<u>266,627,687</u>

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

Governmental Activities:

General Government	\$ 690,564
Education	4,415,458
Public Welfare	671,713
Public Works	3,913,961
Public Safety	405,495
City Service	203,498
Total Depreciation Expense-Governmental Activities	<u>\$ 10,300,689</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets (continued)

	Primary Government			Ending Balance
	Beginning Balance	Additions	Deletions	
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 15,411,406	256,896	-	15,668,302
Construction in Progress	55,121,067	11,012,311	(46,144,233)	19,989,145
Total Capital Assets, Not Being Depreciated	70,532,473	11,269,207	(46,144,233)	35,657,447
Capital Assets, Being Depreciated:				
Buildings and Other Improvements	50,637,301	1,124,421	(259,041)	51,502,681
Plant in Service	324,242,829	63,698,159	(7,357,454)	380,583,534
Equipment and Vehicles	35,331,969	3,511,420	(2,130,992)	36,712,397
Total Capital Assets, Being Depreciated	410,212,099	68,334,000	(9,747,487)	468,798,612
Accumulated Depreciation:				
Buildings and Other Improvements	(13,249,955)	(1,245,651)	159,372	(14,336,234)
Plant in Service	(116,793,791)	(9,326,501)	8,036,195	(118,084,097)
Equipment and Vehicles	(19,641,397)	(3,031,759)	1,977,668	(20,695,488)
Total Accumulated Depreciation	(149,685,143)	(13,603,911)	10,173,235	(153,115,819)
Total Capital Assets, Being Depreciated, Net	260,526,956	54,730,089	425,748	315,682,793
Business-Type Activities Capital Assets, Net	\$ 331,059,429	65,999,296	(45,718,485)	351,340,240

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

Business-Type Activities:

Water Sewer	\$ 4,454,907
City Solid Waste	768,329
Johnson City Power Board	6,752,037
Johnson City Public Building Authority	496,965
Golf Course Fund	109,062
Regional Solid Waste	238,712
Mass Transit	683,716
Stormwater Management	100,183
Total Depreciation Expense-Business-Type Activities	<u>\$ 13,603,911</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School Fund	School Federal Projects	\$ 744,993
General Purpose School Fund	Special School Projects	149,812
General Fund	Johnson City Public Building Authority	493,512
Johnson City Power Board	Water and Sewer	223,260
Johnson City Power Board	General Fund	178,440
Johnson City Power Board	General Purpose School Fund	100,200
Total		<u>\$ 1,890,217</u>

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

Advances to/from other funds:

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

The balance payable to the General Fund relates to loans made to the PBA to fund operations. The PBA paid \$55,000 in principal during the year ended June 30, 2011.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

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

Interfund Transfers:

	<u>Transfers In:</u>						<u>Internal Service Funds</u>	<u>Business-Type Activities</u>			<u>Total</u>
	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Educational Facilities Debt Service</u>	<u>Debt Service Fund</u>	<u>School Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>		<u>City Solid Waste</u>	<u>Water and Sewer</u>	<u>Nonmajor Proprietary Funds</u>	
<u>Transfers Out:</u>											
Governmental Activities											
General Fund	\$ -	8,188,675	-	9,784,659	955,344	2,216,844	452,428	-	-	1,205,268	22,803,218
General Purpose School Fund	-	-	1,073,277	283,581	-	688,658	-	-	-	-	2,045,516
Nonmajor Governmental Funds	1,683,396	47,246	-	-	66,604	241,993	-	-	-	-	2,039,239
Business-Type Activities											
Johnson City Power Board	3,193,734	-	-	-	-	-	-	-	-	-	3,193,734
Water and Sewer	473,000	-	-	-	-	-	-	-	-	-	473,000
City Solid Waste	-	-	-	-	402	-	-	-	53,741	-	54,143
Nonmajor Proprietary Funds	-	-	-	-	1,406	-	-	122,821	24,987	-	149,214
Totals	\$ 5,350,130	8,235,921	1,073,277	10,068,240	1,023,756	3,147,495	452,428	122,821	78,728	1,205,268	30,758,064

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, 2011

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, 2011, the City earned revenue from the leases in the amount of \$229,647.

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, 2011</u>
<u>Debt Service Fund:</u>				
Capital Outlay Note - School Buses	12/20/2004	\$ 620,000	Variable	\$ 98,000
				<u>\$ 98,000</u>
<u>General Fund:</u>				
Note Payable - Land Keefauver Farms	9/2/2009	\$ 700,000	n/a	\$ 525,000
				<u>\$ 525,000</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>
2012	\$ 98,000	3,381	101,381
	<u>\$ 98,000</u>	<u>3,381</u>	<u>101,381</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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
2012	\$ 175,000	-	175,000
2013	175,000	-	175,000
2014	175,000	-	175,000
	<u>\$ 525,000</u>	<u>0</u>	<u>525,000</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, 2011
Sales Tax and Tax Refunding Bonds, Series 1997	5/1/1997	\$ 4,812,803	5.25%-5.60%	\$ 1,645,707
Sales Tax Revenue and Unlimited Tax Refunding Bonds, Series 1998	7/15/1998	3,280,000	4.10%-4.75%	1,530,000
Local Government Improvement Bonds, Series VII-I-1, 2011	12/29/2010	27,945,000	5.00%	27,755,000
Local Government Public Improvement Bonds, Series VII-J-1, 2011	2/3/2011	4,765,000	4.50%-5.00%	4,620,154
				<u>\$ 35,550,861</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (continued):

Governmental Activities (continued):

Bonds Payable (continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2012	\$ 809,837	1,045,163	1,855,000
2013	835,870	1,204,130	2,040,000
	<u>\$ 1,645,707</u>	<u>2,249,293</u>	<u>3,895,000</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 1,530,000</u>	<u>223,823</u>	<u>1,753,823</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (continued):

Governmental Activities (continued):

Bonds Payable (continued):

Local Government Public Improvement Bonds Series VII-I-1, 2011 issued December 29, 2010, debt service requirements to maturity in 2034 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2012	\$ 220,000	1,387,750	1,607,750
2013	230,000	1,376,750	1,606,750
2014	240,000	1,365,250	1,605,250
2015	255,000	1,353,250	1,608,250
2016	270,000	1,340,500	1,610,500
2017-2021	1,735,000	6,476,500	8,211,500
2022-2026	6,865,000	5,713,750	12,578,750
2027-2031	10,645,000	3,457,250	14,102,250
2032-2034	7,295,000	736,750	8,031,750
	<u>\$ 27,755,000</u>	<u>23,207,750</u>	<u>50,962,750</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2012	\$ 157,900	185,864	343,764
2013	173,690	208,065	381,755
2014	309,484	199,380	508,864
2015	328,432	184,585	513,017
2016	337,906	168,858	506,764
2017-2021	2,687,458	491,733	3,179,191
2022-2023	625,284	36,380	661,664
	<u>\$ 4,620,154</u>	<u>1,474,865</u>	<u>6,095,019</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 in the Educational Facilities Debt Service Fund are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2012	\$ 1,467,737	2,691,312	4,159,049
2013	1,534,560	2,848,320	4,382,880
2014	854,484	1,609,993	2,464,477
2015	903,432	1,568,710	2,472,142
2016	937,906	1,525,033	2,462,939
2017-2021	4,422,458	6,968,233	11,390,691
2022-2026	7,490,284	5,750,130	13,240,414
2027-2031	10,645,000	3,457,250	14,102,250
2032-2034	7,295,000	736,750	8,031,750
	<u>\$ 35,550,861</u>	<u>27,155,731</u>	<u>62,706,592</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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, 2011</u>
Public Improvement Refunding Bonds, Series 1998	7/15/1998	\$ 20,060,000	4.10%-4.75%	\$ 4,155,000
General Obligation Refunding Bonds, Series 2004A	9/23/2004	11,460,900	3.00%-4.40%	5,341,776
General Obligation Refunding Bonds, Series 2004B	12/29/2004	7,625,000	3.00%-4.40%	5,870,000
General Obligation Refunding Bonds, Series 2006	3/30/2006	6,230,000	3.50%-4.13%	4,815,000
Local Government Public Improvement Bonds, Series V-K-1	3/12/2009	26,645,000	2.50%-5.00%	20,875,000
General Obligation Refunding Bonds, Series 2009	6/30/2009	11,390,000	3.00%-5.00%	9,820,000
Qualified School Construction Bonds, Series 2009	12/1/2009	8,160,000	1.52%	7,735,690
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	18,898,315	5.00%	15,380,976
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	5,200,000	5.00%	4,706,000
General Obligation Bonds, BABs, 2010A	6/24/2010	22,500,000	3.64%	22,400,000
Local Government Public Improvement Bonds, Series VII-J-1 2011	2/24/2011	2,780,000	4.50%-5.00%	<u>2,694,847</u>
				<u>\$ 103,794,289</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

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

Governmental Activities (continued):

Bonds Payable (continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 4,155,000</u>	<u>609,282</u>	<u>4,764,282</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
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	408,606	159,622	568,228
2017-2021	2,346,993	540,893	2,887,886
2022-2023	1,101,243	72,692	1,173,935
	<u>\$ 5,341,776</u>	<u>1,546,524</u>	<u>6,888,300</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (continued):

Governmental Activities (continued):

Bonds Payable (continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	375,000	186,883	561,883
2017-2021	2,105,000	701,771	2,806,771
2022-2025	2,020,000	224,036	2,244,036
	<u>\$ 5,870,000</u>	<u>1,985,160</u>	<u>7,855,160</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
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	530,000	116,587	646,587
2017-2020	2,365,000	244,750	2,609,750
	<u>\$ 4,815,000</u>	<u>1,021,337</u>	<u>5,836,337</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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
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	1,795,000	592,757	2,387,757
2017-2021	9,475,000	1,817,380	11,292,380
2022-2025	3,150,000	298,019	3,448,019
	<u>\$ 20,875,000</u>	<u>5,722,180</u>	<u>26,597,180</u>

The City intends to refinance the current debt in the coming year, but plans 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
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	915,000	276,813	1,191,813
2017-2021	3,070,000	871,890	3,941,890
2022-2026	2,385,000	341,534	2,726,534
	<u>\$ 9,820,000</u>	<u>2,867,000</u>	<u>12,687,000</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (continued):

Governmental Activities (continued):

Bonds Payable (continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	509,172	123,624	632,796
2017-2021	2,545,856	618,120	3,163,976
2022-2026	2,643,978	628,422	3,272,400
	<u>\$ 7,735,690</u>	<u>1,864,662</u>	<u>9,600,352</u>

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
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	1,088,451	668,741	1,757,192
2017-2021	5,251,932	2,496,915	7,748,847
2022-2026	4,369,426	1,305,291	5,674,717
2027-2029	2,665,005	270,808	2,935,813
	<u>17,234,206</u>	<u>7,910,822</u>	<u>25,145,028</u>
Less: Amount not drawn	<u>(1,853,230)</u>	<u>-</u>	<u>(1,853,230)</u>
	<u>\$ 15,380,976</u>	<u>7,910,822</u>	<u>23,291,798</u>

At June 30, 2011, the outstanding balance of this bond issue is \$15,380,976. The City expects to draw the remaining \$1,853,230 during the year ended June 30, 2011.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 2024 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	323,000	178,000	501,000
2017-2021	1,873,000	631,050	2,504,050
2022-2024	1,364,000	138,600	1,502,600
	<u>\$ 4,706,000</u>	<u>1,806,400</u>	<u>6,512,400</u>

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
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	100,000	1,203,970	1,303,970
2017-2021	2,495,000	5,834,902	8,329,902
2022-2026	3,680,000	5,091,525	8,771,525
2027-2031	4,600,000	4,009,782	8,609,782
2032-2036	5,660,000	2,591,876	8,251,876
2037-2040	5,465,000	809,390	6,274,390
	<u>\$ 22,400,000</u>	<u>24,382,125</u>	<u>46,782,125</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

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

Governmental Activities (continued):

Bonds Payable (continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2012	\$ 92,100	108,411	200,511
2013	101,311	121,360	222,671
2014	180,516	116,295	296,811
2015	191,568	107,665	299,233
2016	197,095	98,492	295,587
2017-2021	1,567,541	296,818	1,864,359
2022-2023	364,716	21,220	385,936
	<u>\$ 2,694,847</u>	<u>870,261</u>	<u>3,565,108</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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
2012	\$ 7,544,739	7,302,112	14,846,851
2013	7,848,208	7,236,142	15,084,350
2014	7,492,771	5,777,424	13,270,195
2015	7,812,000	5,482,250	13,294,250
2016	8,084,230	5,173,509	13,257,739
2017-2021	37,517,780	21,022,722	58,540,502
2022-2026	28,568,647	13,871,469	42,440,116
2027-2031	17,910,005	7,737,840	25,647,845
2032-2036	12,955,000	3,328,626	16,283,626
2037-2040	5,465,000	809,390	6,274,390
	141,198,380	77,741,484	218,939,864
Less: Amount not drawn	(1,853,230)	-	(1,853,230)
	<u>\$ 139,345,150</u>	<u>77,741,484</u>	<u>217,086,634</u>

At June 30, 2011, the outstanding balance of governmental activities general obligation bonds is \$139,345,150. The difference relates to the amount not drawn on the Tennessee Municipal Bond Fund, Series TCSLP 2008 issued January 9, 2009. The City expects to draw the remaining \$1,853,230 during the year ending June 30, 2012.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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, 2011</u>
<u>Water and Sewer:</u>				
Note Payable - Limestone Cove	3/13/2003	\$ 450,000	4.65%	\$ 406,386
Note Payable - Limestone Cove	4/20/2005	125,000	4.25%	115,624
Note Payable - Watauga Flats	4/20/2004	380,000	4.38%	346,947
Note Payable - ARRA Greggtown	1/24/2010	435,000	3.25%	<u>426,463</u>
				<u>\$ 1,295,420</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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
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	7,841	17,502	25,343
2017-2021	45,131	81,714	126,845
2022-2026	56,882	70,241	127,123
2027-2031	71,696	55,780	127,476
2032-2036	90,373	37,552	127,925
2037-2041	106,495	14,579	121,074
	<u>\$ 406,386</u>	<u>350,684</u>	<u>757,070</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
2012	\$ 1,753	4,894	6,647
2013	1,844	4,804	6,648
2014	1,924	4,724	6,648
2015	2,007	4,641	6,648
2016	2,082	4,566	6,648
2017-2021	11,898	21,342	33,240
2022-2026	14,711	18,529	33,240
2027-2031	18,190	15,050	33,240
2032-2036	22,484	10,756	33,240
2037-2041	27,807	5,433	33,240
2042-2043	10,924	419	11,343
	<u>\$ 115,624</u>	<u>95,158</u>	<u>210,782</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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
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	6,506	14,153	20,659
2017-2021	37,331	66,213	103,544
2022-2026	46,444	57,287	103,731
2027-2031	57,781	46,179	103,960
2032-2036	71,873	32,360	104,233
2037-2041	89,444	15,168	104,612
2042	14,108	617	14,725
	<u>\$ 346,947</u>	<u>291,212</u>	<u>638,159</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	7,063	12,941	20,004
2017-2021	39,125	60,895	100,020
2022-2026	46,021	53,999	100,020
2027-2031	54,132	45,888	100,020
2032-2036	63,655	36,365	100,020
2037-2041	74,901	25,119	100,020
2042-2046	88,105	11,915	100,020
2047-2048	27,298	662	27,960
	<u>\$ 426,463</u>	<u>301,637</u>	<u>728,100</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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
2012	\$ 19,920	52,674	72,594
2013	20,849	51,802	72,651
2014	21,720	50,943	72,663
2015	22,630	50,048	72,678
2016	23,492	49,162	72,654
2017-2021	133,485	230,164	363,649
2022-2026	164,058	200,056	364,114
2027-2031	201,799	162,897	364,696
2032-2036	248,385	117,033	365,418
2037-2041	298,647	60,299	358,946
2042-2046	113,137	12,951	126,088
2047-2048	27,298	662	27,960
	<u>\$ 1,295,420</u>	<u>1,038,691</u>	<u>2,334,111</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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, 2011</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%	\$ 8,390,000
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	901,685	5.00%	845,401
General Obligation Refunding Bonds, Series 2009	6/30/2009	35,385,000	3.00%-5.00%	32,405,000
General Obligation Bonds, Series 2010A (BABs)	6/24/2010	22,000,000	3.62%	21,900,000
				<u>\$ 63,540,401</u>
<u>City Solid Waste:</u>				
Solid Waste Refunding Bonds	7/15/1998	1,640,000	Variable	\$ 770,000
General Obligation Refunding Bonds, Series 2004A	9/23/2004	39,100	3.00%-4.40%	18,200
Local Government Public Improvement Bonds, Series V-K-1	3/12/2009	2,350,000	2.50%-5.00%	1,795,000
				<u>\$ 2,583,200</u>
<u>Buffalo Valley Golf Course:</u>				
Golf Course Revenue and Tax Refunding Bonds	7/15/1998	2,465,000	4.10%-4.75%	\$ 1,155,000
<u>Johnson City Public Building Authority:</u>				
Public Facility Refunding Bonds, Series 2006A	6/29/2006	16,655,000	4.04%-5.22%	\$ 13,190,000

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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
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>\$ 8,390,000</u>	<u>1,182,350</u>	<u>9,572,350</u>

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
2012	\$ 30,066	42,271	72,337
2013	31,579	40,767	72,346
2014	33,093	39,188	72,281
2015	34,813	37,534	72,347
2016	36,533	35,793	72,326
2017-2021	211,972	149,668	361,640
2022-2026	270,453	91,118	361,571
2027-2029	196,892	20,042	216,934
	<u>\$ 845,401</u>	<u>456,381</u>	<u>1,301,782</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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
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	1,755,000	1,192,737	2,947,737
2017-2021	7,215,000	4,926,162	12,141,162
2022-2026	7,460,000	3,421,074	10,881,074
2027-2031	9,660,000	1,483,400	11,143,400
	<u>\$ 32,405,000</u>	<u>16,284,300</u>	<u>48,689,300</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
2012	\$ 100,000	1,171,922	1,271,922
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	300,000	1,162,972	1,462,972
2017-2021	2,930,000	5,547,060	8,477,060
2022-2026	3,615,000	4,760,159	8,375,159
2027-2031	4,250,000	3,738,253	7,988,253
2032-2036	5,265,000	2,429,875	7,694,875
2037-2040	5,140,000	762,121	5,902,121
	<u>\$ 21,900,000</u>	<u>23,077,131</u>	<u>44,977,131</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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
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>\$ 770,000</u>	<u>113,218</u>	<u>883,218</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
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	1,394	545	1,939
2017-2021	8,007	1,846	9,853
2022-2023	3,733	248	3,981
	<u>\$ 18,200</u>	<u>5,277</u>	<u>23,477</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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
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>\$ 1,795,000</u>	<u>224,500</u>	<u>2,019,500</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
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>\$ 1,155,000</u>	<u>169,708</u>	<u>1,324,708</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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
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	1,010,000	452,526	1,462,526
2017-2021	6,240,000	1,409,570	7,649,570
2022-2023	2,580,000	112,562	2,692,562
	<u>\$ 13,190,000</u>	<u>4,201,239</u>	<u>17,391,239</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
2012	\$ 3,656,256	3,709,112	7,365,368
2013	3,862,820	3,564,746	7,427,566
2014	4,019,385	3,430,469	7,449,854
2015	9,936,156	3,275,058	13,211,214
2016	3,947,927	2,881,561	6,829,488
2017-2021	16,604,979	12,034,306	28,639,285
2022-2026	13,929,186	8,385,161	22,314,347
2027-2031	14,106,892	5,241,695	19,348,587
2032-2036	5,265,000	2,429,875	7,694,875
2037-2040	5,140,000	762,121	5,902,121
	<u>\$ 80,468,601</u>	<u>45,714,104</u>	<u>126,182,705</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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, 2011</u>
<u>Water and Sewer:</u>				
Water and Sewer Revenue and Tax Refunding Bonds	7/15/1998	\$ 19,325,000	4.10%-4.75%	\$ 7,070,000
Water and Sewer Revenue and Tax Series 2006 Refunding Bonds	3/30/2006	1,795,000	3.50%-4.12%	<u>1,390,000</u>
				<u>\$ 8,460,000</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%	\$ 27,715,000
Electric System Revenue Bonds, Series 2008	6/30/2008	28,000,000	4.00%-5.00%	26,590,000
				<u>\$ 54,305,000</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 7,070,000</u>	<u>976,846</u>	<u>8,046,846</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

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

Business-Type Activities (continued):

Bonds Payable (continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	155,000	33,624	188,624
2017-2020	680,000	70,301	750,301
	<u>\$ 1,390,000</u>	<u>294,125</u>	<u>1,684,125</u>

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
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	2,080,000	929,800	3,009,800
2017-2021	8,405,000	3,286,900	11,691,900
2022-2026	5,325,000	1,517,650	6,842,650
2027-2031	3,545,000	640,000	4,185,000
2032	800,000	34,000	834,000
	<u>\$ 27,715,000</u>	<u>10,898,550</u>	<u>38,613,550</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

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

Business-Type Activities (continued):

Bonds Payable (continued):

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
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	875,000	1,094,038	1,969,038
2017-2021	4,935,000	4,908,900	9,843,900
2022-2026	6,130,000	3,711,663	9,841,663
2027-2031	7,800,000	2,043,025	9,843,025
2032-2033	3,675,000	263,863	3,938,863
	<u>\$ 26,590,000</u>	<u>16,721,239</u>	<u>43,311,239</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	4,135,000	2,106,150	6,241,150
2017-2021	14,020,000	8,266,101	22,286,101
2022-2026	11,455,000	5,229,313	16,684,313
2027-2031	11,345,000	2,683,025	14,028,025
2032-2033	4,475,000	297,863	4,772,863
	<u>\$ 62,765,000</u>	<u>28,890,760</u>	<u>91,655,760</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (continued):

Current Refunding:

The City refunded certain portions of its Educational Facilities Debt in the current year. On December 29, 2010, the City refunded some of its outstanding Local Government Public Improvement Bonds, Series V-K-1, dated March 12, 2009 totaling \$28,485,000, carrying an interest rate of 4.53% and General Obligation 2010 Refunding Bonds dated April 29, 2010 totaling \$1,660,000 with Local Government Public Improvement Bonds, Series VII-I-1 totaling \$27,945,000. The new bonds were issued to retire the refunded bonds as they came due in the current fiscal year. The bonds continue the insured interest rate swap agreement that the City already had in place and which projected an effective fixed rate swap of 5.00%. The synthetic fixed rate was created by entering into a variable-to-fixed interest rate swap agreement in conjunction with the variable interest rate loan agreement, as further described in Note 4A. The City is aware of the risks associated with interest rate agreements and believes its analysis supports the benefits outweigh those risks.

All issuance costs of the transaction of \$215,445 were paid from bond proceeds. The net proceeds of \$27,729,555 were used to pay off the Educational Facilities Debt portion of the outstanding Series V-K-1 debt of \$25,535,000 and the General Obligation 2010 Refunding Bonds debt of \$1,620,000.

On February 3, 2011, the City refunded the remainder of the Series V-K-1 debt and a portion of the Sales Tax and Refunding Bonds, Series 1997 with Local Government Improvement Bonds, Series VII-J-1, totaling \$7,545,000. All issuance costs of the transaction of \$74,955 were paid from the bond proceeds. The net proceeds of \$7,470,045 were used to pay \$2,685,000 of the Series V-K-1 debt which was to be repaid through Governmental Activities and \$2,950,000 of the Series V-K-1 debt which was Educational Facilities Debt and \$1,634,237 of the Sales Tax and Refunding Bonds, Series 1997 which was also Educational Facilities Debt. All of the refunded debt was completely paid out by March of 2011.

Advanced Refunding-Prior Years:

The City has defeased certain general obligation and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2011, the following bonds outstanding are considered defeased:

<u>Issue</u>	<u>Year Refunded</u>	<u>Balance June 30, 2011</u>
General Obligation Public Improvement Bonds and Water and Sewer Revenue and Tax Bonds	1998	\$ 14,475,000

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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		
2012	\$	3,840
2013		3,840
2014		3,800
Present Value of Minimum Payments	\$	11,480

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, 2011 are as follows:

Fiscal Year		
2012	\$	125,478
Less: Interest		(12,268)
Present Value of Minimum Payments	\$	113,210

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

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

Capital Leases – Governmental Activities (continued):

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

Fiscal Year	
2012	\$ 181,790
2013	181,790
2014	181,790
Total Minimum Lease Payments	545,370
Less: Interest	(31,760)
Present Value of Minimum Payments	\$ 513,610

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

Computer Equipment	\$ 1,176,849
Vehicle	23,000
Less: Accumulated Depreciation	(401,681)
Total	\$ 798,168

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (continued):

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Bonds Payable:					
General Obligation Bonds	\$ 135,306,495	44,003,279	(39,964,624)	139,345,150	7,544,739
Less: Deferred Amounts for Refunding, Premiums and Discounts	448,308	-	(172,815)	275,493	5,279
Total Bonds Payable	135,754,803	44,003,279	(40,137,439)	139,620,643	7,550,018
Notes Payable-Land	700,000	-	(175,000)	525,000	175,000
Capital Outlay Note	193,000	-	(95,000)	98,000	98,000
Capital Lease	246,570	704,688	(312,958)	638,300	298,840
OPEB Liability and Termination Benefits	411,768	435,921	-	847,689	-
Compensated Absences	2,520,425	1,400,777	(1,510,617)	2,410,585	1,444,784
Governmental Activity Long-term Liabilities	<u>\$ 139,826,566</u>	<u>46,544,665</u>	<u>(42,231,014)</u>	<u>144,140,217</u>	<u>9,566,642</u>
Business-type activities:					
Bonds Payable:					
General Obligation Bonds	\$ 84,028,416	-	(3,559,815)	80,468,601	3,656,256
Revenue Bonds	66,665,000	-	(3,900,000)	62,765,000	4,070,000
Less: Deferred Amounts for Refunding, Premiums and Discounts	(479,721)	-	65,330	(414,391)	(77,374)
Total Bonds Payable	150,213,695	0	(7,394,485)	142,819,210	7,648,882
Capital Leases	42,610	-	(42,610)	-	-
Notes Payable	1,314,632	-	(19,212)	1,295,420	19,920
OPEB Liability	1,210,840	422,345	-	1,633,185	-
Compensated Absences	3,038,103	980,393	(811,708)	3,206,788	1,001,935
Landfill Postclosure Cost	523,320	-	(37,380)	485,940	37,380
Business-type Activity Long-term Liabilities	<u>\$ 156,343,200</u>	<u>1,402,738</u>	<u>(8,305,395)</u>	<u>149,440,543</u>	<u>8,708,117</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, 2011

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, 2011, the City paid Waste Management \$2,460,471 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, 2011, 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, 2011

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	\$ 92,083	2,677,947	2,770,030
Capital Assets (Net)	2,605,307	1,104,520	3,709,827
Other Assets (Net)	9,745	-	9,745
Total Assets	<u>2,707,135</u>	<u>3,782,467</u>	<u>6,489,602</u>
<u>LIABILITIES:</u>			
Current Liabilities	2,420,060	96,925	2,516,985
Non-Current Liabilities	915,376	17,849	933,225
Total Liabilities	<u>3,335,436</u>	<u>114,774</u>	<u>3,450,210</u>
<u>NET ASSETS:</u>			
Invested in Capital Assets, Net of Related Debt	1,450,307	1,104,520	2,554,827
Unrestricted	(2,078,608)	2,563,173	484,565
Total Net Assets	<u>\$ (628,301)</u>	<u>3,667,693</u>	<u>3,039,392</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

H. Segment Information (continued)

	Golf Course Fund	Regional Solid Waste Fund	Total
Operating Revenues (Expenses):			
Charges for Services (Net)	\$ 852,936	2,484,240	3,337,176
Other Revenue	615	-	615
Depreciation and Amortization	(109,062)	(238,712)	(347,774)
Other Operating Expenses	(1,135,636)	(1,767,368)	(2,903,004)
Operating Income (Loss)	(391,147)	478,160	87,013
Nonoperating Revenues (Expenses):			
Investment Income	-	2,570	2,570
Interest Expense and Commissions	(75,672)	-	(75,672)
Amortization	(1,949)	-	(1,949)
Gain (Loss) on Sale of Capital Assets	-	(9,557)	(9,557)
Operating Transfers	568,768	(147,808)	420,960
Change in Net Assets	100,000	323,365	423,365
Beginning Net Assets	(728,301)	3,344,328	2,616,027
Ending Net Assets	\$ (628,301)	3,667,693	3,039,392

CONDENSED STATEMENT OF CASH FLOWS

	Golf Course Fund	Regional Solid Waste Fund	Total
Net Cash Provided by (Used for):			
Operating Activities	\$ (179,349)	678,171	498,822
Noncapital Financing Activities	568,768	(147,808)	420,960
Capital and Related Financing Activities	(386,987)	535	(386,452)
Investing Activities	(2,432)	2,570	138
Net Increase (Decrease)	-	533,468	533,468
Beginning Cash and Cash Equivalents	1,000	2,106,324	2,107,324
Ending Cash and Cash Equivalents	\$ 1,000	2,639,792	2,640,792

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

I. Fund Balance Classifications

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

	General Fund	General Purpose School Fund	Educational Facilities Debt Service	School Capital Projects	Other Governmental Funds	Total
Fund Balances:						
Nonspendable						
Endowment	\$ -	-	-	-	200,340	200,340
Inventories	-	44,061	-	-	135,248	179,309
Total Nonspendable	<u>0</u>	<u>44,061</u>	<u>0</u>	<u>0</u>	<u>335,588</u>	<u>379,649</u>
Restricted for:						
Capital Projects	-	-	-	13,751,639	9,703,199	23,454,838
Civic Entertainment	-	-	-	-	47,029	47,029
Debt Service	-	-	1,415,228	-	-	1,415,228
Education	-	166,809	-	-	1,992	168,801
Food Service	-	-	-	-	1,257,368	1,257,368
Law Enforcement	162,575	-	-	-	1,035,222	1,197,797
Senior Citizens	147,055	-	-	-	261,612	408,667
Special Purposes	11,829,244	-	-	-	-	11,829,244
Transportation Planning	-	-	-	-	3,876	3,876
Total Restricted	<u>12,138,874</u>	<u>166,809</u>	<u>1,415,228</u>	<u>13,751,639</u>	<u>12,310,298</u>	<u>39,782,848</u>
Committed to:						
Compensated Absences	2,298,866	-	-	-	5,675	2,304,541
Education	-	309,531	-	-	-	309,531
Total Committed	<u>2,298,866</u>	<u>309,531</u>	<u>0</u>	<u>0</u>	<u>5,675</u>	<u>2,614,072</u>
Assigned to:						
Education	-	6,146,214	-	-	489,591	6,635,805
Total Assigned	<u>0</u>	<u>6,146,214</u>	<u>0</u>	<u>0</u>	<u>489,591</u>	<u>6,635,805</u>
Unassigned	5,415,721	0	0	0	(6,028)	5,409,693
Total	<u>\$ 19,853,461</u>	<u>6,666,615</u>	<u>1,415,228</u>	<u>13,751,639</u>	<u>13,135,124</u>	<u>54,822,067</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 liability retention. As of June 30, 2011, the general liability program had \$233,659 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, 2010 to June 30, 2011 policy period, the City received a dividend of \$55,178 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 2010-2011 was \$765,396 for the City and \$238,672 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, 2011 and 2010 are as follows:

	<u>June 30, 2011</u>			<u>June 30, 2010</u>	<u>Variance</u>
	<u>City</u>	<u>Schools</u>	<u>Total</u>		
Claims Incurred	\$ 279,639	219,335	498,974	425,559	73,415
Claims Paid	(155,738)	(148,277)	(304,015)	(244,096)	(59,919)
Claims Ending	<u>\$ 123,901</u>	<u>71,058</u>	<u>194,959</u>	<u>181,463</u>	<u>13,496</u>

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 \$1,760,000.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. OTHER INFORMATION (CONTINUED):

A. Risk Management (continued):

In addition to the above insurance, the City provides medical insurance to employees as well as post-employment health care benefits through a partially self-funded health insurance plan. Participants in the plan pay premiums as determined by the City to offset a portion of the cost of the plan. The City carries stop-loss insurance with an individual specific limit of \$150,000 and an aggregate limit of 120% of expected claims. A reconciliation of claims for the year ended June 30, 2011 and 2010 are as follows:

	June 30, 2011			June 30, 2010	Variance
	City	Schools	Total		
Claims Accrued, Beginning	\$ 617,069	724,392	1,341,461	932,150	409,311
Claims Incurred	7,317,011	6,883,212	14,200,223	14,614,842	(414,619)
Claims Paid	<u>(7,512,694)</u>	<u>(7,123,703)</u>	<u>(14,636,397)</u>	<u>(14,205,531)</u>	<u>(430,866)</u>
Claims Accrued, Ending	<u>\$ 421,386</u>	<u>483,901</u>	<u>905,287</u>	<u>1,341,461</u>	<u>(436,174)</u>

The above liabilities are reflected in the Internal Service Funds.

There are additional estimated losses at June 30, 2011 for both automobile and general incidents that have been reflected as liabilities in the Internal Service Funds in the amount of \$803,000.

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. No claims were paid during the year ending June 30, 2011. Claims are estimated and accrued as incurred. The balance restricted for insurance at June 30, 2011 is \$2,004,007. An actuarial study has not been conducted.

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

B. Closure of Capital Project Funds

The projects underlying the Industrial Park Fund and Med Tech Park Fund have been completed. Thus, the remaining net assets were transferred into the General Fund. The Funds remained open at June 30, 2010 so as to ensure completion of the projects. The net transfer out of the Other Governmental Funds was \$1,635,420 and has been reflected in the related statements, schedules, and notes as a transfer.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 materially 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, 2011, the City paid \$1,338,801 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 \$98,972 at June 30, 2011 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, 2011

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 76 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, 2011, contributions received from active employees were \$1,473,868 and contributions received from retirees were \$221,140. 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 post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 fiscal year, the amount actually contributed to the plan, and changes in the City's OPEB obligation.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. **OTHER INFORMATION (CONTINUED):**

F. **Post-employment health care benefits (continued)**

City of Johnson City (continued):

	<u>FYE</u> <u>6/30/2011</u>	<u>FYE</u> <u>6/30/2010</u>
Annual OPEB Cost and Net OPEB Obligation		
1. Annual Required Contribution (ARC)	\$ 1,383,052	976,769
2. Interest on net OPEB Obligation	16,025	16,896
3. Adjustment to ARC	<u>(12,197)</u>	<u>(12,352)</u>
4. Annual OPEB Cost (Expense) (1+2+3)	1,386,880	981,313
5. Contribution made (assumed end of year)*	<u>(934,452)</u>	<u>(999,656)</u>
6. Increase in net OPEB Obligation (4 - 5)	452,428	(18,343)
7. Net OPEB Obligation - beginning of year	<u>337,365</u>	<u>355,708</u>
8. Net OPEB Obligation - end of year (6 + 7)	<u><u>\$ 789,793</u></u>	<u><u>337,365</u></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 2011, 2010 and 2009 are as follows:

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
6/30/2011	\$1,386,880	67.00%	\$ 789,793
6/30/2010	981,313	102.00%	337,365
6/30/2009	948,053	93.00%	355,708

Funded Status and Funding Progress:

As of July 1, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$20,721,781. The covered payroll (annual payroll of active employees covered by the plan) was \$28,300,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 73.00%.

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, 2011

5. **OTHER INFORMATION (CONTINUED):**

F. **Post-employment health care benefits (continued)**

City of Johnson City (Continued):

Funded Status and Funding Progress (continued):

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

Actuarial Methods and Assumptions:

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

In the July 1, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75% investment rate of return which is equivalent to the expected return on the general assets for the City and an annual healthcare cost trend rate of 10% initially in 2008, reduced by decrements of one-half a percent to an ultimate rate of 4.5% in 2019. There is a 30 year closed amortization of the UAAL increasing at 5.00% 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 with 5 years of service), has 10 years of service with the Johnson City Schools and has carried insurance for the past 5 consecutive years, then the quarterly charge is \$0 for individual, \$337 for employee plus one coverage and \$677 for family coverage. If the school employee does not retire with full benefits but has 20 years of service with the Johnson City Schools and has carried insurance for the past 5 consecutive years, then the quarterly charge is \$354 for individual and \$909 for family. There are approximately 100 school employees participating in the post-employment health care benefit arrangements. The co-insurance rate of reimbursement depends on the plan the employee is covered by. The Preferred Network has a \$350 deductible with an 80% co-insurance rate. The Select Network has a \$275 deductible and a 90% co-insurance rate.

During the year ended June 30, 2011, premiums of \$1,830,136 were collected from active employees and \$85,254 was collected from retirees.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. **OTHER INFORMATION (CONTINUED):**

F. **Post-employment health care benefits**

Johnson City Schools (Continued):

Funding Policy:

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

Annual OPEB Cost and Net OPEB Obligation:

The School's other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 fiscal year, the amount actually contributed to the plan, and changes in the School's OPEB obligation.

	FYE <u>6/30/2011</u>	FYE <u>6/30/2010</u>
Annual OPEB Cost and Net OPEB Obligation		
1. Annual Required Contribution (ARC)	\$ 1,348,541	1,048,805
2. Interest on net OPEB Obligation	(1,167)	(3,084)
3. Adjustment to ARC	1,137	2,401
4. Annual OPEB Cost (Expense) (1+2+3)	<u>1,348,511</u>	<u>1,048,122</u>
5. Contribution made (assumed end of year)*	<u>(1,365,017)</u>	<u>(1,007,759)</u>
6. Increase in net OPEB Obligation (4 - 5)	(16,506)	40,363
7. Net OPEB Obligation - beginning of year	<u>(24,570)</u>	<u>(64,933)</u>
8. Net OPEB Obligation - end of year (6 + 7)	<u>\$ (41,076)</u>	<u>(24,570)</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 2011, 2010 and 2009 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
<u>6/30/2011</u>	<u>\$1,348,511</u>	101.00%	<u>\$ (41,076)</u>
6/30/2010	1,048,122	96.00%	(24,570)
6/30/2009	1,019,133	89.00%	(64,933)

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. **OTHER INFORMATION (CONTINUED):**

F. **Post-employment health care benefits (continued)**

Johnson City Schools (Continued):

Annual OPEB Cost and Net OPEB Obligation (continued):

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

Funded Status and Funding Progress:

As of July 1, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$18,184,188. The covered payroll (annual payroll of active employees covered by the plan) was \$30,900,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 59%.

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. **OTHER INFORMATION (CONTINUED):**

F. **Post-employment health care benefits (continued)**

Johnson City Power Board:

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

- a. *Plan Types:* Presently employees have the choice of two insurance plans (a co-pay plan and a deductible plan). The deductible plan is the primary plan for the Power Board. At age 65 each retiree covered will move to Medicare coverage Part A and B.
- b. *Eligibility:* 30 years of service or age 60 with 5 years of service.
- c. *Benefit/Cost Sharing:* 80% paid by the Board
- d. *Spouse Benefit:* Spouse pays 100% of the medical premium.
- e. *Surviving Spouse Benefit:* No
- f. *Annual Medical Premium:*
- | | |
|----------------------------|---------|
| Pre-65 Retiree | \$5,924 |
| Pre-65 Retiree plus Spouse | \$6,516 |
| Medicare Eligible Single | \$972 |
- g. *Medicare Part B* The Board reimburses the retiree for payment of the Medicare Part B premium: \$1,157 for retirees who retired prior to 12/31/2009 and \$1,326 for retirees after 12/31/10.
- 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 post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 fiscal 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, 2011

5. OTHER INFORMATION (CONTINUED):

F. Post-employment health care benefits (continued)

Johnson City Power Board (continued):

Annual OPEB Cost and Net OPEB Obligation (continued):

	<u>7/01/2010 - 6/30/2011</u>	<u>7/01/2009 - 6/30/2010</u>
Annual OPEB Cost and Net OPEB Obligation		
1. Annual Required Contribution (ARC)	\$ 787,706	751,028
2. Interest on net OPEB Obligation	51,461	33,840
3. Adjustment to ARC	(55,410)	(35,400)
4. Annual OPEB Cost (Expense) (1+2+3)	<u>783,757</u>	<u>749,468</u>
5. Contribution made (assumed end of year)*	(361,412)	(334,876)
6. Increase in net OPEB Obligation (4 - 5)	<u>422,345</u>	<u>414,592</u>
7. Net OPEB Obligation - beginning of year	<u>1,210,840</u>	<u>796,248</u>
8. Net OPEB Obligation - end of year (6 + 7)	<u><u>\$ 1,633,185</u></u>	<u><u>1,210,840</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2011, 2010 and 2009 are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 783,757	46.10%	\$1,633,185
6/30/2010	749,468	44.70%	1,210,840
6/30/2009	724,217	44.10%	796,248

Funded Status and Funding Progress:

As of June 30, 2009, the plan was not funded. The actuarial accrued liability for benefits was \$8,614,792. The covered payroll (annual payroll of active employees covered by the plan) was not available for 2009. The covered payroll (annual payroll of active employees covered by the plan) was \$9,544,000 for the year ended June 30, 2011 and is disclosed in the subsequent actuarial report.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. **OTHER INFORMATION (CONTINUED):**

F. **Post-employment health care benefits (continued)**

Johnson City Power Board (continued):

Funded Status and Funding Progress (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.

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, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.25% investment rate of return which is equivalent to the expected return on the general assets for the Power Board and an annual healthcare cost trend rate of 8.00%. There is a 30 year closed amortization of the UAAL increasing at 2.50% a year (the payroll growth rate).

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. **OTHER INFORMATION (CONTINUED):**

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.

The City withdrew from TCRS effective July 1, 2010. Employees hired after the date of withdrawal are not eligible to participate in TCRS. These employees are eligible to participate in a 401(a) defined contribution plan. The employee must be 18 years of age and complete six months of service before beginning participation. The City contributes 5.00% for these employees. In addition to the 401(a) plan, the City began offering a 457(b) plan. The employer will match the employee contribution to this plan 100%, not to exceed 3.00% of the covered compensation. Employees will be 100% vested after five years. Total employer contributions for the year ended were \$8,121. Employees active as of the withdrawal date will continue to accrue salary and service credit in TCRS. The employer remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the employer.

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. **OTHER INFORMATION (CONTINUED):**

G. **Pension Plan (continued)**

City of Johnson City (continued):

Funding Policy

The City has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.00% of annual covered payroll. The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 19.23% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2011, the City's annual pension cost of \$7,442,509 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50% a year compounded annually, (b) projected 3.00% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.50% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.50% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 7,442,509	100%	\$ -
June 30, 2010	7,158,539	100%	-
June 30, 2009	7,191,211	100%	-

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. OTHER INFORMATION (CONTINUED):

G. Pension Plan (continued)

City of Johnson City (continued):

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 \$162.2 million, and the actuarial value of assets was \$127.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$34.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$38.7 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%

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. **OTHER INFORMATION (CONTINUED):**

G. **Pension Plan (continued)**

Johnson City Schools (continued):

Plan Description (continued):

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 SETHEPP. 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 5.00% of salary to the plan. The employer contribution rate for the Johnson City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2011 was 9.05% of annual covered payroll. The employer contribution requirement for the Johnson City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2011, 2010, and 2009 were \$2,873,082, \$1,972,906, and \$1,966,347, respectively, equal to the required contributions for each year.

Johnson City Power Board:

Plan Description

Employees of the Power Board are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. **OTHER INFORMATION (CONTINUED):**

G. **Pension Plan (continued)**

Johnson City Power Board (Continued):

Plan Description (continued):

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 5.00% of earnable compensation.

The Power Board is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 13.88% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Power Board is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2011, the Power Board's annual pension cost of \$1,467,948 to TCRS was equal to the Power Board's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50% a year compounded annually, (b) projected 3.00% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.50% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.50% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. **OTHER INFORMATION (CONTINUED):**

G. **Pension Plan (continued)**

Johnson City Power Board (Continued):

Annual Pension Cost (continued):

The Power Board's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 15 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 1,467,948	100%	\$ -
June 30, 2010	1,400,039	100%	-
June 30, 2009	1,334,487	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 \$38.6 million, and the actuarial value of assets was \$28.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$9.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.3 million, and the ratio of the UAAL to the covered payroll was 103.67%.

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. OTHER INFORMATION (CONTINUED):

G. Pension Plan (continued)

Johnson City Power Board (continued):

Funded Status and Funding Progress (continued):

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%

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, 2011.

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, 2011.

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, 2011.

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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. 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, 2011.

The Tri-County Industrial Park is a joint venture between the City of Johnson City, Tennessee, the City of Bristol, Tennessee and Sullivan County, Tennessee. The purpose is to promote regional economic development in the quad-city area. The joint venture owns vacant parcels of land used for industrial and economic development. The City of Johnson City holds a 25% interest in the proceeds from all sales of vacant lots. Financial statements are not prepared for the Tri-County Industrial Park.

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

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

Audited information as of June 30, 2011 is presented below for the above mentioned organizations except for the JCAC and EMS. The JCAC year-end presented is September 30, 2010. The EMS year end presented is June 30, 2010. 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, 2011

5. OTHER INFORMATION (CONTINUED):

H. Joint Ventures (continued)

	ACC	EMS	EDB	TCA	JCAC
Operating Revenues	\$ 87,572	7,378,700	374,007	5,896,264	116,446
Operating Expenses	(523,073)	(9,650,146)	(493,226)	(5,347,016)	(121,424)
Depreciation	-	-	-	(3,148,163)	-
Amortization	-	-	-	(13,500)	-
Other Income (Expense)	408,646	1,878,207	2,765	936,264	41
Capital Contributions	-	-	-	3,640,905	-
Net Income (Loss) Transferred to Net Assets	(26,855)	(393,239)	(116,454)	1,964,754	(4,937)
Net Assets, Beginning	318,782	3,505,284	920,604	61,058,737	94,848
Net Assets, Ending	<u>\$ 291,927</u>	<u>3,112,045</u>	<u>804,150</u>	<u>63,023,491</u>	<u>89,911</u>
Total Assets	\$ 327,351	5,975,586	804,431	70,662,959	104,741
Total Liabilities	35,424	2,863,541	281	7,639,468	14,830
Total Net Assets	<u>\$ 291,927</u>	<u>3,112,045</u>	<u>804,150</u>	<u>63,023,491</u>	<u>89,911</u>

I. Component Unit Evaluation

Each year the City evaluates various entities to determine whether they should be component units of the City. In the year ended June 30, 2011 it was determined that the Johnson City Development Authority (JCDA) no longer qualified as a component unit. As a result of this evaluation beginning net assets of the component unit will be \$1,465,273. This balance represents the net assets of the Johnson City Public Library (JCPL) as discussed in Note 1. This has not been presented as a prior period adjustment. A reconciliation of beginning net assets is presented below.

Prior Year Ending Net Assets of Component Units	\$1,854,629
Less: JCDA Net Assets	<u>(389,356)</u>
Beginning Net Assets of the Component Unit (JCPL)	<u>\$1,465,273</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNIT:

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*.

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, 2011

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNIT (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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNIT (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 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, 2011

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNIT (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, 2011 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

Beginning with fiscal year 2011, the Library implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

Unassigned fund balance – amounts that are available for any 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 2011 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

A. Johnson City Public Library (continued)

2. Deposits and Investments:

The Library has various deposits at banks and a certificate of deposit at June 30, 2011. 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.

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, 2011:

	<u>Per Bank</u>	<u>Per Books</u>
Cash in Bank	\$ 313,085	276,835
Certificate of Deposit	159,331	159,344
Total	<u>\$ 472,416</u>	<u>436,179</u>

The certificate of deposit was closed out subsequent to year end and the balance was deposited into an existing bank account held by the Library.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

A. Johnson City Public Library (continued)

3. Capital Assets

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Book Collection	<u>\$1,138,049</u>	<u>-</u>	<u>-</u>	<u>1,138,049</u>
Capital Assets, Being Depreciated:				
Equipment	180,447	51,262	(28,340)	203,369
Furniture	<u>479,447</u>	<u>-</u>	<u>(34,120)</u>	<u>445,327</u>
Total Capital Assets, Being Depreciated	<u>659,894</u>	<u>51,262</u>	<u>(62,460)</u>	<u>648,696</u>
Less Accumulated Depreciation for:				
Equipment	(93,411)	(31,931)	28,340	(97,002)
Furniture	<u>(479,447)</u>	<u>-</u>	<u>34,120</u>	<u>(445,327)</u>
Total Accumulated Depreciation	<u>(572,858)</u>	<u>(31,931)</u>	<u>62,460</u>	<u>(542,329)</u>
Total Capital Assets, Being Depreciated, Net	<u>87,036</u>	<u>19,331</u>	<u>0</u>	<u>106,367</u>
Governmental Activities, Capital Assets, Net	<u>\$1,225,085</u>	<u>19,331</u>	<u>0</u>	<u>1,244,416</u>

Depreciation expense of \$31,931 was charged in the statement of activities.

Capital assets are classified by three funding sources. General Fund asset purchases and purchases from grant funds. Capital asset purchases made with grant funds are usually for computer equipment paid for with funds received from the LSTA Grants. All capital assets that were not purchased with the use of grant funds are considered to be purchased from general funds.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNIT (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% of pretax annual compensation. The Library provides employer matching contributions to eligible contributing participants equal to three percent of the employee contribution so long as the employee contributes one percent or more of their compensation. Employees are eligible to participate immediately upon hire, but will not be eligible to receive the employer matching contribution until attaining age 21 and working at least 1,000 hours during the plan year. Library employees made contributions to the Plan of \$46,029 and the Library made matching contributions to the plan totaling \$22,494 for the fiscal year ending June 30, 2011.

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, 2011, \$26,901 was received on the LSTA Grant for the purchase of computers and technological equipment. The library also received an \$1,800 grant from the Arts Council. Funds for the Broadband Technology Opportunities Grant, in the amount of \$119,433, were awarded to the Library, but expenditures relating to this project were not made until after year end. This amount was recorded as deferred revenue for the Library.

7. Commitments

In November 2006, the Library entered into an operating lease for Toshiba copiers. This lease has a term of 60 months with payments of \$491 per month. The total amount paid during fiscal year ended June 30, 2011 was \$4,910.

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	6%

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

A. Johnson City Public Library (continued)

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, 2011 was \$22,325.

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 restricted for use by the Washington County Imagination Library and as such this fund was setup as a special revenue fund.

11. Uncertainty in Income Taxes

On July 1, 2009, the Library adopted Financial Accounting Standards Board (FASB) *Accounting Standards Codification* guidance in relation to uncertainty in income taxes. The adoption of uncertainty in income taxes did not have a material effect on the Library.

The Library's federal and state income tax returns for tax years 2008 and beyond remain subject to examination by the Internal Revenue Service.

The Library did not have unrecognized tax liabilities as of June 30, 2011 and does not expect this to change significantly over the next 12 months. If unrecognized tax liabilities are identified, the Library will recognize interest and penalties accrued on any unrecognized tax liabilities as a component of income tax expense. As of June 30, 2011, the Library has not accrued interest or penalties related to uncertain tax positions.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

7. OTHER MATTERS:

As discussed in Note 1, the City does have a concentration of revenue received from the state and federal government. Some of the revenue from these grants is limited to one year or a specific project. In addition, some programs that the City has historically participated in may face reductions in funding or possibly elimination due to federal and state budget issues.

In addition to the bonds, during the fiscal year ended June 30, 2011, Washington County issued a capital outlay note. The total received by the City from these was \$120,636.

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, 2011, the City drew \$353,279. 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 \$1,853,230 as of June 30, 2011. This balance is expected to be received during fiscal year 2012.

Due to changes in state law that took effect July 1, 2011, certain fines and fees, which are reflected in the General Fund and Other Governmental Funds, related to police tickets will be substantially reduced in the year ending June 30, 2012.

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.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLANS
For the Fiscal Year Ended June 30, 2011

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%

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 three 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%

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 three most recent valuations are presented.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR POST-EMPLOYMENT HEALTHCARE PLANS
For the Fiscal Year Ended June 30, 2011

City of Johnson City – Schedule of Funding Progress – Post-employment Healthcare Plan

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2010	\$ -	\$ 20,722	\$ 20,722	0.00%	\$ 28,300	73.22%

Johnson City Schools – Schedule of Funding Progress – Post-employment Healthcare Plan

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2010	\$ -	\$ 18,184	\$ 18,184	0.00%	\$ 30,900	58.85%

Johnson City Power Board – Schedule of Funding Progress – Post-employment Healthcare Plan

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ -	\$ 8,615	\$ 8,615	0.00%	N/A	N/A

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Investment Earnings	\$ -	404,229	405,114	885
Total Revenues	0	404,229	405,114	885
<u>Expenditures:</u>				
Debt Service:				
Principal Retirement	5,702,355	5,972,355	6,332,024	(359,669)
Interest and Fiscal Charges	4,058,263	4,307,711	4,025,758	281,953
Other Fees	-	-	210,572	(210,572)
Total Expenditures	9,760,618	10,280,066	10,568,354	(288,288)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,760,618)	(9,875,837)	(10,163,240)	(287,403)
<u>Other Financing Sources (Uses):</u>				
Transfer In	9,760,618	9,875,837	10,068,240	192,403
Bond Issue Proceeds and Debt Refunding	-	-	-	-
Redemption of Refund Bonds	-	-	-	-
Bond Proceeds-Refunding	-	-	2,780,000	2,780,000
Bond Refunding Payments	-	-	(2,685,000)	(2,685,000)
Total Other Financing Sources (Uses)	9,760,618	9,875,837	10,163,240	287,403
Net Change in Fund Balances	-	-	-	-
Fund Balance, July 1, 2010	-	-	-	-
Fund Balance, June 30, 2011	\$ 0	0	0	0

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
EDUCATIONAL FACILITIES DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,900,000	1,900,000	1,948,851	48,851
Investment Earnings	-	-	8,975	8,975
Total Revenues	1,900,000	1,900,000	1,957,826	57,826
Expenditures:				
Debt Service:				
Principal Retirement	1,050,813	1,050,813	644,846	405,967
Interest and Fiscal Charges	1,849,187	1,849,187	3,220,688	(1,371,501)
Other Fees	-	-	272,324	(272,324)
Total Expenditures	2,900,000	2,900,000	4,137,858	(1,237,858)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,000,000)	(1,000,000)	(2,180,032)	(1,180,032)
Other Financing Sources (Uses):				
Transfer In	1,050,000	1,050,000	1,073,277	23,277
Bond Proceeds-Refunding	-	-	32,710,000	32,710,000
Bond Refunding Payments	-	-	(30,885,712)	(30,885,712)
Total Other Financing Sources (Uses)	1,050,000	1,050,000	2,897,565	1,847,565
Net Change in Fund Balances	50,000	50,000	717,533	667,533
Fund Balance, July 1, 2010	697,695	697,695	697,695	-
Fund Balance, June 30, 2011	\$ 747,695	747,695	1,415,228	667,533

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Investment Earnings	\$ 260,000	260,000	294,682	34,682
Intergovernmental Revenue	-	-	782,436	782,436
Donations	-	-	163,401	163,401
Total Revenues	260,000	260,000	1,240,519	980,519
<u>Expenditures:</u>				
Capital Outlay	33,800,000	33,800,000	34,911,018	(1,111,018)
Total Expenditures	33,800,000	33,800,000	34,911,018	(1,111,018)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,540,000)	(33,540,000)	(33,670,499)	(130,499)
<u>Other Financing Sources (Uses):</u>				
Transfer In	-	-	1,023,756	1,023,756
Bond Issue Proceeds	9,920,000	9,920,000	8,160,000	(1,760,000)
Total Other Financing Sources (Uses)	9,920,000	9,920,000	9,183,756	(736,244)
Net Change in Fund Balances	(23,620,000)	(23,620,000)	(24,486,743)	(866,743)
Fund Balance, July 1, 2010	38,238,382	38,238,382	38,238,382	-
Fund Balance, June 30, 2011	\$ 14,618,382	14,618,382	13,751,639	(866,743)

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 fundraising 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.

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, 2011

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
<u>ASSETS:</u>				
Cash on Hand	\$ 1,879	-	-	1,879
Cash in Bank	1,524,639	-	200,340	1,724,979
Cash on Deposit with State of Tennessee	-	38,326	-	38,326
Cash Due from Central Depository	1,437,854	457,980	-	1,895,834
Accounts Receivable (Net)	381	234,866	-	235,247
Due from Federal Government	304,108	-	-	304,108
Due from State of Tennessee	1,565,680	-	-	1,565,680
Notes Receivable	35,220	-	-	35,220
Restricted Cash	-	246,324	-	246,324
Restricted Investments	-	10,645,005	-	10,645,005
Inventories	135,248	-	-	135,248
Total Assets	\$ 5,005,009	11,622,501	200,340	16,827,850
<u>LIABILITIES AND FUND BALANCES:</u>				
<u>Liabilities:</u>				
Cash Due to Central Depository	\$ 196,012	621,913	-	817,925
Accounts Payable	263,658	972,134	-	1,235,792
Accrued Payroll Expenditures	304,034	-	-	304,034
Accrued Expenditures	960	-	-	960
Due to Other Funds	894,805	-	-	894,805
Unearned Revenue	113,955	-	-	113,955
Retainage Payable	-	325,255	-	325,255
Total Liabilities	1,773,424	1,919,302	0	3,692,726
<u>Fund Balances:</u>				
Nonspendable	135,248	-	200,340	335,588
Restricted	2,607,099	9,703,199	-	12,310,298
Committed	5,675	-	-	5,675
Assigned	489,591	-	-	489,591
Unassigned	(6,028)	-	-	(6,028)
Total Fund Balances	3,231,585	9,703,199	200,340	13,135,124
Total Liabilities and Fund Balances	\$ 5,005,009	11,622,501	200,340	16,827,850

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, 2011

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
<u>Revenues:</u>				
Federal Government	\$ 10,337,808	832,501	-	11,170,309
State of Tennessee	654,343	401,191	-	1,055,534
Local Governments	89,610	-	-	89,610
Charges for Services	998,344	-	-	998,344
Fines and Forfeitures	459,306	-	-	459,306
Investment Earnings	7,494	84,480	212	92,186
Revenue from Use of Property	1,395,570	-	-	1,395,570
Miscellaneous	191,207	167,200	-	358,407
Total Revenues	14,133,682	1,485,372	212	15,619,266
<u>Expenditures:</u>				
<u>Current:</u>				
Public Safety	1,029,194	-	-	1,029,194
Public Welfare	582,020	-	-	582,020
Senior Citizens	67,022	-	-	67,022
Scholarships Awarded	-	-	6,750	6,750
Entertainment and Operation	1,701,244	-	-	1,701,244
Highway and Transportation Planning	251,037	-	-	251,037
Education	8,235,868	-	-	8,235,868
School Food Service	2,797,228	-	-	2,797,228
Miscellaneous	6,500	-	-	6,500
Capital Outlay	368,102	12,023,219	-	12,391,321
Total Expenditures	15,038,215	12,023,219	6,750	27,068,184
Excess (Deficiency) of Revenues Over (Under) Expenditures	(904,533)	(10,537,847)	(6,538)	(11,448,918)
<u>Other Financing Sources (Uses):</u>				
Transfers (Net)	1,052,588	55,668	-	1,108,256
Capital Lease	-	704,688	-	704,688
Sale of Real Estate	-	(24,803)	-	(24,803)
Bond Issue Proceeds	-	353,279	-	353,279
Total Other Financing Sources	1,052,588	1,088,832	0	2,141,420

(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, 2011

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
Net Change in Fund Balances	148,055	(9,449,015)	(6,538)	(9,307,498)
Fund Balances, July 1, 2010	3,138,696	19,152,214	206,878	22,497,788
Purchase Method Inventory Adjustment	(55,166)	-	-	(55,166)
Fund Balances, July 1, 2010 (Restated)	3,083,530	19,152,214	206,878	22,442,622
Fund Balances, June 30, 2011	<u>\$ 3,231,585</u>	<u>9,703,199</u>	<u>200,340</u>	<u>13,135,124</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
June 30, 2011

	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	-	-	4	-	-	-	-	-	1,879
Cash in Bank	-	1,524,639	-	-	-	-	-	-	-	1,524,639
Cash Due from Central Depository	67,141	-	6,425	469,553	2,641	619,822	-	270,280	1,992	1,437,854
Accounts Receivable (Net)	-	-	-	-	-	381	-	-	-	381
Due from Federal Government	-	-	-	-	54,092	-	250,016	-	-	304,108
Due from State of Tennessee	-	1,505,603	18,496	-	9,855	-	31,726	-	-	1,565,680
Notes Receivable	-	-	-	-	-	-	35,220	-	-	35,220
Inventories	-	135,248	-	-	-	-	-	-	-	135,248
Total Assets	\$ 69,016	3,165,490	24,921	469,557	66,588	620,203	316,962	270,280	1,992	5,005,009
LIABILITIES AND FUND BALANCES:										
Liabilities:										
Cash Due to Central Depository	\$ -	-	-	-	-	-	196,012	-	-	196,012
Accounts Payable	6,840	88,267	1,894	28,972	15,181	25,566	88,270	8,668	-	263,658
Accrued Payroll Expenditures	14,187	281,608	4,751	-	-	-	3,488	-	-	304,034
Accrued Expenditures	960	-	-	-	-	-	-	-	-	960
Due to Other Funds	-	894,805	-	-	-	-	-	-	-	894,805
Unearned Revenue	-	12,928	14,400	-	51,407	-	35,220	-	-	113,955
Total Liabilities	21,987	1,277,608	21,045	28,972	66,588	25,566	322,990	8,668	0	1,773,424
Fund Balances:										
Nonspendable	-	135,248	-	-	-	-	-	-	-	135,248
Restricted	47,029	1,257,368	3,876	440,585	-	594,637	-	261,612	1,992	2,607,099
Committed	-	5,675	-	-	-	-	-	-	-	5,675
Assigned	-	489,591	-	-	-	-	-	-	-	489,591
Unassigned	-	-	-	-	-	-	(6,028)	-	-	(6,028)
Total Fund Balances	47,029	1,887,882	3,876	440,585	0	594,637	(6,028)	261,612	1,992	3,231,585
Total Liabilities and Fund Balances	\$ 69,016	3,165,490	24,921	469,557	66,588	620,203	316,962	270,280	1,992	5,005,009

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, 2011

	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	\$ -	9,416,296	165,110	-	264,911	-	491,491	-	-	10,337,808
State of Tennessee	-	553,373	11,140	-	-	-	89,830	-	-	654,343
Local Governments	-	-	-	-	89,610	-	-	-	-	89,610
Charges for Services	-	997,918	-	-	-	-	426	-	-	998,344
Fines and Forfeitures	-	-	-	51,589	-	407,717	-	-	-	459,306
Investment Earnings	23	7,191	-	-	3	-	-	272	5	7,494
Revenue from Use of Property	1,395,570	-	-	-	-	-	-	-	-	1,395,570
Miscellaneous	56,740	-	86	69,489	808	-	699	56,586	6,799	191,207
Total Revenues	1,452,333	10,974,778	176,336	121,078	355,332	407,717	582,446	56,858	6,804	14,133,682
Expenditures:										
Current:										
Public Safety	-	-	-	267,562	372,174	389,458	-	-	-	1,029,194
Public Welfare	-	-	-	-	-	-	582,020	-	-	582,020
Senior Citizens	-	-	-	-	-	-	-	67,022	-	67,022
Entertainment and Operation	1,701,244	-	-	-	-	-	-	-	-	1,701,244
Highway and Transportation Planning	-	-	251,037	-	-	-	-	-	-	251,037
Education	-	8,235,868	-	-	-	-	-	-	-	8,235,868
School Food Service	-	2,797,228	-	-	-	-	-	-	-	2,797,228
Miscellaneous	-	-	-	-	-	-	-	-	6,500	6,500
Capital Outlay	-	361,148	-	-	6,954	-	-	-	-	368,102
Total Expenditures	1,701,244	11,394,244	251,037	267,562	379,128	389,458	582,020	67,022	6,500	15,038,215
Excess (Deficiency) of Revenues Over (Under) Expenditures	(248,911)	(419,466)	(74,701)	(146,484)	(23,796)	18,259	426	(10,164)	304	(904,533)
Other Financing Sources (Uses):										
Transfers (Net)	246,681	657,363	36,914	98,586	23,540	(10,496)	-	-	-	1,052,588
Total Other Financing Sources (Uses)	246,681	657,363	36,914	98,586	23,540	(10,496)	0	0	0	1,052,588
Net Change in Fund Balances	(2,230)	237,897	(37,787)	(47,898)	(256)	7,763	426	(10,164)	304	148,055
Fund Balances, July 1, 2010	49,259	1,705,151	41,663	488,483	256	586,874	(6,454)	271,776	1,688	3,138,696
Purchase Method Inventory Adjustment	-	(55,166)	-	-	-	-	-	-	-	(55,166)
Fund Balances, July 1, 2010 (restated)	49,259	1,649,985	41,663	488,483	256	586,874	(6,454)	271,776	1,688	3,083,530
Fund Balances, June 30, 2011	\$ 47,029	1,887,882	3,876	440,585	0	594,637	(6,028)	261,612	1,992	3,231,585

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
SCHOOL FUNDS
June 30, 2011

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
<u>ASSETS:</u>					
Cash in Bank	\$ -	-	1,034,886	489,753	1,524,639
Due from State of Tennessee	1,107,165	170,281	228,157	-	1,505,603
Inventories	-	-	135,248	-	135,248
Total Assets	<u>\$ 1,107,165</u>	<u>170,281</u>	<u>1,398,291</u>	<u>489,753</u>	<u>3,165,490</u>
<u>LIABILITIES AND FUND BALANCES:</u>					
<u>Liabilities:</u>					
Accounts Payable	88,105	-	-	162	88,267
Accrued Payroll Expenditures	262,139	19,469	-	-	281,608
Due to Other Funds	744,993	149,812	-	-	894,805
Unearned Revenue	11,928	1,000	-	-	12,928
Total Liabilities	<u>1,107,165</u>	<u>170,281</u>	<u>-</u>	<u>162</u>	<u>1,277,608</u>
<u>Fund Balances:</u>					
Nonspendable	-	-	135,248	-	135,248
Restricted	-	-	1,257,368	-	1,257,368
Committed	-	-	5,675	-	5,675
Assigned	-	-	-	489,591	489,591
Total Fund Balances	<u>0</u>	<u>0</u>	<u>1,398,291</u>	<u>489,591</u>	<u>1,887,882</u>
Total Liabilities and Fund Balances	<u>\$ 1,107,165</u>	<u>170,281</u>	<u>1,398,291</u>	<u>489,753</u>	<u>3,165,490</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, 2011

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
<u>Revenues:</u>					
Federal Government	\$ 7,347,521	30,005	2,038,770	-	9,416,296
State of Tennessee	-	520,192	33,181	-	553,373
Charges for Services	-	-	997,918	-	997,918
Investment Earnings	-	-	7,191	-	7,191
Total Revenues	7,347,521	550,197	3,077,060	0	10,974,778
<u>Expenditures:</u>					
Current:					
Education	7,022,509	571,726	-	641,633	8,235,868
School Food Service	-	-	2,797,228	-	2,797,228
Capital Outlay	279,766	-	81,382	-	361,148
Total Expenditures	7,302,275	571,726	2,878,610	641,633	11,394,244
Excess (Deficiency) of Revenues Over (Under) Expenditures	45,246	(21,529)	198,450	(641,633)	(419,466)
<u>Other Financing Sources (Uses):</u>					
Transfers (Net)	(45,246)	21,529	-	681,080	657,363
Total Other Financing Sources (Uses)	(45,246)	21,529	0	681,080	657,363
Net Change in Fund Balances	0	0	198,450	39,447	237,897
Fund Balances, July 1, 2010	-	-	1,255,007	450,144	1,705,151
Purchase Method Inventory Adjustment	-	-	(55,166)	-	(55,166)
Fund Balances, July 1, 2010 (Restated)	0	0	1,199,841	450,144	1,649,985
Fund Balances, June 30, 2011	\$ 0	0	1,398,291	489,591	1,887,882

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
June 30, 2011

	Various Project Funds				Total Capital Project Funds
	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund	
<u>ASSETS:</u>					
Cash on Deposit with State of Tennessee	\$ -	-	-	38,326	38,326
Cash Due from Central Depository	165,280	292,700	-	-	457,980
Accounts Receivable (Net)	-	-	17	234,849	234,866
Restricted Cash	-	-	246,324	-	246,324
Restricted Investments	-	-	10,645,005	-	10,645,005
Total Assets	\$ 165,280	292,700	10,891,346	273,175	11,622,501
<u>LIABILITIES AND FUND BALANCES:</u>					
<u>Liabilities:</u>					
Cash Due to Central Depository	\$ -	-	488,819	133,094	621,913
Accounts Payable	126,280	4,949	830,403	10,502	972,134
Retainage Payable	-	-	325,255	-	325,255
Total Liabilities	126,280	4,949	1,644,477	143,596	1,919,302
<u>Fund Balances</u>					
Restricted	39,000	287,751	9,246,869	129,579	9,703,199
Total Fund Balances	39,000	287,751	9,246,869	129,579	9,703,199
Total Liabilities and Fund Balances	\$ 165,280	292,700	10,891,346	273,175	11,622,501

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, 2011

	Various Project Funds				Industrial* Park Fund	Med Tech* Park Fund	Total Capital Project Funds
	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund			
Revenues:							
Federal Government	\$ -	-	-	832,501	-	-	832,501
State of Tennessee	-	-	-	401,191	-	-	401,191
Investment Earnings	-	22	84,365	93	-	-	84,480
Miscellaneous	129,740	32,342	5,118	-	-	-	167,200
Total Revenues	129,740	32,364	89,483	1,233,785	0	0	1,485,372
Expenditures:							
Capital Outlay	2,298,470	753,260	7,667,855	1,303,634	-	-	12,023,219
Total Expenditures	2,298,470	753,260	7,667,855	1,303,634	0	0	12,023,219
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,168,730)	(720,896)	(7,578,372)	(69,849)	0	0	(10,537,847)
Other Financing Sources (Uses):							
Operating Transfers (Net)	1,202,513	676,184	(295,109)	107,500	1,444,949	(3,080,369)	55,668
Sale of Equipment	-	-	(24,803)	-	-	-	(24,803)
Capital Lease	704,688	-	-	-	-	-	704,688
Bond Issue Proceeds	-	-	107,077	246,202	-	-	353,279
Total Other Financing Sources (Uses)	1,907,201	676,184	(212,835)	353,702	1,444,949	(3,080,369)	1,088,832
Net Change in Fund Balances	(261,529)	(44,712)	(7,791,207)	283,853	1,444,949	(3,080,369)	(9,449,015)
Fund Balances, July 1, 2010	300,529	332,463	17,038,076	(154,274)	(1,444,949)	3,080,369	19,152,214
Fund Balances, June 30, 2011	\$ 39,000	287,751	9,246,869	129,579	0	0	9,703,199

* The underlying projects in the Industrial Park Fund and the Med Tech Park Fund have been completed, and the remaining net assets have been transferred into the General Fund.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FREEDOM HALL CIVIC CENTER FUND
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Revenue from Use of Property	\$ 1,469,000	1,469,000	1,395,570	(73,430)
Investment Earnings	-	-	23	23
Miscellaneous	70,000	70,000	56,740	(13,260)
Total Revenues	1,539,000	1,539,000	1,452,333	(86,667)
<u>Expenditures:</u>				
Civic Center Entertainment and Operation	1,714,622	1,714,622	1,701,244	13,378
Total Expenditures	1,714,622	1,714,622	1,701,244	13,378
Excess (Deficiency) of Revenues Over (Under) Expenditures	(175,622)	(175,622)	(248,911)	(73,289)
<u>Other Financing Sources (Uses):</u>				
Transfer In	175,000	175,000	246,681	71,681
Total Other Financing Sources (Uses)	175,000	175,000	246,681	71,681
Net Change in Fund Balance	(622)	(622)	(2,230)	(1,608)
Fund Balance, July 1, 2010	49,259	49,259	49,259	-
Fund Balance, June 30, 2011	\$ 48,637	48,637	47,029	(1,608)

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Federal Government	\$ 10,122,351	9,737,905	7,347,521	(2,390,384)
Total Revenues	10,122,351	9,737,905	7,347,521	(2,390,384)
<u>Expenditures:</u>				
Education	9,559,127	9,105,402	7,022,509	2,082,893
Capital Outlay	565,224	577,627	279,766	297,861
Total Expenditures	10,124,351	9,683,029	7,302,275	2,380,754
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,000)	54,876	45,246	(9,630)
<u>Other Financing Sources (Uses):</u>				
Transfer In	2,000	2,000	2,000	-
Transfer Out	-	(56,876)	(47,246)	9,630
Total Other Financing Sources (Uses)	2,000	(54,876)	(45,246)	9,630
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1, 2010	-	-	-	-
Fund Balance, June 30, 2011	\$ 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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Federal Government	\$ 34,647	30,100	30,005	(95)
State of Tennessee	596,621	560,763	520,192	(40,571)
Total Revenues	631,268	590,863	550,197	(40,666)
<u>Expenditures:</u>				
Education	645,218	604,813	571,726	33,087
Total Expenditures	645,218	604,813	571,726	33,087
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,950)	(13,950)	(21,529)	(7,579)
<u>Other Financing Sources (Uses):</u>				
Transfer In	13,950	13,950	21,529	7,579
Total Other Financing Sources (Uses)	13,950	13,950	21,529	7,579
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1, 2010	-	-	-	-
Fund Balance, June 30, 2011	\$ 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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final		(Negative)
<u>Revenues:</u>				
Federal Government	\$ 2,003,000	2,003,000	2,038,770	35,770
State of Tennessee	-	-	33,181	33,181
Charges for Services	1,192,000	1,192,000	997,918	(194,082)
Investment Earnings	5,000	5,000	7,191	2,191
Total Revenues	3,200,000	3,200,000	3,077,060	(122,940)
<u>Expenditures:</u>				
School Food Service	3,090,000	3,090,000	2,797,228	292,772
Capital Outlay	110,000	110,000	81,382	28,618
Total Expenditures	3,200,000	3,200,000	2,878,610	321,390
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	198,450	198,450
Fund Balance, July 1, 2010	1,255,007	1,255,007	1,255,007	-
Purchase Method Inventory Adjustment	-	-	(55,166)	(55,166)
Fund Balance, July 1, 2010 (Restated)	1,255,007	1,255,007	1,199,841	(55,166)
Fund Balance, June 30, 2011	\$ 1,255,007	1,255,007	1,398,291	143,284

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, 2011

	<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	\$ 222,498	222,498	165,110	(57,388)
State of Tennessee	13,048	13,048	11,140	(1,908)
Miscellaneous	-	-	86	86
Total Revenues	235,546	235,546	176,336	(59,210)
<u>Expenditures:</u>				
Highway and Transportation Planning	272,235	272,235	251,037	21,198
Total Expenditures	272,235	272,235	251,037	21,198
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,689)	(36,689)	(74,701)	(38,012)
<u>Other Financing Sources (Uses):</u>				
Transfer In	55,502	55,502	36,914	(18,588)
Total Other Financing Sources (Uses)	55,502	55,502	36,914	(18,588)
Net Change in Fund Balance	18,813	18,813	(37,787)	(56,600)
Fund Balance July 1, 2010	41,663	41,663	41,663	-
Fund Balance, June 30, 2010	\$ 60,476	60,476	3,876	(56,600)

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Fines and Forfeitures	\$ 75,000	45,000	51,589	6,589
Miscellaneous	20,000	62,000	69,489	7,489
Total Revenues	95,000	107,000	121,078	14,078
<u>Expenditures:</u>				
Public Safety	116,020	320,020	267,562	52,458
Total Expenditures	116,020	320,020	267,562	52,458
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,020)	(213,020)	(146,484)	66,536
<u>Other Financing Sources (Uses):</u>				
Transfer In	-	-	98,586	98,586
Total Other Financing Sources (Uses)	0	0	98,586	98,586
Net Change in Fund Balance	(21,020)	(213,020)	(47,898)	165,122
Fund Balance, July 1, 2010	488,483	488,483	488,483	-
Fund Balance, June 30, 2011	\$ 467,463	275,463	440,585	165,122

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Federal Government	\$ 174,195	264,635	264,911	276
Local Governments	123,551	123,551	89,610	(33,941)
Investment Earnings	-	-	3	3
Miscellaneous	-	-	808	808
Total Revenues	<u>297,746</u>	<u>388,186</u>	<u>355,332</u>	<u>(32,854)</u>
<u>Expenditures:</u>				
Public Safety	298,740	393,228	372,174	21,054
Capital Outlay	10,000	10,000	6,954	3,046
Total Expenditures	<u>308,740</u>	<u>403,228</u>	<u>379,128</u>	<u>24,100</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,994)</u>	<u>(15,042)</u>	<u>(23,796)</u>	<u>(8,754)</u>
<u>Other Financing Sources (Uses):</u>				
Transfer In	82,000	11,048	23,796	12,748
Transfer Out	-	-	(256)	(256)
Total Other Financing Sources (Uses)	<u>82,000</u>	<u>11,048</u>	<u>23,540</u>	<u>12,492</u>
Net Change in Fund Balance	71,006	(3,994)	(256)	3,738
Fund Balance, July 1, 2010	<u>256</u>	<u>256</u>	<u>256</u>	<u>-</u>
Fund Balance, June 30, 2011	<u>\$ 71,262</u>	<u>(3,738)</u>	<u>0</u>	<u>3,738</u>

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, 2011

	<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	\$ 460,400	460,400	407,717	(52,683)
Total Revenues	460,400	460,400	407,717	(52,683)
<u>Expenditures:</u>				
Public Safety	577,400	577,400	389,458	187,942
Total Expenditures	577,400	577,400	389,458	187,942
Excess (Deficiency) of Revenues Over (Under) Expenditures	(117,000)	(117,000)	18,259	135,259
<u>Other Financing Sources (Uses):</u>				
Transfer Out	-	-	(10,496)	(10,496)
Total Other Financing Sources (Uses)	0	0	(10,496)	(10,496)
Net Change in Fund Balance	(117,000)	(117,000)	7,763	124,763
Fund Balance, July 1, 2010	586,874	586,874	586,874	-
Fund Balance, June 30, 2011	\$ 469,874	469,874	594,637	124,763

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, 2011

	<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	\$ 532,427	532,427	491,491	(40,936)
State of Tennessee	89,812	89,812	89,830	18
Charges for Services	500	500	426	(74)
Miscellaneous	70,480	70,480	699	(69,781)
Total Revenues	693,219	693,219	582,446	(110,773)
<u>Expenditures:</u>				
Public Welfare	689,740	689,740	582,020	107,720
Total Expenditures	689,740	689,740	582,020	107,720
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,479	3,479	426	(3,053)
Net Change in Fund Balance	3,479	3,479	426	(3,053)
Fund Balance, July 1, 2010	(6,454)	(6,454)	(6,454)	-
Fund Balance, June 30, 2011	\$ (2,975)	(2,975)	(6,028)	(3,053)

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, 2011

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
ASSETS:					
Current Assets:					
Cash on Hand	\$ 1,000	-	1,917	-	2,917
Cash Due from Central Depository	-	2,639,792	145,874	1,046,676	3,832,342
Accounts Receivable (Net)	-	38,155	16,364	96,943	151,462
Due from Federal Government	-	-	460,326	-	460,326
Due from State Government	-	-	155,933	-	155,933
Inventories	88,833	-	-	-	88,833
Prepaid Expenses	2,250	-	-	-	2,250
Total Current Assets	92,083	2,677,947	780,414	1,143,619	4,694,063
Noncurrent Assets:					
Capital Assets:					
Land	2,014,580	-	205,990	1,111,541	3,332,111
Buildings	753,613	179,207	2,020,369	305,456	3,258,645
Improvements Other than Buildings	868,891	-	222,145	9,740	1,100,776
Equipment and Vehicles	937,267	1,747,514	4,190,916	915,580	7,791,277
Less: Accumulated Depreciation	(1,969,044)	(822,201)	(3,156,723)	(280,879)	(6,228,847)
Construction in Progress	-	-	146,235	406,300	552,535
Net Capital Assets	2,605,307	1,104,520	3,628,932	2,467,738	9,806,497
Other Assets:					
Bond Issue Costs (Net)	9,745	-	-	-	9,745
Total Noncurrent Assets	2,615,052	1,104,520	3,628,932	2,467,738	9,816,242
Total Assets	2,707,135	3,782,467	4,409,346	3,611,357	14,510,305
LIABILITIES:					
Current Liabilities:					
Cash Due to Central Depository	2,096,897	-	-	-	2,096,897
Accounts Payable	13,985	46,668	98,557	74,463	233,673
Accrued Payroll Expenses	31,780	27,335	46,408	19,448	124,971
Accrued Expenses	8,759	-	-	-	8,759
Deferred Revenue	34,250	-	750	-	35,000
Retainage Payable	-	-	7,312	-	7,312
Compensated Absences - Current Portion	24,389	22,922	54,643	10,281	112,235
Bonds Payable - Current Portion	210,000	-	-	-	210,000
Total Current Liabilities	2,420,060	96,925	207,670	104,192	2,828,847
Noncurrent Liabilities:					
Compensated Absences	6,483	6,093	14,526	2,733	29,835
Bonds Payable	945,000	-	-	-	945,000
Less: Deferred Debt Refunding	(36,107)	-	-	-	(36,107)
Special Commission Bonds	-	11,756	-	-	11,756
Total Noncurrent Liabilities	915,376	17,849	14,526	2,733	950,484
Total Liabilities	3,335,436	114,774	222,196	106,925	3,779,331
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	1,450,307	1,104,520	3,628,932	2,467,738	8,651,497
Unrestricted	(2,078,608)	2,563,173	558,218	1,036,694	2,079,477
Total Net Assets	\$ (628,301)	3,667,693	4,187,150	3,504,432	10,730,974

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, 2011

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
Operating Revenues:					
Charges for Services (Net)	\$ 852,936	2,484,240	388,797	2,076,145	5,802,118
Other Revenue	615	-	44,181	27,506	72,302
Total Operating Revenues	853,551	2,484,240	432,978	2,103,651	5,874,420
Operating Expenses:					
Administration	-	65,642	-	98,911	164,553
Personnel Services	754,074	682,463	2,001,429	379,686	3,817,652
Contractual Services	15,381	514,156	31,865	169,855	731,257
Materials and Supplies	71,250	72,403	103,619	133,274	380,546
Repairs and Maintenance	116,141	426,867	497,586	47,553	1,088,147
Items for Resale	40,406	-	-	-	40,406
Other Operating Expenses	138,384	5,837	112,924	70,225	327,370
Depreciation and Amortization	109,062	238,712	683,716	100,183	1,131,673
Total Operating Expenses	1,244,698	2,006,080	3,431,139	999,687	7,681,604
Operating Income (Loss)	(391,147)	478,160	(2,998,161)	1,103,964	(1,807,184)
Nonoperating Revenues (Expenses):					
Investment Income	-	2,570	-	644	3,214
Operating Grants	-	-	1,646,942	-	1,646,942
Interest Expenses and Commissions	(75,672)	-	-	-	(75,672)
Amortization - Bond Cost	(1,949)	-	-	-	(1,949)
Gain (Loss) on Sale of Capital Assets	-	(9,557)	11,554	-	1,997
Total Nonoperating Revenues (Expenses)	(77,621)	(6,987)	1,658,496	644	1,574,532
Income (Loss) Before Operating Transfers and Capital Contributions	(468,768)	471,173	(1,339,665)	1,104,608	(232,652)
Transfers and Capital Contributions:					
Transfers In	568,768	-	636,500	-	1,205,268
Transfers Out	-	(147,808)	-	(1,406)	(149,214)
Federal Capital Grant Revenue	-	-	160,357	-	160,357
State Capital Grant Revenue	-	-	17,679	-	17,679
Total Transfers and Capital Contributions	568,768	(147,808)	814,536	(1,406)	1,234,090
Change in Net Assets	100,000	323,365	(525,129)	1,103,202	1,001,438
Net Assets, July 1, 2010	(728,301)	3,344,328	4,712,279	2,401,230	9,729,536
Net Assets, June 30, 2011	\$ (628,301)	3,667,693	4,187,150	3,504,432	10,730,974

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 850,134	2,488,422	430,735	2,090,625	5,859,916
Payments to Employees	(751,159)	(680,991)	(2,033,050)	(371,952)	(3,837,152)
Payments to Suppliers	(201,017)	(680,716)	(456,998)	(371,852)	(1,710,583)
Payments for Interfund Services Used	(77,307)	(448,544)	(199,536)	(149,853)	(875,240)
Net Cash Provided by (Used for) Operating Activities	(179,349)	678,171	(2,258,849)	1,196,968	(563,059)
Cash Flows from Noncapital Financing Activities:					
Transfers to Other Funds	-	(147,808)	-	(1,406)	(149,214)
Advances from Other Funds	568,768	-	636,500	-	1,205,268
Operating Grants Received	-	-	1,543,606	-	1,543,606
Net Cash Provided by (Used for) Noncapital Financing Activities	568,768	(147,808)	2,180,106	(1,406)	2,599,660
Cash Flows from Capital and Related Financing Activities:					
Purchase of Capital Assets	(78,391)	-	(195,890)	(317,197)	(591,478)
Capital Grants Received	-	-	238,931	-	238,931
Principal Paid on Capital Debt	(200,000)	(5,175)	-	-	(205,175)
Principal Paid on Capital Lease	(42,610)	-	-	-	(42,610)
Interest Paid on Capital Debt	(65,986)	-	-	-	(65,986)
Sale of Capital Assets	-	5,710	11,553	-	17,263
Net Cash Provided by (Used for) Capital and Related Financing Activities	(386,987)	535	54,594	(317,197)	(649,055)
Cash Flows from Investing Activities:					
Interest and Related Income/Expenses and Investments	(2,432)	2,570	-	644	782
Net Cash Provided by (Used for) Investing Activities	(2,432)	2,570	0	644	782
Net Increase (Decrease) in Cash and Cash Equivalents	-	533,468	(24,149)	879,009	1,388,328
Cash and Cash Equivalents, July 1, 2010	1,000	2,106,324	171,940	167,667	2,446,931
Cash and Cash Equivalents, June 30, 2011	\$ 1,000	2,639,792	147,791	1,046,676	3,835,259
Classified as Current Assets	\$ 1,000	2,639,792	147,791	1,046,676	3,835,259
Totals	\$ 1,000	2,639,792	147,791	1,046,676	3,835,259

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

	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)	\$ (391,147)	478,160	(2,998,161)	1,103,964	(1,807,184)
Adjustments:					
Depreciation	109,062	238,712	683,716	100,183	1,131,673
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	-	4,183	(2,993)	(13,026)	(11,836)
(Increase) Decrease in Inventories	30,523	-	-	-	30,523
Increase (Decrease) in Accounts Payable and Accrued Expenses	72,715	(44,356)	62,101	(1,887)	88,573
Increase (Decrease) in Accrued Payroll Expenses	3,115	2,847	(16,787)	6,540	(4,285)
Increase (Decrease) in Compensated Absences	(200)	(1,375)	12,525	1,194	12,144
Increase (Decrease) in Deferred Revenue	(3,417)	-	750	-	(2,667)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (179,349)</u>	<u>678,171</u>	<u>(2,258,849)</u>	<u>1,196,968</u>	<u>(563,059)</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 on Hand	\$ 1,000	-	1,917	-	2,917
Cash Due From Central Depository	-	2,639,792	145,874	1,046,676	3,832,342
	<u>\$ 1,000</u>	<u>2,639,792</u>	<u>147,791</u>	<u>1,046,676</u>	<u>3,835,259</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, 2011

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
<u>ASSETS:</u>			
<u>Current Assets:</u>			
Cash in Bank	\$ 11,749,790	-	11,749,790
Cash Due from Central Depository	446,756	-	446,756
Accounts Receivable (Net)	108,079	78,930	187,009
Prepaid Expenses	25,149	-	25,149
Inventories	-	455,703	455,703
Total Current Assets	12,329,774	534,633	12,864,407
<u>Noncurrent Assets:</u>			
<u>Capital Assets:</u>			
Equipment and Vehicles	-	617,148	617,148
Less: Accumulated Depreciation	-	(441,471)	(441,471)
Net Capital Assets	0	175,677	175,677
Total Assets	12,329,774	710,310	13,040,084
<u>LIABILITIES:</u>			
<u>Current Liabilities:</u>			
Cash Due to Central Depository	-	225,978	225,978
Accounts Payable	370,228	296,858	667,086
Accrued Payroll Expenses	5,472	73,851	79,323
Compensated Absences - Current Portion	-	48,043	48,043
Other Liabilities	3,468,287	-	3,468,287
Total Current Liabilities	3,843,987	644,730	4,488,717
<u>Noncurrent Liabilities:</u>			
Compensated Absences	-	12,771	12,771
Total Noncurrent Liabilities	0	12,771	12,771
Total Liabilities	3,843,987	657,501	4,501,488
<u>NET ASSETS:</u>			
Invested in Capital Assets, Net of Related Debt	-	175,677	175,677
Unrestricted	8,485,787	(122,868)	8,362,919
Total Net Assets	\$ 8,485,787	52,809	8,538,596

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, 2011

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
<u>Operating Revenues:</u>			
Charges for Services (Net)	\$ 17,372,215	6,606,553	23,978,768
Other Revenue	266,959	7,427	274,386
Total Operating Revenues	<u>17,639,174</u>	<u>6,613,980</u>	<u>24,253,154</u>
<u>Operating Expenses:</u>			
Personnel Services	151,087	2,002,694	2,153,781
Contractual Services	15,802,864	62,058	15,864,922
Materials and Supplies	-	26,819	26,819
Repairs and Maintenance	-	4,374,670	4,374,670
Other Operating Expenses	-	121,593	121,593
Depreciation and Amortization	-	26,146	26,146
Total Operating Expenses	<u>15,953,951</u>	<u>6,613,980</u>	<u>22,567,931</u>
Operating Income (Loss)	<u>1,685,223</u>	<u>0</u>	<u>1,685,223</u>
<u>Nonoperating Revenues (Expenses):</u>			
Investment Income	11,028	-	11,028
Total Nonoperating Revenues (Expenses)	<u>11,028</u>	<u>0</u>	<u>11,028</u>
Income (Loss) Before Operating Transfers	<u>1,696,251</u>	<u>0</u>	<u>1,696,251</u>
<u>Transfers:</u>			
Transfers In	452,428	-	452,428
Total Transfers	<u>452,428</u>	<u>0</u>	<u>452,428</u>
Change in Net Assets	2,148,679	-	2,148,679
Net Assets, July 1, 2010	<u>6,337,108</u>	<u>52,809</u>	<u>6,389,917</u>
Net Assets, June 30, 2011	<u>\$ 8,485,787</u>	<u>52,809</u>	<u>8,538,596</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, 2011

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Receipts from Customers and Users	\$ 17,531,094	317,311	17,848,405
Receipts from Interfund Services Provided	-	6,254,300	6,254,300
Payments to Employees	(151,675)	(1,995,565)	(2,147,240)
Payments to Suppliers	(16,230,696)	(4,530,202)	(20,760,898)
Payments for Interfund Services Used	-	(45,844)	(45,844)
Net Cash Provided by Operating Activities	<u>1,148,723</u>	<u>0</u>	<u>1,148,723</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Loans from Other Funds	452,428	-	452,428
Net Cash Provided by Noncapital Financing Activities	<u>452,428</u>	<u>0</u>	<u>452,428</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Received	11,028	-	11,028
Net Cash Provided by Investing Activities	<u>11,028</u>	<u>0</u>	<u>11,028</u>
Net Increase in Cash and Cash Equivalents	1,612,179	-	1,612,179
Cash and Cash Equivalents, July 1, 2010	10,584,367	-	10,584,367
Cash and Cash Equivalents, June 30, 2011	<u>\$ 12,196,546</u>	<u>0</u>	<u>12,196,546</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>			
Operating Income (Loss)	\$ 1,685,223	-	1,685,223
Adjustments:			
Depreciation and Amortization	-	26,146	26,146
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(108,079)	(42,369)	(150,448)
(Increase) Decrease in Inventories	-	(61,988)	(61,988)
(Increase) Decrease in Prepaid Insurance	(25,149)	-	(25,149)
Increase (Decrease) in Accounts Payable	70,490	130,749	201,239
Increase (Decrease) in Other Liabilities	(473,174)	(59,667)	(532,841)
Increase (Decrease) in Accrued Payroll Expenses	(588)	8,806	8,218
Increase (Decrease) in Compensated Absences	-	(1,677)	(1,677)
Net Cash Provided by Operating Activities	<u>\$ 1,148,723</u>	<u>-</u>	<u>1,148,723</u>
<u>Reconciliation of Cash and Cash Equivalents from Statement of Cash Flows</u>			
Cash in Bank	\$ 11,749,790	-	11,749,790
Cash Due from Central Depository	446,756	-	446,756
	<u>\$ 12,196,546</u>	<u>0</u>	<u>12,196,546</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, 2011

<u>Governmental Funds Capital Assets:</u>	<u>2011</u>	<u>2010</u>
Land	\$ 20,459,995	19,716,743
Buildings	161,099,644	152,278,459
Equipment and Vehicles	38,270,774	32,847,268
Infrastructure	161,144,578	158,207,798
Construction in Progress	<u>58,808,863</u>	<u>31,740,711</u>
Total Governmental Funds Capital Assets	<u>\$ 439,783,854</u>	<u>394,790,979</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 236,066,775	226,785,518
General Purpose School Fund	2,968,245	2,670,861
Special Revenue Funds	140,167,004	131,265,227
Capital Project Funds	1,772,967	2,328,662
Construction in Progress	<u>58,808,863</u>	<u>31,740,711</u>
Total Governmental Funds Capital Assets	<u>\$ 439,783,854</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
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹

June 30, 2011

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Equipment and Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General Government:						
General Administration	\$ 7,401,584	14,155,599	6,266,862	-	-	27,824,045
Information Technology	-	-	1,083,533	-	-	1,083,533
Total General Government	<u>7,401,584</u>	<u>14,155,599</u>	<u>7,350,395</u>	<u>0</u>	<u>0</u>	<u>28,907,578</u>
Education:						
General Operations	7,491,794	127,964,067	2,968,245	-	43,975,657	182,399,763
Food Service	-	-	2,856,007	-	-	2,856,007
Student Transit	-	-	3,525,024	-	-	3,525,024
Total Education	<u>7,491,794</u>	<u>127,964,067</u>	<u>9,349,276</u>	<u>0</u>	<u>43,975,657</u>	<u>188,780,794</u>
Public Welfare and Recreation	<u>2,436,745</u>	<u>6,254,269</u>	<u>2,396,528</u>	<u>4,698,195</u>	<u>12,933,019</u>	<u>28,718,756</u>
Public Works:						
Public Services	1,356,905	315,230	7,629,187	156,446,383	1,128,837	166,876,542
Recycling	-	462,980	-	-	-	462,980
Total Public Works	<u>1,356,905</u>	<u>778,210</u>	<u>7,629,187</u>	<u>156,446,383</u>	<u>1,128,837</u>	<u>167,339,522</u>
Public Safety:						
Police	-	9,700	5,859,554	-	771,350	6,640,604
Fire	-	4,997,811	5,426,122	-	-	10,423,933
Civil Defense	-	46,000	226,218	-	-	272,218
Total Public Safety	<u>0</u>	<u>5,053,511</u>	<u>11,511,894</u>	<u>0</u>	<u>771,350</u>	<u>17,336,755</u>
City Service:						
Library	1,772,967	6,893,988	-	-	-	8,666,955
Community Development	-	-	10,494	-	-	10,494
Metropolitan Transportation Planning	-	-	23,000	-	-	23,000
Total City Service	<u>1,772,967</u>	<u>6,893,988</u>	<u>33,494</u>	<u>0</u>	<u>0</u>	<u>8,700,449</u>
Total Governmental Funds						
Capital Assets	<u>\$ 20,459,995</u>	<u>161,099,644</u>	<u>38,270,774</u>	<u>161,144,578</u>	<u>58,808,863</u>	<u>439,783,854</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
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY¹
For the Fiscal Year Ended June 30, 2011

Function and Activity	Governmental Funds Capital Assets				Governmental Funds Capital Assets
	June 30, 2010	Additions	Deletions	Adjustments	June 30, 2011
General Government:					
General Administration	\$ 22,711,714	5,425,507	(196,728)	(116,448)	27,824,045
Information Technology	1,075,117	8,416	-	-	1,083,533
Total General Government	23,786,831	5,433,923	(196,728)	(116,448)	28,907,578
Education:					
General Operations	148,054,960	34,722,070	(377,267)	-	182,399,763
Food Service	3,079,385	20,795	(244,173)	-	2,856,007
Student Transit	3,827,987	293,752	(596,715)	-	3,525,024
Total Education	154,962,332	35,036,617	(1,218,155)	0	188,780,794
Public Welfare and Recreation:					
Public Welfare and Recreation	20,858,909	8,620,981	(761,134)	-	28,718,756
Total Public Welfare	20,858,909	8,620,981	(761,134)	0	28,718,756
Public Works:					
Public Services	164,870,378	2,022,937	(74,275)	57,502	166,876,542
Recycling	462,980	-	-	-	462,980
Total Public Works	165,333,358	2,022,937	(74,275)	57,502	167,339,522
Public Safety:					
Police	10,448,469	611,479	(4,419,344)	-	6,640,604
Fire	10,474,413	19,520	(70,000)	-	10,423,933
Civil Defense	226,218	-	-	46,000	272,218
Total Public Safety	21,149,100	630,999	(4,489,344)	46,000	17,336,755
City Service:					
Library	8,666,955	-	-	-	8,666,955
Community Development	10,494	-	-	-	10,494
Metropolitan Transportation Planning	23,000	-	-	-	23,000
Total City Service	8,700,449	0	0	0	8,700,449
Total Governmental Funds Capital Assets	\$ 394,790,979	51,745,457	(6,739,636)	(12,946)	439,783,854

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

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2010	Cash Receipts	Expenditures	Balance 6/30/2011
<u>PRIMARY GOVERNMENT:</u>						
<u>General Fund:</u>						
<u>Direct Programs:</u>						
97.067	U. S. Fire Administration Assistance #EMW-2008-FO-10539	Federal Emergency Management Agency	\$ 26,012	-	26,012	-
97.036	Department of Homeland Security #FEMA-1974-DR-TN	Federal Emergency Management Agency	-	-	24,272	(24,272)
<i>Sub-total Direct Programs</i>			<u>26,012</u>	<u>0</u>	<u>50,284</u>	<u>(24,272)</u>
<u>Pass Through State of Tennessee:</u>						
84.184	Safe Schools/Healthy Students Program	U.S. Dept. of Education Johnson City Schools	(3,675)	45,039	48,897	(7,533) *
97.004	MIEMPGC100F2010/DEFAU #EMOG-10	Federal Emergency Management Agency Tennessee Emergency Mangement Agency	-	7,057	7,057	-
<i>Sub-total Pass Through State of Tennessee</i>			<u>(3,675)</u>	<u>52,096</u>	<u>55,954</u>	<u>(7,533)</u>
<u>Pass Through Other Organizations:</u>						
93.044	Title III-B, III-D, & III-E JOCITY-2008-HOOT-11	U.S. Dept. of Health and Human Services First TN Dev. District (from State of TN)	-	38,959	48,000	(9,041)
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)	(5,109)	5,109	-	-
<i>Sub-total Pass Through Other Organizations</i>			<u>(5,109)</u>	<u>44,068</u>	<u>48,000</u>	<u>(9,041)</u>
Total General Fund			<u>17,228</u>	<u>96,164</u>	<u>154,238</u>	<u>(40,846)</u>
<u>Transportation Planning Fund:</u>						
<u>Pass Through State of Tennessee:</u>						
20.514	Project TN-90-X012 - Planning/Research Sec. 5303 - GG0612306	U.S. Department of Transportation TN Dept. of Transportation	(27,915)	58,739	40,988	(10,164) *
20.205	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	U.S. Department of Transportation TN Dept. of Transportation	(2,006)	9,554	11,140	(3,592) *
20.205	Highway Planning and Construction Z-05-024246	U.S. Department of Transportation TN Dept. of Transportation	(31,070)	150,454	124,122	(4,738) *
Total Transportation Planning Fund			<u>(60,991)</u>	<u>218,747</u>	<u>176,250</u>	<u>(18,494)</u>

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2010	Cash Receipts	Expenditures	Balance 6/30/2011
<u>PRIMARY GOVERNMENT (CONTINUED):</u>						
<u>Police Grants Fund:</u>						
<u>Direct Programs:</u>						
16.607	Bullet Proof Vest Program #200-BU-BX-01007843	U.S. Dept of Justice	-	3,833	13,688	(9,855) *
16.738	Byrne JAG III - JC/Wash Co Law Enforcement #2007-F1253-TN-DJ	U.S. Dept of Justice	10,795	2	10,797	-
16.738	Byrne JAG IV - JC/Wash Co Law Enforcement #2008-DJ-BX-0365	U.S. Dept of Justice	5,797	5	-	5,802 **
16.738	ARRA - Byrne Jag V Recovery Act #2009-SB-B9-2486	U.S. Dept of Justice	89,536	35	63,620	25,951 **
16.738	Byrne JAG VI - JC/Wash Co Law Enforcement #2009-DJ-BX-1349	U.S. Dept of Justice	-	37,442	20,271	17,171 **
16.738	Byrne JAG IV - JC/Wash Co Law Enforcement #2010-DJ-BX-0765	U.S. Dept of Justice	-	33,062	33,062	-
16.595	Central City Community Weed and Seed #2007-WS-Q7-0270	U.S. Dept of Justice	(29,610)	34,699	5,089	-
16.595	Central City Community Weed and Seed #2009-WO182-TN-WS	U.S. Dept of Justice	-	48,183	48,183	-
16.595	Central City Community Weed and Seed #2010-WS-QX-0018	U.S. Dept of Justice	-	31,139	57,398	(26,259) *
20.601	Safer Johnson City Streets II CARR #Z-10-220445-00	TN Dept. of Transportation Governor's Highway Safety Office	(9,653)	16,816	7,163	-
20.601	Community Enhancement Grant	Tennessee Dept. of State	-	1,807	5,640	(3,833) *
			<u>Sub-total Direct Programs</u>	<u>207,023</u>	<u>264,911</u>	<u>8,977</u>
<u>Pass Through State of Tennessee:</u>						
16.580	Byrne - Comprehensive Crime Initiative #Z-99-088453-00	U.S. Dept. of Justice TN Dept. of Finance & Admin.	(10,280)	10,280	-	-
			<u>Sub-total Pass Through State of Tennessee</u>	<u>10,280</u>	<u>0</u>	<u>0</u>

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2010	Cash Receipts	Expenditures	Balance 6/30/2011
<u>PRIMARY GOVERNMENT (CONTINUED):</u>						
<u>Police Grants Fund (Continued):</u>						
<i>Pass Through Local Agency:</i>						
84.184	Safe Schools/Healthy Students Program	U. S. Dept. of Education Johnson City Schools	(23,065)	88,676	89,611	(24,000) *
		<i>Sub-total Pass Through Local Agency</i>	(23,065)	88,676	89,611	(24,000)
Total Police Grants Fund			33,520	305,979	354,522	(15,023)
<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.	(148,721)	390,195	441,491	(200,017) *
Total Community Development Fund			(148,721)	390,195	441,491	(200,017)
<u>Mass Transit Fund:</u>						
<i>Direct Programs:</i>						
20.516	Job Access - Operating TN-37-X038/GG-06-11327 TN-37-X075/Z-09-215686-00 TN-90-X039/GG-10-34497-00	U.S. Department of Transportation	(33,187)	33,187	-	-
			-	81,058	88,109	(7,051) *
			-	-	21,745	(21,745) *
20.507	Project #TN-90-X216 - Operating GG-07-12814	U.S. Department of Transportation	(304,743)	304,743	-	-
20.507	Project #TN-90-X319 - Operating GG-11-33910-00	U.S. Department of Transportation	-	693,800	957,954	(264,154) *
20.507	Project #TN-57-X008 - 01 Operating New Freedom GG-1133980	U.S. Department of Transportation	-	12,500	40,387	(27,887) *
20.507	Project #TN-90-X208 - Capital GG-04-10830	U.S. Department of Transportation	(65,014)	65,014	-	-
20.507	Project #TN-90-X208 - Capital GG-10-30640-00	U.S. Department of Transportation	-	7,680	14,020	(6,340) *
20.507	Project #TN-90-X276 - Capital GG-09-26229-00	U.S. Department of Transportation	-	2,281	2,281	-

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2010	Cash Receipts	Expenditures	Balance 6/30/2011
<u>PRIMARY GOVERNMENT (CONTINUED):</u>						
<u>Mass Transit Fund (Continued):</u>						
<i>Direct Programs:</i>						
20.507	Project #TN-90-X319 - Capital GG-04-10830-01	U.S. Department of Transportation	-	87,443	115,499	(28,056) *
20.507	Project #TN-90-X264 - Capital GG-08-2386-00	U.S. Department of Transportation	-	4,558	4,558	-
20.507	Project #TN-90-X251 - Capital GG-07-1293-01	U.S. Department of Transportation	-	24,575	120,576	(96,001) *
20.507	ARRA Grant # TN-96-X007-Capital	U.S. Department of Transportation	-	-	18,922	(18,922) *
Total Mass Transit Fund		<i>Sub-total Direct Programs</i>	<u>(402,944)</u>	<u>1,316,839</u>	<u>1,384,051</u>	<u>(470,156)</u>
<u>Solid Waste Fund</u>						
<i>Pass Through Other Organizations:</i>						
97.036	Department of Homeland Security #FEMA-1974-DR-TN	Federal Emergency Management Agency	-	-	5,141	(5,141) *
Total Solid Waste Fund		<i>Sub-total Pass Through Other Organizations</i>	<u>0</u>	<u>0</u>	<u>5,141</u>	<u>(5,141)</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)	343,125	386,240	(90,875) *
Total Water/Sewer Funds		<i>Sub-total Direct Programs</i>	<u>(47,760)</u>	<u>343,125</u>	<u>386,240</u>	<u>(90,875)</u>
<u>Capital Projects - Infrastructure Fund:</u>						
<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	(223,045) (733)	223,045 276,156	- 275,423	- -
20.205	Safe Routes to Schools - Cherokee Elem #110671.00	U.S. Department of Transportation Tennessee Department of Transportation	(23,850)	23,907	7,507	(7,450) *

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2010	Cash Receipts	Expenditures	Balance 6/30/2011
PRIMARY GOVERNMENT (CONTINUED):						
Capital Projects - Infrastructure Fund (Continued):						
<i>Pass Through State of Tennessee</i>						
20.205	Upgrade and Install Traffic Signals #111350.00	U.S. Department of Transportation Tennessee Department of Transportation	(116,263)	139,558	38,346	(15,051) *
20.205	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	U.S. Department of Transportation TN Dept. of Transportation	(203,201)	265,149	70,821	(8,873) *
20.205	Resurfacing: Baxter St., E. Fairview and Peoples #112808.00	U.S. Department of Transportation TN Dept. of Transportation	-	629,027	832,501	(203,474) *
Total Capital Projects - Infrastructure Fund			<i>Sub-total Pass Through State of Tennessee</i>	<u>1,556,842</u>	<u>1,224,598</u>	<u>(234,848)</u>
Capital Projects - Schools Fund:						
<i>Direct Programs:</i>						
81.128	Central Energy Plant DE-SC0002798 ARRA Grant	U.S. Department of Energy	-	442,863	661,800	(218,937) *
Total Capital Projects - Schools Fund			<i>Sub-total Direct Programs</i>	<u>442,863</u>	<u>661,800</u>	<u>(218,937)</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	(22,540)	232,914	284,606	(74,232) *
17.260	Dislocated Workers	Department of Labor and Workforce Development	(329)	21,839	21,510	-
Total Adult Basic Education			<u>(22,869)</u>	<u>254,753</u>	<u>306,116</u>	<u>(74,232)</u>
84.048	Carl Perkins	U.S. Department of Education	(39,087)	156,255	118,072	(904) *
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	(126,210)	1,479,541	1,430,416	(77,085) *

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2010	Cash Receipts	Expenditures	Balance 6/30/2011
<u>PRIMARY GOVERNMENT (CONTINUED):</u>						
<u>School Federal Projects Fund (Continued):</u>						
<i>Pass Through State of Tennessee:</i>						
84.391	IDEA, ARRA, H39A090095	U.S. Department of Education	(156,090)	599,148	495,533	(52,475) *
	Total IDEA		<u>(282,300)</u>	<u>2,078,689</u>	<u>1,925,949</u>	<u>(129,560)</u>
84.027	Preschool Incentive, Project	U.S. Department of Education	7,230	24,469	25,745	5,954 **
84.392	Preschool ARRA, H391A090052	U.S. Department of Education	(5,590)	10,022	7,944	(3,512) *
	Total Preschool		<u>1,640</u>	<u>34,491</u>	<u>33,689</u>	<u>2,442</u>
84.010	Title I, Project	U.S. Department of Education	(174,991)	1,525,118	1,512,066	(161,939) *
84.389	Title I, ARRA 2009-2010	U.S. Department of Education	(84,021)	611,059	565,173	(38,135) *
	Total Title I		<u>(259,012)</u>	<u>2,136,177</u>	<u>2,077,239</u>	<u>(200,074)</u>
84.318X	Title II, Part D	U.S. Department of Education	488	14,116	16,037	(1,433) *
84.367A	Title II, Part A	U.S. Department of Education	-	367,824	361,851	5,973 **
	Total Title II		<u>488</u>	<u>381,940</u>	<u>377,888</u>	<u>4,540</u>
84.365A	Title III, ESL	U.S. Department of Education	(13,728)	47,265	37,572	(4,035) *
84.365	Title III, Emmigrant	U.S. Department of Education	-	-	3,680	(3,680) *
			<u>(13,728)</u>	<u>47,265</u>	<u>41,252</u>	<u>(7,715)</u>
84.186A	Title V, Safe & Drug Free Schools & Communities	U.S. Department of Education	(12,890)	12,890	-	-
84.186B	Title V, Youth Viloence	U.S. Department of Education	(35,845)	35,845	-	-
	Total Title V		<u>(48,735)</u>	<u>48,735</u>	<u>0</u>	<u>0</u>
84.196	TITLE X, Part C, McKinney Homeless Grant	U.S. Department of Education	(23,929)	63,477	48,070	(8,522) *
84.196	TITLE X, Part C, ARRA	U.S. Department of Education	(5,453)	5,453	-	-
	Total Title X		<u>(29,382)</u>	<u>68,930</u>	<u>48,070</u>	<u>(8,522)</u>
84.287C	21st Century Community Learning Center	U.S. Department of Education	(60,892)	177,435	197,459	(80,916) *

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2010	Cash Receipts	Expenditures	Balance 6/30/2011
<u>PRIMARY GOVERNMENT (CONTINUED):</u>						
<u>School Federal Projects Fund (Continued):</u>						
<i>Pass Through State of Tennessee:</i>						
94.004	Learn and Serve	Corporation for National and Community	-	31,274	288,162	(256,888) *
84.184L	Heroes Element 1,2,3	U.S. Department of Education	(277,862)	604,474	326,612	-
84.184L	Heroes Element 4,5	U.S. Department of Education	(222,397)	1,124,098	1,003,607	(101,906) *
	Total Heroes Program		<u>(500,259)</u>	<u>1,728,572</u>	<u>1,330,219</u>	<u>(101,906)</u>
84.410	Education Jobs Grant, ARRA	U.S. Department of Education	-	127,296	241,566	(114,270) *
84.395	First to the Top Grant, ARRA	U.S. Department of Education	-	157,761	236,441	(78,680) *
84.394	Basic Education ARRA Funds	TN Department of Education	-	1,793,147	1,793,147	-
Total School Federal Project		<i>Sub-total Pass Through State of Tennessee</i>	<u>(1,267,691)</u>	<u>9,291,399</u>	<u>9,130,436</u>	<u>(1,106,728)</u>
<u>Special School Projects Fund:</u>						
<i>Pass Through State of Tennessee:</i>						
84.397	Coordinated School Health ARRA	Tennessee Department of Education	(32,791)	97,876	106,989	(41,904) *
Total Special School Projects Fund			<u>(32,791)</u>	<u>97,876</u>	<u>106,989</u>	<u>(41,904)</u>
<u>School Food Service:</u>						
<i>Pass Through State of Tennessee:</i>						
10.553	National School Breakfast Program	U.S. Department of Agriculture	(13,330)	296,221	333,696	(50,805) *
10.555	National School Lunch Program	U.S. Department of Agriculture	(24,669)	1,253,257	1,392,492	(163,904) *
10.500	National School Snack Program	U.S. Department of Agriculture	-	42,368	42,368	-
10.582	Fresh Fruits and Vegetables	U.S. Department of Agriculture	-	51,728	51,728	-
		<i>Sub-total Pass Through State of Tennessee</i>	<u>(37,999)</u>	<u>1,643,574</u>	<u>1,820,284</u>	<u>(214,709)</u>

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2010	Cash Receipts	Expenditures	Balance 6/30/2011
<u>PRIMARY GOVERNMENT (CONTINUED):</u>						
<u>School Food Service (Continued):</u>						
<i>Pass Through Northeast Tennessee Cooperative:</i>						
10.550	USDA: Commodity Supplemental					
	Feeding - Commodities Match	Tennessee Department of Agriculture	-	33,181	33,181	-
	Feeding - Commodities Distributed	Tennessee Department of Agriculture	-	218,557	218,557	-
		<i>Sub-total Pass Through Northeast Tennessee Cooperative</i>	<u>0</u>	<u>251,738</u>	<u>251,738</u>	<u>0</u>
Total School Food Service			<u>(37,999)</u>	<u>1,895,312</u>	<u>2,072,022</u>	<u>(214,709)</u>
TOTAL FEDERAL GRANTS-PRIMARY GOVERNMENT			<u>\$ (2,515,241)</u>	<u>15,955,341</u>	<u>16,097,778</u>	<u>(2,657,678)</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, 2011

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2010	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2011
<u>PRIMARY GOVERNMENT:</u>							
<u>General Fund:</u>							
<u>Direct Programs:</u>							
N/A	State Boarding of Prisoners	Tennessee Dept. of Correction	\$ (262,554)	1,400,535	1,374,888	1,925	(234,982) *
		<i>Sub-total Direct Programs</i>	<u>(262,554)</u>	<u>1,400,535</u>	<u>1,374,888</u>	<u>1,925</u>	<u>(234,982)</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	Tennessee Department of Environment and Conservation #32701-00303	Tennessee Historical Commission	-	14,000	14,000	-	-
N/A	Robert Young Cabin Enhancement #20100555	East Tennessee Foundation	-	3,200	292	-	2,908 **
N/A	Senior Center Operations JOCITY-2009-HOOT-11	TN Commission on Aging First TN Development District	-	16,667	20,000	-	(3,333) *
N/A	Senior Center Operations JOCITY-2009-HOOT-10	TN Commission on Aging First TN Development District	(1,667)	1,667	-	-	-
		<i>Sub-total Pass Through Other Organizations</i>	<u>(1,667)</u>	<u>40,034</u>	<u>38,792</u>	<u>0</u>	<u>(425)</u>
Total General Fund			<u>(264,221)</u>	<u>1,440,569</u>	<u>1,413,680</u>	<u>1,925</u>	<u>(235,407)</u>
 <u>Community Development Fund:</u>							
<u>Direct Programs:</u>							
N/A	Emergency Shelter Grant Z-05-020660-01	TN Dept. of Human Services	(60,084)	118,188	89,830	-	(31,726) *
Total Community Development Fund			<u>(60,084)</u>	<u>118,188</u>	<u>89,830</u>	<u>0</u>	<u>(31,726)</u>

* Receivable ** Unused Revenue

(Continued)

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CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2011

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2010	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2011
PRIMARY GOVERNMENT (CONTINUED):							
Mass Transit:							
Direct Programs:							
N/A	Job Access - Operating	Tennessee Department of Transportation					
	TN-90-X309, GG-10-33497-00		(18,006)	18,007	10,872	-	(10,871) *
	TN-37-X075, Z-09-215686-00		-	40,529	44,054	-	(3,525) *
N/A	Project - Operating	Tennessee Department of Transportation					
	TN-90-X216, GG-07-12814		(108,854)	108,854	-	-	-
	TN-90-X319, GG-11-33910-00		-	234,408	462,792	-	(228,384) *
N/A	Project - Operating - New Freedom	Tennessee Department of Transportation					
	TN-57-X008-01, GG-04-10830		-	6,250	20,193	-	(13,943) *
N/A	Project - Capital Option	Tennessee Department of Transportation					
	TN-90-X208, GG-04-10830		(44,014)	44,014	-	-	-
N/A	Project - Capital	Tennessee Department of Transportation					
	TN-90-X276, GG-09-26229-00		-	285	285	-	-
	TN-90-X298, GG-10-30640-00		-	960	1,753	-	(793) *
	TN-90-X251, GG-07-12923-01		-	3,072	15,072	-	(12,000) *
	TN-90-X264, GG-08-23860-00		-	570	570	-	-
	TN-90-X319, GG-11-33910-00		-	6,834	14,437	-	(7,603)
Total Mass Transit Fund			(170,874)	463,783	570,028	0	(277,119)
			<i>Sub-total Direct Programs</i>				
Special School Projects Fund:							
<i>Pass Through State of Tennessee:</i>							
N/A	Lottery Pre-K	Tennessee Department of Education	(101,335)	366,560	309,115	-	(43,890) *
93.645	Family Resources	Tennessee Department of Education	(11,524)	47,872	45,493	-	(9,145) *
N/A	Lottery for Education: Afterschool Pgm	Tennessee Department of Education	(42,641)	63,850	78,310	-	(57,101) *
84.126	Vocational Rehab	U.S. Department of Education	(4,789)	4,789	-	-	-
N/A	Safe Schools	Tennessee Department of Education	(3,713)	15,477	30,005	-	(18,241) *

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2011

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2010	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2011
<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	(28,190)	28,190	-	-	-
N/A	Basic Education Funds	Tennessee State Department of Education	-	22,504,853	22,504,853	-	-
Total Special School Projects Fund			<i>Sub-total Pass Through State of Tennessee</i> (192,192)	23,031,591	22,967,776	0	(128,377)
TOTAL STATE GRANTS-PRIMARY GOVERNMENT			(687,371)	25,054,131	25,041,314	1,925	(672,629)
<u>COMPONENT UNITS</u>							
<u>Johnson City Public Library:</u>							
<u>Direct Programs:</u>							
N/A	LSTA Grant	State of Tennessee	18,275	8,626	26,901	-	-
N/A	Arts Council Grant	State of Tennessee	-	1,800	1,800	-	-
N/A	BTOP Grant	State of Tennessee	-	119,433	-	-	119,433 **
Total Johnson City Public Library			<i>Sub-total Direct Programs</i> 18,275	129,859	28,701	0	119,433
TOTAL STATE GRANTS-COMPONENT UNITS			18,275	129,859	28,701	0	119,433
TOTAL STATE GRANTS			\$ (669,096)	25,183,990	25,070,015	1,925	(553,196)

* 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>	177
<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>	185
<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>	189
<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>	195
<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>	198
<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>	201

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

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

	Fiscal Year				
	2002	2003	2004	2005	2006
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	2011
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	67,467,865	93,255,452	112,115,146	129,428,685	152,945,238
Restricted	6,625,729	-	-	206,878	200,340
Unrestricted	57,777,385	75,895,859	68,979,090	56,010,915	34,617,051
Total Governmental Activities Net Assets	<u>131,870,979</u>	<u>169,151,311</u>	<u>181,094,236</u>	<u>185,646,478</u>	<u>187,762,629</u>
Business-Type Activities					
Invested in Capital Assets, Net of Related Debt	181,475,490	187,286,301	208,312,172	207,558,747	219,263,153
Restricted	483,449	482,776	1,785,757	3,375,467	-
Unrestricted	14,101,598	20,336,221	15,865,673	34,958,404	41,657,722
Total Business-Type Activities Net Assets	<u>196,060,537</u>	<u>208,105,298</u>	<u>225,963,602</u>	<u>245,892,618</u>	<u>260,920,875</u>
Primary Government					
Invested in Capital Assets, Net of Related Debt	248,943,355	280,541,753	320,427,318	336,987,432	372,208,391
Restricted	7,109,178	482,776	1,785,757	3,582,345	200,340
Unrestricted	71,878,983	96,232,080	84,844,763	90,969,319	76,274,773
Total Primary Government Net Assets	<u>327,931,516</u>	<u>377,256,609</u>	<u>407,057,838</u>	<u>431,539,096</u>	<u>448,683,504</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							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
<u>Governmental Activities:</u>								
General Government	\$ 7,249,216	\$ 7,518,525	\$ 7,102,418	\$ 10,246,706	\$ 12,982,708	\$ 13,517,750	\$ 16,250,413	\$ 10,694,496
Public Safety	17,676,316	18,254,020	19,537,869	20,196,334	23,050,291	23,320,230	20,093,411	23,894,249
Public Works	11,581,458	10,648,651	11,740,047	11,954,349	11,759,714	14,699,318	15,041,881	14,922,121
Public Welfare	5,485,982	6,211,203	6,309,383	6,551,969	5,455,063	7,305,539	3,459,067	7,371,142
City Services	2,090,545	1,818,017	1,789,975	2,105,771	2,262,984	3,078,092	2,923,687	2,222,801
Education	48,542,847	51,957,017	54,448,620	57,396,706	61,434,692	63,517,290	65,853,223	69,230,829
Interest on Long-Term Debt	4,713,367	4,760,654	3,040,993	7,140,164	4,144,293	5,767,393	6,685,700	7,238,948
Total Governmental Activities Expenses	<u>\$ 97,339,731</u>	<u>\$ 101,168,087</u>	<u>\$ 103,969,305</u>	<u>\$ 115,591,999</u>	<u>\$ 121,089,745</u>	<u>\$ 131,205,612</u>	<u>\$ 130,307,382</u>	<u>\$ 135,574,586</u>
<u>Business-Type Activities:</u>								
Water and Sewer	\$ 16,885,803	\$ 17,309,426	\$ 18,616,496	\$ 21,053,584	\$ 21,710,919	\$ 22,830,928	\$ 21,601,917	\$ 24,164,954
City Solid Waste	6,737,417	6,654,113	7,040,115	7,294,552	7,813,531	8,060,129	8,017,980	8,335,603
Regional Solid Waste	1,272,173	1,410,536	1,615,196	1,658,724	1,818,585	1,871,460	1,925,909	2,006,080
Johnson City Power Board	118,868,370	119,754,592	133,197,667	143,319,219	153,413,844	178,834,070	163,283,389	185,044,289
Public Building Authority	3,295,700	2,376,597	2,294,949	2,107,230	1,805,760	1,984,687	2,015,126	2,006,730
Mass Transit	1,934,480	1,901,831	2,193,038	2,489,530	2,842,568	3,021,432	3,449,299	3,431,139
Stormwater Management	-	-	-	144,542	495,011	773,631	1,004,367	999,687
Golf Courses	1,217,833	1,231,510	1,393,946	1,472,066	1,462,210	1,330,540	1,239,672	1,322,319
Total Business-Type Activities Expenses	<u>\$ 150,211,776</u>	<u>\$ 150,638,605</u>	<u>\$ 166,351,407</u>	<u>\$ 179,539,447</u>	<u>\$ 191,362,428</u>	<u>\$ 218,706,877</u>	<u>\$ 202,537,659</u>	<u>\$ 227,310,801</u>
Total Primary Government Expenses	<u>\$ 247,551,507</u>	<u>\$ 251,806,692</u>	<u>\$ 270,320,712</u>	<u>\$ 295,131,446</u>	<u>\$ 312,452,173</u>	<u>\$ 349,912,489</u>	<u>\$ 332,845,041</u>	<u>\$ 362,885,387</u>

(Continued)

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

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues								
<u>Governmental Activities:</u>								
Charges for Services:								
Public Safety	\$ 1,351,314	\$ 1,470,777	\$ 1,577,697	\$ 1,507,099	\$ 1,586,621	\$ 2,011,006	\$ 1,960,333	\$ 2,697,091
City Services	2,419,198	2,105,424	2,113,662	2,445,477	2,441,483	3,578,736	2,700,531	2,753,846
Education	2,262,888	2,445,031	2,708,056	3,038,039	2,752,587	2,844,579	2,671,448	2,567,520
Other Activities	1,224,777	1,232,901	2,469,235	2,332,593	2,829,651	3,430,184	3,537,310	2,214,747
Operating Grants and Contributions	26,225,494	30,133,808	30,516,925	33,419,313	35,525,329	36,812,901	39,362,241	40,426,029
Capital Grants and Contributions	2,277,006	626,238	164,833	-	31,055	-	162,945	1,895,492
Total Governmental Activities Program Revenues	<u>35,760,677</u>	<u>38,014,179</u>	<u>39,550,408</u>	<u>42,742,521</u>	<u>45,166,726</u>	<u>48,677,406</u>	<u>50,394,808</u>	<u>52,554,725</u>
<u>Business-Type Activities:</u>								
Charges for Services:								
Water and Sewer	\$ 19,690,045	\$ 20,288,469	\$ 21,772,092	\$ 23,133,709	\$ 23,543,970	\$ 25,057,671	\$ 26,264,591	\$ 28,708,578
City Solid Waste	7,897,479	7,917,942	8,257,612	8,622,823	9,100,844	8,902,029	8,418,244	8,912,152
Johnson City Power Board	124,669,151	128,314,735	141,680,530	150,526,423	161,195,320	193,154,773	177,398,118	196,431,434
Other Activities	5,621,249	5,194,686	5,277,396	5,499,351	6,653,378	7,238,218	7,658,923	7,937,319
Operating Grants and Contributions	1,142,869	995,661	1,103,458	1,249,319	1,509,571	1,702,482	1,775,802	1,646,942
Capital Grants and Contributions	1,090,342	1,717,925	818,212	397,599	797,607	724,175	2,614,722	564,276
Total Business-Type Activities Program Revenues	<u>160,111,135</u>	<u>164,429,418</u>	<u>178,909,300</u>	<u>189,429,224</u>	<u>202,800,690</u>	<u>236,779,348</u>	<u>224,130,400</u>	<u>244,200,701</u>
Total Primary Government Program Revenues	<u>\$ 195,871,812</u>	<u>\$ 202,443,597</u>	<u>\$ 218,459,708</u>	<u>\$ 232,171,745</u>	<u>\$ 247,967,416</u>	<u>\$ 285,456,754</u>	<u>\$ 274,525,208</u>	<u>\$ 296,755,426</u>
Net (Expense)/Revenue								
Governmental Activities	\$ (61,579,054)	\$ (63,153,908)	\$ (64,418,897)	\$ (72,849,478)	\$ (75,923,019)	\$ (82,528,206)	\$ (79,912,574)	\$ (83,019,861)
Business-Type Activities	9,899,359	13,790,813	12,557,893	9,889,777	11,438,262	18,072,471	21,592,741	16,889,900
Total Primary Government Net (Expense)	<u>\$ (51,679,695)</u>	<u>\$ (49,363,095)</u>	<u>\$ (51,861,004)</u>	<u>\$ (62,959,701)</u>	<u>\$ (64,484,757)</u>	<u>\$ (64,455,735)</u>	<u>\$ (58,319,833)</u>	<u>\$ (66,129,961)</u>

(Continued)

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

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets								
<u>Governmental Activities:</u>								
Taxes:								
Property Taxes	\$ 30,057,774	\$ 32,741,230	\$ 33,591,476	\$ 34,543,483	\$ 36,458,981	\$ 36,519,412	\$ 38,250,017	\$ 38,777,516
Sales Taxes	28,721,469	30,095,052	32,012,124	33,525,842	34,904,671	33,539,491	32,718,394	34,184,073
Other Taxes	6,477,387	6,867,324	7,510,307	7,802,498	8,474,886	8,244,855	7,455,763	8,386,416
Unrestricted Investment Earnings	270,478	737,108	1,858,159	2,775,619	2,560,328	1,305,131	685,114	1,203,024
Miscellaneous	1,530,007	1,366,945	174,525	5,889,333	29,340,255	12,780,319	3,107,369	127,435
Transfers	2,148,158	2,278,248	2,098,500	1,565,076	2,203,230	2,081,923	2,242,433	2,463,274
Total Governmental Activities	<u>\$ 69,205,273</u>	<u>\$ 74,085,907</u>	<u>\$ 77,245,091</u>	<u>\$ 86,101,851</u>	<u>\$ 113,942,351</u>	<u>\$ 94,471,131</u>	<u>\$ 84,459,090</u>	<u>\$ 85,141,738</u>
<u>Business-Type Activities:</u>								
Unrestricted Investment Earnings	\$ 245,100	\$ 332,770	\$ 1,167,313	\$ 2,770,991	\$ 2,350,892	\$ 1,857,877	\$ 539,657	\$ 759,353
Miscellaneous	-	438,738	197,282	(5,428)	458,838	9,879	39,051	(157,722)
Transfers	(2,148,158)	(2,278,248)	(2,098,500)	(1,565,076)	(2,203,230)	(2,081,923)	(2,242,433)	(2,463,274)
Total Business-Type Activities	<u>\$ (1,903,058)</u>	<u>\$ (1,506,740)</u>	<u>\$ (733,905)</u>	<u>\$ 1,200,487</u>	<u>\$ 606,500</u>	<u>\$ (214,167)</u>	<u>\$ (1,663,725)</u>	<u>\$ (1,861,643)</u>
Total Primary Government	<u>\$ 67,302,215</u>	<u>\$ 72,579,167</u>	<u>\$ 76,511,186</u>	<u>\$ 87,302,338</u>	<u>\$ 114,548,851</u>	<u>\$ 94,256,964</u>	<u>\$ 82,795,365</u>	<u>\$ 83,280,095</u>
Change in Net Assets								
Governmental Activities	\$ 7,626,219	\$ 10,931,999	\$ 12,826,194	\$ 13,252,373	\$ 38,019,332	\$ 11,942,925	\$ 4,546,516	\$ 2,121,877
Business-Type Activities	7,996,301	12,284,073	11,823,988	11,090,264	12,044,762	17,858,304	19,929,016	15,028,257
Total Primary Government	<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>	<u>\$ 17,150,134</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.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
FOR THE FISCAL YEARS NOTED
(accrual basis of accounting)
(Unaudited)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>In-Lieu of Tax</u>	<u>Local Sales Tax</u>	<u>State Sales Tax</u>	<u>Business Tax</u>	<u>Local Beer Tax</u>	<u>Local Liquor Tax</u>	<u>Hotel / Motel Tax</u>	<u>Franchise Tax</u>	<u>Telephone / Cable Tax</u>	<u>Other Taxes</u>	<u>Total</u>
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
2011	37,121,582	1,655,934	30,378,018	3,806,055	2,322,623	2,112,818	592,335	1,036,348	387,354	742,675	1,192,263	81,348,005

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Non-Spendable	\$ -	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	12,138,874
Committed	-	-	-	-	-	-	-	-	-	2,298,866
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	5,415,721
Designated	506,239	715,889	2,239,857	2,739,904	3,139,975	1,465,885	2,703,817	2,691,246	906,223	-
Unreserved	5,343,621	5,949,014	8,585,184	11,085,672	14,209,712	19,171,689	20,491,781	17,490,060	18,428,636	-
Total General Fund	<u>\$ 5,849,860</u>	<u>6,664,903</u>	<u>10,825,041</u>	<u>13,825,576</u>	<u>17,349,687</u>	<u>20,637,574</u>	<u>23,195,598</u>	<u>20,181,306</u>	<u>19,334,859</u>	<u>19,853,461</u>
All Other Governmental Funds										
Non-Spendable	-	-	-	-	-	-	-	-	-	379,649
Restricted	-	-	-	-	-	-	-	-	-	27,643,974
Committed	-	-	-	-	-	-	-	-	-	315,206
Assigned	-	-	-	-	-	-	-	-	-	6,635,805
Unassigned	-	-	-	-	-	-	-	-	-	(6,028)
Designated	1,968,692	2,049,980	2,405,370	2,926,613	3,279,288	3,421,588	3,955,386	3,602,289	58,322,351	-
Unreserved, Reported in:										
Special Revenue Funds	4,585,218	6,391,322	6,838,620	7,359,144	7,100,574	6,914,743	6,324,458	5,769,456	8,252,204	-
Capital Projects Funds	3,992,758	3,812,255	2,950,645	8,858,602	17,156,764	15,718,186	35,826,059	44,068,263	1,481,146	-
Total All Other Governmental Funds	<u>\$ 10,546,668</u>	<u>\$ 12,253,557</u>	<u>\$ 12,194,635</u>	<u>\$ 19,144,359</u>	<u>\$ 27,536,626</u>	<u>\$ 26,054,517</u>	<u>\$ 46,105,903</u>	<u>\$ 53,440,008</u>	<u>\$ 68,055,701</u>	<u>34,968,606</u>

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

See Independent Auditors' Report.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Taxes	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	76,459,832
Licenses and Permits	817,347	693,800	907,393	988,999	1,141,199	1,063,241	1,014,440	908,596	681,554	791,485
Intergovernmental	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	47,310,175
Charges for Services	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	3,052,138
Fines and Forfeitures	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	2,607,900
Use of Property	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	2,450,360
Investment Earnings	507,299	371,760	251,925	632,101	1,541,663	2,292,312	2,187,458	1,230,320	675,880	1,191,996
Miscellaneous	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	1,543,667
Total Revenues	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	135,407,553
Expenditures:										
General Government	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	11,368,365
Public Safety	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	23,488,754
Public Works	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	11,008,160
Public Welfare	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	6,699,429
City Services	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	2,019,303
Education	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	64,204,837
Miscellaneous	287,353	17,436	63,273	18,423	-	19,000	-	21,645	7,250	6,500
Capital Outlay	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	47,629,237
Debt Service:										
Principal	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	6,976,870
Interest and Fiscal Fees	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	7,729,342
Other Charges	9,410	-	-	266,066	304,043	-	-	-	-	-
Total Expenditures	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	181,130,797
Excess of revenues over (under) expenditures	(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)	(45,723,244)

(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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	2,010,846
Loss on Investments	-	-	-	-	-	-	-	-	-	-
Notes Issued	-	-	-	-	-	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	11,460,900	6,230,000	29,085,001	6,750,000	66,520,000	44,003,279
Refunding Bond Payments	-	-	-	-	(11,380,809)	(5,890,000)	(25,574,441)	(6,675,000)	(68,925,000)	(33,570,712)
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	-
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	61,816
Capital Leases	-	-	-	403,802	-	-	-	-	495,161	704,688
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	13,209,917
Net Change in Fund Balances	22,920,219	1,484,220	4,671,103	1,144,776	11,979,803	7,558,772	25,694,422	(8,846,916)	(6,810,246)	(32,513,327)
Debt Service as a Percentage of Noncapital Expenditures	13.8%	13.2%	11.9%	11.8%	11.9%	12.5%	14.0%	14.8%	13.0%	13.7%

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				
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	890,095,325	753,593,880	115,625,268	51,607,428	1,810,921,901	1.54	5,829,765,753	31.06%
2011	2010	898,386,225	742,133,240	114,998,839	50,959,902	1,806,478,206	1.54	5,832,178,206	30.97%

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	2011
Johnson City Direct Rates*	1.87	2.15	2.15	2.15	1.93	1.93	1.93	1.93	1.93	1.54	1.54
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	0.64
Upkeep (Highway)	0.16	0.16	0.16	0.16	0.14	0.14	0.14	0.19	0.19	0.15	0.15
General Purpose School	0.76	0.76	0.76	0.76	0.82	0.82	0.82	0.82	0.88	0.69	0.69
Debt Service	0.30	0.30	0.27	0.27	0.23	0.23	0.36	0.47	0.50	0.39	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	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>	<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	0.75
Highway/Public Works	0.08	0.08	0.08	0.08	0.10	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	0.90
General Debt Service	0.25	0.22	0.18	0.18	0.36	0.36	0.31	0.31	0.41	0.42	0.40
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>	<u>2.15</u>
Sullivan County Rates											
General	0.73	0.62	0.62	0.63	0.74	0.71	0.70	0.71	0.71	0.60	0.58
Solid Waste/Sanitation	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Highway	0.06	0.04	0.04	0.04	0.06	0.05	0.06	0.05	0.05	0.04	0.06
General Purpose Schools	1.67	1.53	1.53	1.53	1.65	1.59	1.59	1.59	1.59	1.33	1.30
School Capital Project	0.07	0.07	0.07	0.07	0.10	0.08	0.08	0.08	0.08	0.07	0.07
General Debt Service	0.08	0.07	0.07	0.07	0.10	0.08	0.08	0.08	0.08	0.07	0.10
Total Direct Rate	<u>2.63</u>	<u>2.35</u>	<u>2.35</u>	<u>2.36</u>	<u>2.67</u>	<u>2.53</u>	<u>2.53</u>	<u>2.53</u>	<u>2.53</u>	<u>2.13</u>	<u>2.13</u>

* There are no component breakdowns for the Johnson City direct tax rate.

See Independent Auditors' Report.

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

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
United Telephone SE Inc	\$ 22,000,154	1	1.2%	\$ 22,892,192	1	2.3%
Johnson City Venture LLC	10,942,520	2	0.6%	9,790,960	2	1.0%
The Haven at Knob Creek	10,686,400	3	0.6%	-	-	0.0%
Atmos Energy Corporation	9,436,262	4	0.5%	6,222,542	8	0.6%
American Water Heater Company	8,753,931	5	0.5%	6,246,544	7	0.6%
Johnson City Crossing LLC	8,681,360	6	0.5%	6,501,160	5	0.7%
Pritchett Family	7,287,440	7	0.4%	4,839,000	9	0.5%
AT&T Mobility	6,840,348	8	0.4%	-	-	-
Sofha Real Estate	6,459,000	9	0.4%	-	-	-
Sams Real Estate	6,088,600	10	0.3%	-	-	-
Robert Bosch Corporation	-	-	-	9,298,074	3	0.9%
Siemens Industrial	-	-	-	8,901,129	4	0.9%
Siemens Automation	-	-	-	4,400,000	10	0.4%
KMC Telecom III Inc.	-	-	-	6,326,465	6	0.6%
Totals	\$ 97,176,015		5.4%	\$ 85,418,066		8.5%

Total Taxable Assessed Value:

FYE 2011 (Tax Year 2010)	1,807,125,732
FYE 2002 (Tax Year 2001)	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	
2002	21,117,931	874,868	21,992,799	21,108,710	95.98%	869,800	21,978,510	99.94%	14,289
2003	22,071,665	214,934	22,286,599	21,613,078	96.98%	657,761	22,270,839	99.93%	15,760
2004	22,723,186	37,268	22,760,454	22,019,690	96.75%	676,374	22,696,064	99.72%	64,390
2005	24,282,470	(66,281)	24,216,189	23,694,840	97.85%	507,049	24,201,889	99.94%	14,300
2006	23,967,796	381,747	24,349,543	23,677,242	97.24%	639,574	24,316,816	99.87%	32,727
2007	25,245,152	199,779	25,444,931	24,718,999	97.15%	685,879	25,404,878	99.84%	40,053
2008	26,684,753	(49,594)	26,635,159	25,856,042	97.07%	704,965	26,561,007	99.72%	74,152
2009	26,298,062	755,005	27,053,067	25,979,435	96.03%	855,515	26,834,950	99.19%	218,117
2010	27,883,067	(148,054)	27,735,013	26,606,701	95.93%	713,871	27,320,572	98.51%	414,441
2011	27,891,695	(106,653)	27,785,042	26,778,757	96.38%	-	26,778,757	96.38%	1,006,285

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			
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
2011	139,345,150	623,000	638,300	80,468,601	62,765,000	1,295,420	285,135,471	14.71%	4,515

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
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
2011	219,813,751	(1,415,228)	218,398,523	3.74%	3,458

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, 2011
(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	\$ 26,258,657	2.00%	525,173
Sullivan County	92,042,952	0.04%	36,817
Washington County	<u>151,670.00</u>	62.00%	<u>94,035</u>
<i>Subtotal, Overlapping Debt</i>	118,453,279		656,026
City of Johnson City Direct Debt	<u>139,345,150</u>	100.00%	<u>139,345,150</u>
Total Direct and Overlapping Debt	<u><u>\$257,798,429</u></u>		<u><u>140,001,176</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	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	180,647,821
Total Net Debt Applicable to Limit	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	103,794,289
Legal Debt Margin	<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>	<u>76,853,532</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	84.55%	76.82%	70.13%	60.34%	60.09%	55.19%	47.93%	52.86%	55.85%	57.46%

Legal Debt Margin Calculation for Fiscal Year 2011

Total Taxable Assessed Value	\$ 1,806,478,206
Debt Limit (10% of Taxable Assessed Value)	180,647,821
Debt Applicable to Limit:	
General Obligation Debt	139,345,150
Less: Sales Tax Revenue Bonds	<u>(35,550,861)</u>
Total Net Debt Applicable to Limit	<u>103,794,289</u>
Legal Debt Margin	<u>\$ 76,853,532</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:							
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
2011	28,708,578	22,033,582	6,674,996	1,465,000	465,945	1,930,945	3.46
City Solid Waste Revenue Bonds:							
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	N/A	N/A	N/A	N/A
2011	8,912,152	8,195,716	716,436	N/A	N/A	N/A	N/A
Regional Solid Waste Revenue Bonds:							
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
2011	2,484,240	2,006,080	478,160	N/A	N/A	N/A	N/A
Golf Course Revenue Bonds:							
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
2011	853,551	1,244,698	(391,147)	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:							
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
2011	196,431,434	182,471,925	13,959,509	1,715,720	2,550,638	4,266,358	3.27

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.

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

Fiscal Year Ended June 30	Population	Personal Income	Per Capita Personal Income¹	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
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%
2011	63,152	1,938,450,640	30,695	39.2	13.44	7,599	9.4%

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

See Independent Auditors' Report.

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

<u>Employer</u>	<u>2011</u>			<u>2003*</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Johnson City Medical Center	3,541	1	6.0%	3,541	1	6.3%
East Tennessee State University	2,330	2	4.0%	2,012	2	3.6%
CITI Commerce Solution	2,050	3	3.5%	1,817	3	3.3%
James H. Quillen VA Medical Center	1,592	4	2.7%	1,259	4	2.3%
Advanced Call Center Technologies	1,400	5	2.4%	-		0.0%
A.O. Smith(American Water Heater)	1,220	6	2.1%	1,200	5	2.2%
Washington County School System	1,200	7	2.0%	1,150	6	2.1%
Johnson City School Systems	901	8	1.5%	920	7	1.6%
City of Johnson City	883	9	1.5%	824	8	1.5%
AT & T Mobility	650	10	1.1%	805	9	1.4%
Siemens Energy & Automation, Inc.	N/A	-	-	730	10	1.3%
	<u>15,767</u>		<u>26.8%</u>	<u>14,258</u>		<u>25.6%</u>

Total Washington County Employment:

FYE 2011	58,780
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	2011
General Government	143	135	125	120	116	91	94	96	96	75	75
Public Safety	319	310	295	294	294	310	297	294	280	274	272
Public Works	92	86	91	90	89	90	94	90	92	99	99
Public Welfare	90	85	74	74	74	74	75	68	60	55	52
City Services	42	34	36	34	34	34	36	34	34	48	49
Education	850	857	860	827	829	832	832	846	900	897	901
Water and Sewer	160	139	142	145	146	150	153	147	145	154	153
Solid Waste	62	56	49	47	45	46	47	47	47	48	45
Storm Water Mgmt	-	-	-	-	-	-	-	7	7	7	8
Mass Transit	59	64	59	57	55	49	49	49	50	49	51
Golf Courses	19	12	13	12	12	10	8	8	8	8	10
	<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>	<u>1,715</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	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety:								
Student Transportation:								
Miles	398,550	388,700	399,255	403,328	443,526	459,448	448,090	457,426
Passengers	891,123	878,450	961,496	991,432	993,748	1,015,715	1,075,845	1,095,209
Police:								
Physical Arrests	5,433	7,126	7,457	6,764	7,365	6,641	6,144	3,717
Parking Citations	N/A	3,678	3,195	3,020	2,493	2,202	2,574	2,393
Traffic Citations	14,986	19,538	23,092	21,829	26,602	23,624	24,700	22,998
Camera Enforcement Citations	-	-	-	-	-	-	753	10,848
Fire:								
Calls Answered	3,190	3,006	2,912	3,543	3,378	3,123	7,599	6,657
Inspections	1,225	1,788	1,802	1,980	1,581	1,844	1,844	975
Public Works:								
Potholes Repaired	N/A	695	211	53	103	404	812	930
Streets Swept (linear miles)	1,450	2,264	2,484	2,500	2,500	5,963	5,963	5,963
Traffic Signals Repaired/Replaced	N/A	372	371	241	245	235	250	236
Snow & Ice Control Treatment (lane miles)	N/A	3,000	2,200	2,800	2,226	3,450	7,700	9,240
Public Welfare:								
Parks and Recreation:								
Pool Admissions	N/A	50,584	51,710	51,789	46,988	51,428	59,242	59,207
Youth Basketball Participants	1,260	1,234	1,128	912	1,057	724	682	714
Youth Kickball	N/A	N/A	N/A	N/A	N/A	N/A	86	118
Youth Soccer Participants	1,955	1,906	1,895	1,691	1,846	1,714	1,466	1,513
Youth Softball & Tee-ball Participants	524	516	487	383	436	370	298	290
Tennis Instruction Participants	194	200	216	210	284	266	266	174
Adult Basketball Teams	54	44	30	29	26	25	26	22
Adult Softball Teams	132	131	81	127	143	118	139	121
Senior Citizens:								
Programs/Events Attendance	159,256	161,094	142,054	141,508	146,989	136,000	114,000	96,795
City Services:								
Freedom Hall:								
Events	N/A	69	61	60	58	54	52	42
Water and Sewer:								
Average Daily Consumption (Water)	14.21 mgd	14.40 mgd	14.34 mgd	14.91 mgd	14.8 mgd	14.7 mgd	14.77 mgd	15.049 mgd
Maximum Daily Capacity (Water)	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd
Water Taps	848	783	792	802	606	458	408	300
Sewer Taps	580	618	628	596	349	276	192	168
Solid Waste:								
Refuse Collected (Tons)	95,895	95,002	95,372	95,849	98,766	93,364	88,253	89,251
Recyclables Sold (Tons)	4,401	4,395	4,456	4,519	4,932	4,779	5,408	5,791
Mulch Sold as Boiler Fuel (Tons)	12,533	13,365	10,004	13,414	11,068	12,054	15,576	13,105
Leaves Collected (Tons)	3,326	3,447	3,643	3,602	3,072	3,850	3,661	3,041
Mass Transit:								
Passenger Miles	1,387,312	1,460,394	1,681,266	1,470,000	1,662,747	2,204,905	2,270,321	*
Golf Courses:								
18-Hole Rounds Played	48,415	55,000	47,775	47,349	51,668	49,652	44,834	47,114

Source: Various City Departments

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

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

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSET STATISTICS BY FUNCTION
FOR THE FISCAL YEARS NOTED
(Unaudited)

Function	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety:								
Student Transportation:								
Buses	51	54	52	52	53	54	54	54
Police:								
Stations	1	1	1	1	1	1	1	1
Patrol Units	154	163	166	170	162	191	187	205
Motorcycle Units	3	3	3	3	3	3	3	3
Fire:								
Stations	8	8	8	8	9	9	9	9
Fire Trucks/Rescue Units	27	26	27	15	15	21	22	20
Public Works:								
Streets (Miles)	483.1	488.9	496.89	505.01	505.01	505.64	505.64	508.29
Traffic Signals	84	85	86	91	91	92	92	94
Public Welfare:								
Parks and Recreation:								
Park Sites	19	19	19	19	19	19	19	19
Park Acreage	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,081
Swimming Pools	2	2	2	2	2	2	2	2
Tennis Courts	17	17	17	17	17	17	17	17
Community/Recreation Centers	4	4	4	4	4	4	4	4
Senior Citizens:								
Senior Centers	1	1	1	1	1	1	1	1
School System:								
Elementary Schools	8	8	8	8	8	8	8	8
Secondary Schools	2	2	2	2	2	2	2	2
Water and Sewer:								
Water Mains (Miles)	840.7	854.5	871.3	960	900	901	910	918
Fire Hydrants	2,622	2,639	2,828	3,108	3,109	3,259	3,290	3,327
Sanitary Sewers (Miles)	474.3	474.8	505.3	525	536	551	539	561
Manholes	10,743	10,766	11,452	11,525	12,088	12,611	12,411	12,600
Solid Waste:								
Collection Trucks	46	48	51	51	52	55	47	40
Golf Courses	2	2	2	2	2	2	2	2
Mass Transit:								
Buses/Trolleys/Vans	33	35	43	43	39	40	37	37

Source: Various City Departments

Note:

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

Data not available prior to 2004.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF INTERFUND TRANSFERS
For the Fiscal Year Ended June 30, 2011
(Unaudited)

	<u>Transfers In:</u>									
	General Fund	General Purpose School	Transportation Planning	Police Grant Fund	Police Drug Fund	Freedom Hall	Special Revenue Funds			
							School Federal Projects	Special School Projects	School Site Based Fund	
<u>Transfers Out:</u>										
General Fund	\$ -	8,188,675	36,914	23,796	98,586	246,681	2,000	13,950	-	9,784,659
Special Revenue Funds:										
General Purpose										
School Fund	-	-	-	-	-	-	-	7,578	681,080	1,356,858
Police Tech Fund	10,496	-	-	-	-	-	-	-	-	-
Police Grant Fund	256	-	-	-	-	-	-	-	-	-
School Federal Projects	-	47,246	-	-	-	-	-	-	-	-
Capital Projects:										
Infrastructure	17,500	-	-	-	-	-	-	-	-	-
Parks	19,724	-	-	-	-	-	-	-	-	-
Facilities	153,505	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-	-
Med Tech	3,080,369	-	-	-	-	-	-	-	-	-
Industrial Park	(1,444,949)	-	-	-	-	-	-	-	-	-
Enterprise Funds:										
Johnson City Power Board	3,193,734	-	-	-	-	-	-	-	-	-
Water and Sewer	473,000	-	-	-	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-	-	-	-	-
Regional Solid Waste	-	-	-	-	-	-	-	-	-	-
City Solid Waste	-	-	-	-	-	-	-	-	-	-
Totals	<u>\$ 5,503,635</u>	<u>8,235,921</u>	<u>36,914</u>	<u>23,796</u>	<u>98,586</u>	<u>246,681</u>	<u>2,000</u>	<u>21,528</u>	<u>681,080</u>	<u>11,141,517</u>

	<u>Transfers In:</u>					Enterprise Funds				Internal Service Fund
	Capital Projects Funds					City Water and Sewer	Solid Waste	Golf Fund	Mass Transit	Insurance Fund
	Parks	Schools	Equipment	Infrastructure						
<u>Transfers Out:</u>										
General Fund	\$ 695,909	955,343	1,216,000	36,515	-	-	568,768	636,500	452,428	
Special Revenue Funds:										
General Purpose										
School Fund	-	-	-	-	-	-	-	-	-	-
Police Tech Fund	-	-	-	-	-	-	-	-	-	-
Police Grant Fund	-	-	-	-	-	-	-	-	-	-
School Federal Projects	-	-	-	-	-	-	-	-	-	-
Capital Projects:										
Infrastructure	-	-	-	-	-	-	-	-	-	-
Parks	-	-	-	-	-	-	-	-	-	-
Facilities	-	66,604	-	75,000	-	-	-	-	-	-
Equipment	-	-	-	13,485	-	-	-	-	-	-
Med Tech	-	-	-	-	-	-	-	-	-	-
Industrial Park	-	-	-	-	-	-	-	-	-	-
Enterprise Funds:										
Johnson City Power Board	-	-	-	-	-	-	-	-	-	-
Water and Sewer	-	-	-	-	-	-	-	-	-	-
Stormwater	-	1,406	-	-	-	-	-	-	-	-
Regional Solid Waste	-	-	-	-	24,987	122,821	-	-	-	-
City Solid Waste	-	402	-	-	53,741	-	-	-	-	-
Totals	<u>\$ 695,909</u>	<u>1,023,755</u>	<u>1,216,000</u>	<u>125,000</u>	<u>78,728</u>	<u>122,821</u>	<u>568,768</u>	<u>636,500</u>	<u>452,428</u>	

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2011
(Unaudited)

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012	15,270,995	13,444,884	28,715,879
2013	15,951,028	13,062,403	29,013,431
2014	15,932,156	11,289,796	27,221,952
2015	22,353,156	10,651,696	33,004,852
2016	16,167,157	9,754,179	25,921,336
2017	14,409,172	9,073,337	23,482,509
2018	14,230,173	8,468,751	22,698,924
2019	13,590,172	7,862,341	21,452,513
2020	13,480,173	7,270,043	20,750,216
2021	12,433,069	6,707,187	19,140,256
2022	12,908,172	6,214,183	19,122,355
2023	12,069,172	5,672,259	17,741,431
2024	10,078,172	5,185,474	15,263,646
2025	9,713,173	4,425,335	14,138,508
2026	9,184,144	4,322,634	13,506,778
2027	8,322,897	3,701,814	12,024,711
2028	8,718,000	3,297,782	12,015,782
2029	9,076,000	2,880,261	11,956,261
2030	8,430,000	2,439,522	10,869,522
2031	8,815,000	2,034,794	10,849,794
2032	6,950,000	1,600,226	8,550,226
2033	6,400,000	1,249,763	7,649,763
2034	4,680,000	941,958	5,621,958
2035	2,280,000	715,741	2,995,741
2036	2,385,000	609,812	2,994,812
2037	2,485,000	505,979	2,990,979
2038	2,585,000	389,293	2,974,293
2039	2,700,000	268,042	2,968,042
2040	2,835,000	141,454	2,976,454
Less: Amount not drawn	(1,853,230)	-	(1,853,230)
	<u>\$ 282,578,751</u>	<u>144,180,943</u>	<u>426,759,694</u>

The total reflected on the statement of net assets has been reduced by deferred debt refunding costs of \$138,991.00.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS -
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2011
(Unaudited)

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012	292,920	56,055	348,975
2013	195,849	51,802	247,651
2014	196,720	50,943	247,663
2015	22,630	50,048	72,678
2016	23,492	49,162	72,654
2017	24,561	48,151	72,712
2018	25,594	47,132	72,726
2019	26,669	46,070	72,739
2020	27,708	44,997	72,705
2021	28,953	43,814	72,767
2022	30,174	42,625	72,799
2023	31,442	41,369	72,811
2024	32,700	40,089	72,789
2025	34,150	38,698	72,848
2026	35,592	37,275	72,867
2027	37,095	35,805	72,900
2028	38,605	34,282	72,887
2029	40,301	32,645	72,946
2030	42,007	30,961	72,968
2031	43,791	29,204	72,995
2032	45,599	27,411	73,010
2033	47,584	25,480	73,064
2034	49,607	23,486	73,093
2035	51,715	21,405	73,120
2036	53,880	19,251	73,131
2037	56,211	17,004	73,215
2038	58,606	14,648	73,254
2039	61,108	12,189	73,297
2040	63,695	9,637	73,332
2041	59,027	6,821	65,848
2042	36,915	4,463	41,378
2043	21,657	3,041	24,698
2044	17,597	2,407	20,004
2045	18,184	1,820	20,004
2046	18,784	1,220	20,004
2047	19,403	600	20,003
2048	7,895	62	7,957
	<u>\$ 1,918,420</u>	<u>1,042,072</u>	<u>2,960,492</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES
June 30, 2011
(Unaudited)

Tax Year	Uncollected Delinquent Taxes June 30, 2011
2010	\$1,006,284
2009	414,440
2008	218,117
2007	74,153
2006	40,053
2005	32,727
2004	14,300
2003	64,390
2002	15,760
2001	14,289
Total	\$1,894,513

Uncollected Delinquent Taxes Filed in Chancery Court:

As of April 1, 2011, the above delinquent taxes for 2001 through 2009 have been filed by the City Attorney with the Washington County Chancery Court.

CITY OF JOHNSON CITY, TENNESSEE
UTILITY RATE STRUCTURE & NUMBER OF CUSTOMERS

June 30, 2011

(Unaudited)

<u>Water Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Base	\$3.96	\$7.92
0 - 20,000 Gallons Used	\$3.07 / 1,000 gal.	\$6.14 / 1,000 gal.
20,001 - 190,000 Gallons Used	\$2.46 / 1,000 gal.	\$4.91 / 1,000 gal.
190,000 - 490,000 Gallons Used	\$2.21 / 1,000 gal.	\$4.42 / 1,000 gal.
Over 490,000 Gallons Used	\$2.00 / 1,000 gal.	\$3.99 / 1,000 gal.
<u>Sewer Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Base	\$4.31	8.62
0 - 20,000 Gallons Used	\$4.33 / 1,000 gal.	\$8.66 / 1,000 gal.
20,001 - 190,000 Gallons Used	\$4.33 / 1,000 gal.	\$8.66 / 1,000 gal.
190,000 - 490,000 Gallons Used	\$4.33 / 1,000 gal.	\$8.66 / 1,000 gal.
Over 490,000 Gallons Used	\$4.33 / 1,000 gal.	\$8.66 / 1,000 gal.
<u>Residential Collection Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Collection at Roadside	\$9 / mon.	\$16 / mon.
Collection at Door	\$24 / mon.	\$27 / mon.
Additional Carts-Inside City ⁵	\$2.50/mon.	-
Two Carts-Outside City	-	\$24 / mon.
Three Carts-Outside City	-	\$48 / mon.
<u>Commercial Collection Rates:</u>	<u>Inside City¹</u>	<u>Outside City²</u>
4 yard ³	\$62.50 / mon.	\$110.00 / mon.
6 yard ³	\$77.50 / mon.	\$127.50 / mon.
8 yard ³	\$92.50 / mon.	\$145.00 / mon.
Each Commercial Cart-Inside City	\$14/mon.	-
Additional Carts-Inside City ⁵	\$2.50/mon.	-
One Cart-Outside City	-	\$16 / mon.
Two Carts-Outside City	-	\$24 / mon.
Three Carts-Outside City	-	\$48 / mon.
<u>Number of Customers:</u>	<u>Inside City</u>	<u>Outside City</u>
Water	25,589	16,022
Sewer	23,798	3,764
Solid Waste ⁴	21,149	9,701
<u>Unaccounted for Water:</u>	<u>Gallons</u>	<u>% of Total Gallons</u>
Pumped/Purchased gallons of water	5,416,288,280	100.00%
Accounted for gallons of water	<u>3,594,160,994</u>	<u>66.36%</u>
Unaccounted for (lost) gallons of water	<u><u>1,822,127,286</u></u>	<u><u>33.64%</u></u>

Sources:

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

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

²Includes dumpster which is furnished.

³Rates based on one collection per week.

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

⁵Decal purchased annually for \$30.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER

June 30, 2011

(Unaudited)

(All amounts in gallons)

Water Treated and Purchased:

Water Pumped (potable)	5,408,593,000	
Water Purchased	7,695,280	
Total Water Treated and Purchased		5,416,288,280

Accounted for Water:

Water Sold	3,448,217,100	
Metered for Consumption	0	
Fire Departments Usage	16,454,215	
Flushing	31,966,819	
Tank Cleaning/Filling	0	
Street Cleaning	261,740	
Bulk Sales	0	
Water Bill Adjustments	97,261,120	
Total Accounted for Water		3,594,160,994

Unaccounted for Water 1,822,127,286

Percentage Unaccounted for Water 33.642%

Cost per 1,000 gallons of water \$0.3729

Cost of Unaccounted for Water 679,544.15

Other (explain) 0

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

Note: The unmetered water percentage does not include leakage or meter accuracy adjustments as previously accounted for in the AWWA M36 manual accounting method. The yearly unmetered water would be 15.4% 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 15, 2011, which contains an explanatory paragraph noting the City's implementation of the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Johnson City Schools Site Based Fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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 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 (11-01 through 11-04). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

We noted certain matters that we reported to management of the City, in a separate letter dated December 15, 2011.

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

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

Johnson City, Tennessee
December 15, 2011

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, 2011. 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 compliance 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, 2011.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, 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

Johnson City, Tennessee
December 15, 2011

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

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 are four significant deficiencies relating to the audit of the financial statements, however none are 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>
Title II, Part A, U.S. Department of Education	84.367A
Heroes, U.S. Department of Education	84.184L
Education Jobs Grant, ARRA, U.S. Department of Education	84.410
First to the Top Grant, ARRA, U.S. Department of Education	84.395
ARRA Education Stabilization	84.397
ARRA and Infrastructure Projects, Department of Transportation	20.205
Federal Transportation Administration	20.507
Community Development Block Grant	14.218
National School Breakfast Program	10.553
National School Lunch Program	10.555
ARRA Central Energy Grant, Department of Energy	81.128

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

Section I - Summary of Auditors' Results (continued)

8. The threshold for distinguishing Types A and B programs was \$466,135.
9. The City was determined not to be a low-risk auditee.

Section II - Financial Statement Findings

Current Year Findings:

11-01 Significant Deficiency: Credit Card Purchasing Procedures

Condition: Several control deficiencies related to credit card purchases were noted during the audit including decentralized reconciliations and reviews, inconsistent controls among departments, an unreasonable number of credit cards issued, policy violations and failure to retain appropriate supporting documentation.

Criteria: Credit card purchases should be made strictly in accordance with the credit card policy manual and adequate review procedures should be in place to ensure propriety of all purchases.

Effect: Failure to monitor and implement adequate controls over credit card purchases could obligate the City for purchases that are improper or not compliant with their purchasing policies.

Recommendation: The credit card policy manual should be updated and adequate training should be provided to credit card holders of all departments. Strict adherence to the updated policy manual should be implemented including punishment for violations of credit card policies, such as purchases over the specified limits or split-purchases to circumvent the controls already in place. Credit card review and reconciliation processes should be centralized and all supporting documentation for credit card transactions should be retained and forwarded to finance. Standardized forms for documentation and review of credit card usage should be used to ensure that all departments are implementing the same control procedures over credit cards. Credit cards issued to individuals that are not required or necessary should be cancelled to reduce the number of credit cards held by the City.

Management Comments: Purchasing will review the list of cardholders and eliminate cards as necessary to ensure that the City maintains a reasonable number of cards. Purchasing will also review and update the procurement card policy, conduct training with all departments and implement an annual cardholder responsibility contract. Procedures will be revised to transfer responsibility for reconciliation and monitoring from Purchasing to Finance. Purchasing will be responsible for enforcement and will work with management to implement disciplinary measures for violations. Management will emphasize the importance of compliance with the purchasing card policy in monthly department head/division head meetings.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Section II - Financial Statement Findings (continued)

Current Year Findings (continued):

11-02 Significant Deficiency: Golf Course Budget Variances

Condition: The Golf Course fund failed to meet budgeted revenue expectations.

Criteria: Budgeted amounts should be reflective of prior year actual performance as well as reasonable performance expectations for the current year.

Effect: Amounts budgeted for motor cart rental revenue and green fees were not achieved leading to larger than budgeted general fund transfers.

Recommendation: Prior year actual amounts, trends, and prior year budgeted amounts should be considered to allow for the development of a reasonable current year budget.

Management Comments: Prior year actual performance was considered when developing the 2011-12 fiscal year budget, therefore, year-end results should be more reasonable when compared to budget.

11-03 Significant Deficiency: Payables Cut-Off Procedures

Condition: Payables cut-off procedures do not provide for the timely recording of invoices upon receipt or an accurate representation of amounts due at year-end.

Criteria: Upon receipt, invoices should be recorded on the books in a timely manner in order to allow for the proper recognition of payables at year-end.

Effect: There is a delay between the time an invoice is received and when it is recorded on the books, creating the potential for significant unrecorded payables at year-end.

Recommendation: Payables cut-off procedures should be reviewed with each department to ensure that the proper amounts are being recorded as payables at year-end. If there is a remaining risk that invoices will still be missed at year-end, procedures should be implemented to better identify and track invoices regardless of where they are received.

Management Comments: Numerous attempts were made, prior to and subsequent to year-end, to communicate the invoice cut-off date to departments and to inquire as to the existence of any FY 2010-11 invoices. Management will emphasize the importance of timely invoice submission in monthly department head/division head meetings. External to the general government, was a situation involving several large school furniture invoices not submitted by school officials in a timely manner. Communication will be made with school officials, prior to and subsequent to year-end, to inquire about outstanding invoices.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Section II - Financial Statement Findings (continued)

Current Year Findings (continued):

11-04 Significant Deficiency: Premiums and Fees Charged to Funds for Insurance

Condition: Health insurance premiums charged to the individual funds were substantially different than the amounts that would have been charged based on participation. It was also noted that the Schools did not allocate an appropriate amount for Worker's Compensation.

Criteria: Employer health insurance contributions made by the City and the Schools should be made in amounts that are based on actual employee participation by department. The School should budget and allocate appropriately for Worker's Compensation.

Effect: Certain funds bear a disproportionate share of the burden for health insurance and workers compensation insurance.

Recommendation: The processes for charging health insurance premiums should be reviewed and the premiums collected from the individual funds should be compared with actual participation and potentially adjusted to reflect the actual participation. The Schools should budget and transfer amounts for workers compensation in accordance with guidance from risk management.

Management Comments: Management will review the budget process for the employer share of health insurance premiums and adjust the budget to reflect actual participation. Management will communicate with the school the need to budget and transfer amounts for workers compensation in accordance with guidance from risk management.

Prior Year Findings Implemented:

10-01 Significant Deficiency: Police Records

Section III - Federal Award Findings and Questioned Costs

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